Indian GST and Canadian GST- A Comparative Study

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Abstract: Goods and Services Tax (GST) as a Value Added Tax (VAT) or Harmonised Sales Tax (HST) was first devised by a German economist during the 18th century. It was first adopted by France in 1954. At present, GST is levied in more than 150 countries around the world in different form and figure. In India VAT has been implemented in 1st April 2005, and on and from 1 July 2017, destination based unified dual GST has been implemented with CGST (for Centre), SGST (for states) for intra state supply and IGST for (CGST and SGST taken together) interstate supply along with import which is assigned for the state where supply is made. The Indian GST has two equal parts, Central parts and States’ part.

On the other hand VAT/GST has been implemented in Canada in 1991 along with provincial sales tax (PST). The federal sales tax in Canada includes a 5% federal part and a provincial component varies from 7% to 15%. The Indian GST is more scientific as compare to the Canadian GST. In Canada, provincial sales taxes are levied in addition to GST. But in India, no provincial sales taxes are present except and local tax. In relation tax administration, the Indian system is much better as compare to the tax administration in Canada. The study has been divided into five parts. Part I provides an introduction giving the introduction about GST in India and Canada. In part II review of literature has been made and in part III methodology of the study has been discussed. In part IV discussion of the result has been made and in part V conclusion has been made. In this paper an attempt has been made to assess the GST of India with the HST prevailed in Canada.

Keywords: GST, VAT, Canada, India

I. INTRODUCTION

India and Canada both are federal country. The Indian constitution is quasi-federal and the country has three-tier governments: the central government, the state governments and the local governments. The seventh schedule of the Constitution of India had divided functions and financial resources between the Centre and the states. It had contained three lists, namely: List I or union list of taxes, List II or state list of taxes and List III or concurrent list of taxes. Before GST regime, fiscal powers between the Centre and the States were clearly demarcated in the Constitution. The Centre had the powers to levy tax on the manufacture of goods except alcoholic liquor for human consumption opium, and narcotics while the states had the power to levy tax on sale of goods for intra states supply. In case of inter-states supply, the Centre had the power to levy a tax the Central Sales Tax, but the tax was collected and retained entirely by the originating states. In case of services, it was the Centre alone that was empowered to levy to service tax. The Centre also levied and collected additional duties of customs, basic customs duty on import and export. As in the seventh schedule of the Indian Constitution, taxes of the Centre and the States were clearly stated, so before the introduction of GST in India some constitutional amendments were required. To address all these and other issues, the Constitution(One Hundred and One) Amendment Act 2016 was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August,2016, and received assent of the President on 8th September, 2016 and has since been enacted as Constitution(101st Amendment) Act, 2016 w.e.f 16th September.

Indian dual goods and services tax is a destination base comprehensive value added indirect tax levied on manufacture, sale and consumption of goods and services throughout India and which has amalgamated several central and state taxes in a single tax without cascading effect facilitating a common national market.

Canada introduced GST in the form of a multi-level VAT in 1991 on supply and services purchased in the country-included almost all products except certain essentials like groceries, residential rent and medical services. In Canada sales taxes are also levied in addition to GST.

II. REVIEW OF LITERATURE

The literature covering the Indian GST and the Canadian GST are much less in the present time. Some papers are there which have analyzed the Indian GST and Canadian GST separately. Some web pages are available which have compared the Indian GST and Canadian GST.

Mahesh C Purohit (2001) has discussed the structure and administration of VAT in Canada in his paper entitled “Structure and Administration of VAT in Canada-Lessons for India”.

Brodeur M, Pierre L (2002) has discussed the relationship of GST and monthly income using statistical data of GST. Sahoo P, Sarkar A (2013) has examined the changing dynamics of the Centre State financial relations in India.
Ghouhan S. P, Bhatnagar A and Sing S (2017) have analyzed the Indian GST model with reference to the Centre and States relation in financial terms. The Institute of Cost and Accountants of India (2015) has discussed the financial relation between the Centre and States with the topic “An Insight of Goods and Service Taxes in India”. Ganesh J, Murugavelu M (2016) has made a study on GST as financial cooperation between the Centre and States in India.

Revenue Agency of Canada has published general information for GST/HST Registrants were the details information relating to Canadian GST is discussed.

**Objective of the Study**

The objective of this study is to assess similarities and dissimilarities between India GST and HST prevailed in Canada.

**Hypothesis**

For conducting the study it is hypothesized that Indian GST is more efficient as compared to Canadian GST.

### III. METHODOLOGY

The research has been conducted by analyzing the financial arrangement of Canada and India in relation to indirect taxation. The Indian GST laws and Canadian HST laws have been analyzed to make a comparison between the Indian GST and Canadian HST/GST.

Data Collection: Secondary data relating to Indian GST and Canadian GST have been collected from the official website of India and Canada. Data relating to India have also been collected from different news reports available in print media and electronic media. Similarly, data relating to Canadian GST have been collected from the official website of revenue agency of Canada.

### IV. DISCUSSION

**Indian GST**

Goods and Services Tax in India is a destination base comprehensive value added indirect tax levied on manufacture, sale and consumption of goods and services throughout India. It is levied and collected at each stage of value addition of sale of goods or services. Indian GST is dual GST which has amalgamated several central and state taxes in a single without cascading effect facilitating a common national market. Taxes or levies subsumed in GST are in the part of transaction chain with commences with import, manufacture, production of goods or provision of services at one end and the consumption of goods and services at the other. It ensures free movement of goods and services from one state to another without stopping at state borders for payment of state tax or entry tax and reduction of paperwork to a large extent.

Indian dual GST ensures one unified market, digital transaction and e-governance. Every tax payer under purview of GST regime has to report GST return electronically and monthly basis of every transaction or aggregate with a single common portal called GST Network (GSTN). The taxpayers are required to be paid net GST calculated as GST on output supply over GST on input supply. As all GST transaction in value chain is PAN linked, the income tax authorities have fully visibility to ensure income tax compliance. As per draft rules the central government is compensating revenue losses of the state from the impact of GST and it would be continues for a period of 5 years from the date of introduction of GST in India. In keeping with the federal structure of India, GST is levied concurrently for the Central government (GST) and state government (SGST) at equal proportion. The interstate supply is under the purview of integrated GST (IGST) which is the aggregate of CGST and SGST and the SGST of the destination state. Taxes on entertainment at panchayat and municipality, stamp duty in state level, tax on petrol and diesel in central and state level is still continued Indian GST Rates-The Indian GST rate structure is four-tier consisting of 5%, 12%, 18%, and 28% besides 0% on essentials. Gold is taxes at 3%.

**Registration**- As per Indian GST rules, all business and e-commerce operators carrying out a taxable supply of goods and services exceeding Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states) are responsible for registration. In addition to that, every person who is registered under the Pre-GST law (VAT, Excise, Service tax etc.) or the person who is making interstate supply of goods or services, non-resident taxable person, person paying tax under reverse charge method, input service distributor ,person who supplies through e-commerce operator and person supplying online information from a place outside India to India are responsible for normal GST registration.

Registration process consists of two stages. In the first stage of registration process, the taxpayers have to apply with PAN, mobile number and a valid email ID. After successful validation of these three information with the email OTP (one time password) and mobile OTP, TRN (Transaction Receipt Number) is generated by the GST common portal. In the next step, the taxpayers have to fill GST REG Form 1 using TRN in GST common portal (www.gst.gov.in) with the scanned copy of photo, copy of paper mentioning place of business like electric bill or tax receipts from proper authority or trade licence, photo copy of bank details. After
successful submission and validation of GST REG Form 1, an ARN (Application Receipt Number) is generated by the GST common portal within 15 minutes of submission. After successful generation of ARN, normally GSTN is generated within 3 common working days of respective state and the Centre. Initially, a temporary user ID and password is issued by the GSTN common portal to the taxpayer through the registered email ID and an intimation of GSTN generation is also sent to the applicant in registered mobile number. The taxpayers must change the said user ID and password after first login with some special features for security purposes. In the subsequent login the taxpayers have to use change login ID and password.

GST Return- As per draft rules relating to return of goods and services tax, there are 27 GST return forms. The widely used GST return forms are as follows:

- **GSTR1**: Outward details of supply of goods and services
- **GSTR2**: Details of inward supply of goods and services
- **GSTR3**: Consolidated monthly return
- **GSTR3B**: Summarised return of outward and inward supply
- **GSTR4**: Quarterly return for composition levy
- **GSTR5**: Return of non resident taxable person
- **GSTR6**: Input service distributor return
- **GSTR7**: Tax deduction at source return
- **GSTR8**: E-commerce operator supply return
- **GSTR9**: Annual Return
- **GSTR10**: Final Return
- **GSTR11**: Inward supplies statement for person having unique identification number

In addition to above mentioned return forms, as per draft of the GST rules there are another 16 return forms which are to be used for different special purposes of GST related return. Out of above mentioned return forms, as on 31-12-2017 only GSTR 3B, GSTR 1 and GSTR 4 are active in the common GST portal. So the technical team of common GST portal still is not in a position to complete the portal as per draft rules of goods and services tax of India. For filing GST return in India two options are available, monthly return for more than Rs 1.5 crore annual taxable supplies and quarterly return for less than Rs 1.5 crore annual taxable supplies in addition to temporary monthly return in form 3B.

**Canadian GST Rates**

The federal GST applies to taxable goods and services supplied in Canada. The Harmonizes Sales Tax (HST) is a blended federal/provincial sales tax that includes a 5% federal component and a provincial component that varies from 7% to 15%. In addition to HST/GST different other indirect taxes apply in Canada including fuel taxes, tobacco taxes, alcohol taxes and environmental taxes. The standard GST and other indirect taxes are GST 5%, HST 13%-15%, QST 9.975% and PST 5-8%. Certain supplies qualify as zero-rated supplies and are taxed at a 0% tax rate, such as basic groceries.

The tax rate of supply is applied where sales are made. The sales tax at HST-participating provinces are; New Brunswick 15%, Newfoundland and Labrador 13%, Nova Scotia 15%, Ontario 13% and Prince Edward Island 14%. In other provinces 5% GST and provincial taxes are applied. In British Columbia 7% PST, in Manitoba 8% RST, in Quebec 9.975% QST, in Saskatchewan 5% PST is levied. In Alberta, Northwest Territories, Nunavut or in the Yukon sales tax on goods and services is restricted within maximum 5%.

The tax applied on the final sale of a product or a service in Canada is called sales tax. Generally the following sales taxes are levied in Canada:

- **GST**: A federal tax called GST is levied by the federal government in every province in Canada
- **PST**: In addition to GST, Every province except Alberta levies a provincial tax which is known as PST (Provincial Sales Tax)
- **HST**: The combination of GST and PST is called Harmonized Sales Tax (HST) which is levied in the provinces of New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island.
- **QST and RST**: In Quebec both the provincial sales tax QST (Quebec ales Tax) and GST are levied. In Manitoba RST (Retail Sales Tax) and GST are levied.

Taxable and Non-taxable Goods-All sales made in Canada have classified into three categories: those that are taxable, those are zero rated which are taxable but are taxes at zero rate and those that are exempted from tax.

**Registration**-Generally, a person or entity is required to register and collect GST/HST if the person or entity makes taxable supplies in Canada and the value of its taxable supplies made inside or Outside Canada exceeds 30000 Canadian dollars (CAD) in the last 4 calendar quarters or in a single calendar quarter. If the value of those supplies is below this registration threshold, the person or entity can choose to register voluntarily for GST/HST purpose. Once registered, the person or entity must collect GST/HST on all its taxable sales. After successful registration, taxable person will receive a business number (BN) which is to be noted in the invoices.
Return File: Generally, for GST/HST and QST purposes, the reporting period vary according to the total annual revenues from taxable supplies made in Canada by the particular business and any associates. One taxable entity is to be filed annual return if total annual revenues are up to Rs CAD 1.5 million, quarterly return is to be filed when total annual revenue range between CAD 1.5 million to CAD 6 million and monthly return is to be filed if total annual revenue exceeds CAD 6 million. Varies penalties can arise from non-compliance under the GST/HST, QST and PST system like penalties for late file or false statement in return or interest on outstanding tax demand. In addition to that reverse charge mechanism is also applicable in Canada to self-assess GST, HST or PST on certain goods and services import.

V. CONCLUSION

From the above analysis it is clear that there are huge similarities between the GST prevailed in Canada and India. Canada is the second largest country in the world having larger regional disparities as compared to India. The GST structure in Canada is more complicated as compared to the GST structure in India. In relation...
to number indirect taxes, tax administration and compliance, Indian GST is scientific and comparatively better as compared to the indirect system prevailed in Canada.

VI. REFERENCES


Website Visited
[10] www.gst.gov.in