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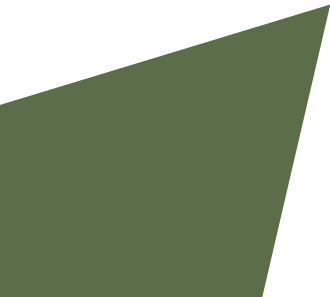
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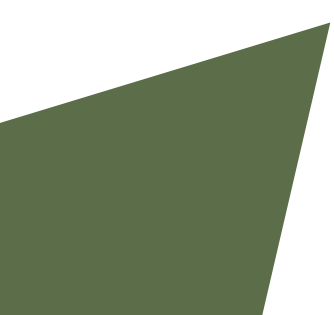
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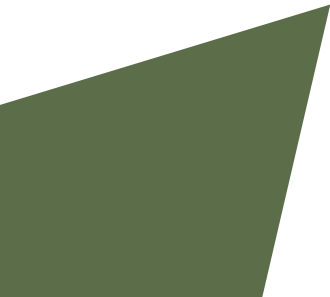
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**Comparative study of GST in India and Singapore: How can India  
improve their indirect tax regime?**

**Arindam Mishra**

## INTRODUCTION

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The Goods and Services Tax (GST) was implemented in India on the 1<sup>st</sup> of July 2017. It was planned to be implemented in April 2010 but was delayed due to political issues and conflicting interests of the stakeholders. GST is an indirect tax used in India on the supply of goods and services. According to the government of India, GST is regarded as a reform rather than an amendment in the existing indirect tax regime. It is comprehensive as it has replaced many indirect taxes that previously existed in India and hence simplified the complex Indian taxation system. In other words, it is one indirect tax for the whole nation. GST is considered as a multistage and destination-based tax regime as it is imposed on every step of value addition and levied where goods and services are consumed, unlike the previous taxation system where tax was levied where goods and services were produced (origin-based). This paper throws an insight into the GST model in India and also draws a comparative study with that of Singapore system of indirect taxation, further it will highlight how India can improve its GST regime.

## GOODS AND SERVICES TAX (GST) IN INDIA

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According to the Constitution of India, “Goods and Services Tax” means any tax on Supply of Goods or Services or both except taxes on the supply of the alcoholic liquor for human consumption.<sup>1</sup> This article was added to the Constitution (101<sup>st</sup> Amendment) Act, 2016. The GST in India is dual in nature where the Union Government will levy and collect Central GST (CGST) and State Government will levy and collect State GST (SGST). The Central Government will also levy and collect Integrated GST (IGST) on inter-supply of goods and services from one state to another.<sup>2</sup> GST has been structured in such a way that essentials goods and services are placed at lower tax brackets and luxury goods and services are placed at higher brackets. So all the goods and services are categorized under four tax slabs of 5%, 12%, 18%, and 28%. Apart from these slabs there are several items are taxed at zero per cent also exports would be taxed at zero per cent which would likely to generate more employment opportunities and lead to the development of the economy. Gold is taxed at 3% rate, precious stones at 0.25%, while alcohol, petroleum products are excluded from the GST.<sup>3</sup> Currently, businesses having an aggregate turnover of up to 40 lakhs have been exempted from the registration under GST. For the states of Arunachal

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<sup>1</sup> The Constitution of India, 1950, Art 366 (12A)

<sup>2</sup> ‘Goods and Services Tax Council’ (*Ministry of Finance, 14 May 2020*) <<http://www.gstcouncil.gov.in/about-gst>> accessed 15 May 2020.

<sup>3</sup> ‘GST RATE SLABS SIMPLIFIED’ (*Kotak Mahindra Bank*) <<https://www.kotak.com/en/stories-in-focus/gst-rate-slabs.html>> accessed 15 May 2020.

Pradesh, Assam, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand, the exemption is Rs.20 lakhs.<sup>4</sup> However, businesses may still voluntarily register under GST even if their annual taxable turnover is less than the threshold limit to avail the benefits of GST. A unique Pan card based identification number would be allotted by the Government to the taxpayer to facilitate tax payment and various returns also tax returns should be filed separately to the Union Government for Central Goods and Services Tax and various State Governments under GST.

The introduction of the Goods and Services Tax (GST) was aimed to remove the problem of cascading effect also termed as 'tax on tax'. This occurs when a good is taxed at every stage of production until it is finally sold to the consumers. As a result, the end consumer bears the burden of multiple taxed imposed on every stage of value addition. Under the GST regime, an individual can claim Input Tax Credit (ITC) means that the input tax which has been earlier paid can be utilized to offset the tax payable on output. In other words, the effective GST paid by the dealer to the government will be the difference between GST on output and GST paid on input. Hence reducing the value of the final output.<sup>5</sup>

The Goods and Services Tax (GST) is governed by the Goods and Services Tax Council that is a key decision-making body that takes all the major decisions relating to the GST. It has been constituted under Article 279(1) which states that the GST Council has to be constituted by the President within 60 days of the commencement of Article 279A. As per the article, GST Council will be a joint forum between the Centre and the States with the Union Finance Minister as the chairman and all the Finance Ministers of the States as its members.<sup>6</sup>

The Government of India has brought GST to simplify the Indian regime of indirect taxation for the unobstructed flow of goods and services. GST has unified the Indian economy into a seamless national market.

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<sup>4</sup> 'Boost for SMEs: Exemption limit for GST hiked to Rs.40 lakh from Rs.20 lakh' (*The Economic Times*, 5 August 2020) <<https://economictimes.indiatimes.com/small-biz/policy-trends/boost-for-smes-exemption-limit-for-gst-hiked-to-rs-40-lakh-from-rs-20-lakh/articleshow/67471417.cms?from=mdr>> accessed 16 May 2020.

<sup>5</sup> Sathish AR, 'Cascading Effect GST: How GST Eliminates Tax on Tax?' (*Quickbooks*) <<https://quickbooks.intuit.com/in/resources/gst-center/cascading-effect-gst-how-gst-eliminates-tax-on-tax/>> accessed 15 May 2020.

<sup>6</sup> 'GST Council – Meeting Live Updates on Notifications, Amendments, Dates & Members of Council Body' (*ClearTax*, 13 March 2020) <<https://cleartax.in/s/gst-council>> accessed 18 May 2020.



## THE GOODS AND SERVICES TAX (GST) IN SINGAPORE: WHAT CAN INDIA LEARN?

Singapore follows a similar method of indirect taxation but the Goods and Services Tax (GST) in Singapore was introduced around 2 decades ago on the 1<sup>st</sup> of April 1994. The motive behind the introduction of GST in Singapore was to increase competitiveness. “A fairer tax, a brighter future” became the slogan as quoted by Glenn P. Jenkins and Rup Khadka.<sup>7</sup> However, unlike India, Singapore has only a single tax slab. In Singapore, GST was introduced at 3% but subsequently, it was increased to 4% in 2003 and to 5% in 2004. Currently, the GST is charged at the prevailing rate of 7% which was increased on the 1<sup>st</sup> of July 2007.<sup>8</sup> Businesses registered under GST must charge on all sales of goods and services in Singapore.

A business must register under the Goods and Services Tax (GST) if the annual taxable income exceeds \$1 million (SGD). However, a business may still voluntarily register under GST even if their annual taxable turnover is less than \$ 1 million (SGD).<sup>9</sup> There are certain supplies which are taxed at 0% called zero-rated supplies. A trader registered under GST need not have to charge GST on zero-rated supplies only "exports" of goods and "international" services are zero-rated in Singapore.

Some supplies have altogether have been exempted from GST such as ‘sale and lease of residential properties’ and ‘financial services’.<sup>10</sup>

In a study by UNSW Sydney and KPMG, Singapore came out in top that considered the compliance requirements and administrative burden involved with adhering to Value Added Tax (VAT) and Goods and Services Tax (GST) rules. The research concluded that on a scale of one to 10, one represents a VAT system with a very low, or minimal compliance burden. Singapore became the only country to occupy the top spot with a compliance burden index of two.<sup>11</sup> Unlike India, Singapore's system is very user-friendly and transparent in its accountancy practices. GST

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<sup>7</sup> Samuel Ravi Kumar, ‘GST: A Comparative study of India vis a vis Singapore’ (*Innovative Publication, March 2018*) <[http://www.jmraonline.com/uploads/121/4762\\_pdf.pdf](http://www.jmraonline.com/uploads/121/4762_pdf.pdf)> accessed 20 May 2020.

<sup>8</sup> ‘Goods and Services Tax’, (*Ministry of Finance Singapore, 29 August 2019*) <<https://www.mof.gov.sg/policies/tax-policies/goods-and-services-tax>> accessed 20 May 2020.

<sup>9</sup> ‘Goods and Services Tax (GST): What It Is and How It Works’ (*Inland Revenue Authority of Singapore, 18 February 2020*) <[https://www.iras.gov.sg/irashome/GST/GST-registered-businesses/Learning-the-basics/Goods-and-Services-Tax--GST---What-It-Is-and-How-It-Works/?utm\\_content=buffercf585&utm\\_medium=social&utm\\_source=plus.google.com&utm\\_campaign=buffer](https://www.iras.gov.sg/irashome/GST/GST-registered-businesses/Learning-the-basics/Goods-and-Services-Tax--GST---What-It-Is-and-How-It-Works/?utm_content=buffercf585&utm_medium=social&utm_source=plus.google.com&utm_campaign=buffer)> accessed 18 May 2020.

<sup>10</sup> ‘Goods and Services Tax’, (*Ministry of Finance Singapore, 29 August 2019*) <<https://www.mof.gov.sg/policies/tax-policies/goods-and-services-tax>> accessed 20 May 2020.

<sup>11</sup> ‘Singapore in top spot for VAT, GST compliance: Study’ (*The Straits Times, 7 October 2020*) <<https://www.straitstimes.com/business/economy/singapore-in-top-spot-in-vat-gst-compliance-study>> accessed 20 May 2020.

in India, on the other hand, is one of the most complex. According to a report published by World Bank, The Goods and Services Tax (GST) system in India is among the most complex in the world with one of the highest tax rates and also one of the largest number of tax slabs. There have also been reports of locking-up of working capital because of the slow tax refund processing due to increased administrative tax compliance burden on businesses. The prevalence of multiple tax rates leads to higher compliance costs which are a huge burden for micro, small and medium enterprises.<sup>12</sup>

In India, the Goods and Services Tax GST threshold limit has been increased to Rs.40 lakhs from earlier Rs.20 lakhs which has provided some relief MSMEs but it is still significantly lower when compared with that of Singapore. Many experts have suggested that India should do away with multiple tax slabs under the Goods and Services Tax for higher ease of compliance as the compliance is exorbitant and unnecessarily complicated.<sup>13</sup>

## CONCLUSION

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Tax policies play a very crucial role in the development of the economy. The introduction of the Goods and Services Tax (GST) in India is the greatest tax reform since independence. The main objective behind passing GST was to remove the cascading effect of tax also called double taxation or 'tax on tax' by subsuming many the indirect taxes which existed before the introduction of the Goods and Services Tax (GST). It has the potential to be a game-changer by unifying the country as one market in the long run but the ease of compliance is the foremost thing that India needs to learn and adopt from the Singapore system of GST. India should aspire to move towards the least tax slabs possible and adopt a single or a two-rate system to conform with global best practice to achieve greater ease of compliance. GST will likely boost up India's GDP and bring transparency in the Indian tax system which will promote economic development. It has broken all the tax barriers between the Union and the State governments and also simplified Indian indirect tax regime but it is also surrounded by various challenges and problems but despite the drawbacks, the benefits of the GST are likely to outweigh its costs in the long run as quoted by World Bank.

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<sup>12</sup> 'GST: Indian system among the most complex globally, says World Bank report' (*Business Standard*, 16 March 2020) <[https://www.business-standard.com/article/economy-policy/gst-indian-system-among-the-most-complex-globally-says-world-bank-report-118031600472\\_1.html](https://www.business-standard.com/article/economy-policy/gst-indian-system-among-the-most-complex-globally-says-world-bank-report-118031600472_1.html)> accessed 20 May 2020.

<sup>13</sup> 'Citing Singapore model, experts bat for cutting multiple GST rates in India', (*The Economic Times*, 29 October, 2020) <<https://economictimes.indiatimes.com/news/economy/policy/citing-singapore-model-experts-bat-for-cutting-multiple-gst-rates-in-india/articleshow/71805457.cms?from=mdr>> accessed 20 May 2020.