CHAPTER – 4

RELEVANT LITERATURE REVIEW

Aamir, (2011) The authors in this paper have studied the composition of direct and indirect taxes in the total revenue generation for the Government in India and Pakistan over a period of time, for period 1999-00 to 2008-09. The reason is that indirect taxes increase the inequality between the rich and poor i.e. it is regressive in nature whereas direct taxes are more progressive. Direct tax or income tax is generally a tax on the income earned. Hence more the income earned higher is the tax paid. Thus direct taxes are considered as progressive in nature.

However, irrespective of the income levels, indirect taxes which are taxes imbedded in the costs of goods and/or services consumed are paid by every person/entity rich or poor at the time of consumption. Thus the tax is considered regressive. Hence a country does better to rely on direct taxes for its revenue generation so that the progress is better.

The authors have concluded that India relies on direct taxes and Pakistan on indirect taxes for its revenue generation. The impact of this could be that in Pakistan the inequality between rich and poor will go on increasing and the labour class will suffer.

Aasness, (2002) The authors in this paper have studied the impact of distributional efficiency of 12 different direct and indirect taxes in the Norwegian Tax system on lowering the inequality in income and their impact on environment with respect to Norway. The study has then ranked this distributional efficiency for the 12 different direct and indirect taxes.

For the purpose of the study, the measure of welfare is calculated based on the average standard of living, the equality of the standard of living and the Sen Welfare which is a combination of the average standard of living and the equality thereof. The study has found that all tax reforms (the
reforms studied are also mentioned in the paper) have a positive impact on both the standard of living and the factor of Sen-Welfare.

Ahmad, (2009) The authors in the paper have discussed the proposed GST to be introduced in India, specifically in relation to the place of supply rules for services to be adopted, the method to apply dual GST i.e. how would the GST operate between states and the centre, the tax rate to be applied etc. The authors have discussed the options to introduce the dual GST in India which could be Concurrent Dual GST, National GST or State GST.

Under the concurrent dual GST the better option was the one where GST is applied on both goods and services. The other option explored was where the Central GST would be on goods and services but state GST would be only on goods since state to collect GST in services is difficult to determine. This option also recommended one single return with both CGST and SGST details and PAN based registration.

Given the difficulties in identifying the state where SGST on services is payable, one more variant of dual GST was where the centre collects SGST on behalf of states and then apportioning it on some scientific basis. The national GST is combining state and centre taxes with any one body collecting taxes and then distributing depending on some agreed basis.

The third model where the CGST and SGST would coexist mainly requires a constitutional amendment so that states can tax services and centre can tax goods. Further the place of supply of services needs to be robust to allow decision on which state would collect the SGST especially in case of intangible services.

The authors then discuss the various rates available to tax, the slab structures, the exemptions etc. The authors in the paper have also stated how financial services are treated as exempt globally. Further in India, they are taxed and India also taxes margins in financial trades. The paper concludes that whilst GST is much awaited all these issues need to be addressed for it to be effective.
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.

The proposed system is expected to reduce the cascading effect of indirect taxes. The paper suggests that to reduce the regressive effects of VAT, the VAT rates can be in two slabs, one the standard rate for all goods and a reduced rate for the preferred goods which are considered as essentials. The author has also discussed how for successful implementation of VAT it would become necessary to completely revamp the entire tax administration system. Further a solution would need to be found for the method to integrate the GST at the state level and national level.

The author also states that for the system to be effective it has been suggested that it not be introduced in parts sector wise but be introduced at both central and state government level across all sectors. The paper discusses in detail the services to be exempted, the method of administration of the tax, the services to be input taxed/zero rated, definition of the base of taxation i.e. the goods/services covered etc.

Aizenman, (2005) The authors have in the paper studied 44 countries over the period 1970-99 in respect of the efficiency in collection of VAT. The factors on which the efficiency depends are the political landscape i.e. political stability, greater political participation, etc. increase VAT collections.

The other factors considered are the structural factors like the simplicity to evade tax, the contribution of agriculture to the economy, the openness in business, the level to which the economy is urbanized etc. The paper studies the correlation between these factors and their
impact on VAT collections. The main two factors determining the VAT collections seem to be the probability of being audited and the penalties one would need to pay for having evaded tax.

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.

The author also examines the provisions followed in Australia to tax financial services provisions and whether the intention of the legislature in taxig the financial services is apposite. Through the paper the author has shown how clear-cut drafting of the said provisions has resulted in literal interpretation of the same by Courts and has therefore resulted in frustration of the legislative intention behind the provisions.

Bhat, (2014) The author in the paper has discussed e governance of the VAT system in India with specific reference to Goa and Kerala. India had the system of sales tax which was quite complicated upto almost 2005. In 2005, lot of states adopted the Value Added Tax instead of sales tax, Goa and Kerala being two of them. The main advantage of VAT was the availability of ITC on goods purchased.

The paper is based on studying the understanding of the Vat laws as they are by the common businesses to which it applies in Goa and Kerala. Further, currently the major compliance under the VAT systems is undertaken electronically. This includes monthly payments, returns, refunds etc. The paper also studies the impact and understanding of the said businesses in relation to the E-governance efficiency of the VAT laws in Goa and Kerala.

It is observed that the move to computerise everything is welcomed by the general public since it increases the transparency in working. However, people need to be educated on the various laws. Ideally the government should conduct some training programmes for e-governance to
increase its awareness and to reduce the dependence of businesses on professionals for e-compliances. The study shows that businesses feel that E governance is seen to reduce visits to the tax office and smoothen compliance. Forms etc. for compliance are easily obtained online.

However, government needs to simplify the laws further to increase compliance. Another issue identified under the study has been that even with e-governance, the speed of grant of refunds is slow. This needs to be improved for better compliance.

**Bikas, (2013)** The authors have studied the VAT rate and the EU economy and also the link between the VAT and macroeconomic indicators and their influence on the VAT rate. The authors have tried to identify the factors impacting the VAT collections in the EU countries.

The VAT is considered very important because primarily it is one of the greatest contributors to government revenue and help fund public spending and it impacts all consumers irrespective of their status and income. The rate of VAT in different countries of the EU and it impact is one of the factors studied. The data studied spans from 2004 to 2011. The authors conclude that there is a positive relation between macroeconomic indicators like Gross Domestic Product, per capita income and consumption, export, import etc and the VAT rate applicable.

**Bird, (2009)** The authors in the paper discuss the indirect tax system in Canada, where there is a federal VAT – the GST, state level VAT administered in some provinces – HST the provincial sales tax PST, the retail sales tax and in some cases no VAT in the states. Thus multiple taxes, known by different names like GST, HST, PST and QST operate simultaneously in Canada.

Canada thus has a central or federal level GST and the subnational level HST/PST/RST. The paper discusses how the system of VAT based on value addition payable on destination based consumption is working in Canada. In some of the states the tax is administered at a federal level whereas in some it is only provincial. In the states where the federal administration is
followed, the central government administers both the central GST and the provincial sales tax called HST. The HST is then distributed to the states based on the level of consumption.

In Canada, some states have only GST and some have GST and local sales tax also known as Provincial Sales Tax and/or retail sales tax. Further under GST the financial services are treated as exempt services i.e. no ITC available whereas in some of the provinces for eg. in Quebec, they are treated as zero rated and hence ITC is recoverable.

However the recovery of ITC has certain restrictions. This double system has led to quite a few issues. The paper has discussed these issues caused by different base/treatment given to the same products under GST and QST/PST and concluded that in a federal scenario it is advisable that the base for taxation be same under all taxes.

**Bird, (2012)** The author traces the history of sales tax in Canada from inception to the current GST, HST, QST etc. in the federal background i.e. where there is a central government charged GST or sales tax or VAT and various state province level taxes charged like HST or PST. Further there are independent VATs charged like QST.

Thus the paper traces the best methods/processes for federal VAT taxation. The paper discusses various methods to improve the federal taxation. The main principle of VAT is that the credit is invoice based and the taxability is destination based. Canada originally had Manufacturer’s Sales Tax or MST which was replaced by GST in 1991.

However, the opposition to the same was so high that the party which introduced GST, lost the elections in 1993. Later, the new government though promising to eliminate GST, only introduced a variant in the form of provincial VAT - HST in few provinces where the base for taxation was similar to the federal GST. These provinces were compensated for the introduction (unlike Quebec which was not compensated at all). Thus few provinces administered GST and HST whilst Quebec had GST and QST. The others continued with the Retail Sales Tax or RST.
Thus the provinces applying HST had the GST component imbedded in it, were compensated for administering GST. Quebec administered QST separate from GST. The place of supply rules are predominantly origin based. Thus the provinces have chosen to have independent Subnational VATs (QST) or subsumed them with GST – HST.

**Borec, (2013)** The authors are consultants with PwC Switzerland and have discussed how assessees may comply with the VAT laws given that the GST is a destination based tax. Effective 1 January, 2015, the place of supply rules have been modified to change the taxability of the services like telecommunication/broadcasting etc. in B2C cases from location of service provider to location of service recipient. The authors mainly deal with B2C cases where the VAT compliances would need to be done in the state where the customer is located.

**Bovenberg, (1992)** The author uses a general equilibrium model to assess different instruments of indirect taxation in middle income countries. The author has specifically studied Thailand and studied the impact of these different instruments on the revenue generation for government, their effectiveness, etc. The paper studies the impact of these instruments in Thailand on its economy compared with international other similar economies and the effect on the inequality in income in Thailand. The author has concluded with suggestions on various methods to increase the effectiveness of indirect taxes.

**Brew, (2012)** The authors have studied the relation between the mode of collection of VAT revenues with the target of VAT collection for the municipality of Tarkwa – Nsuaem in West Ghana. The authors have used questionnaires and interviews to collect the data and then analysed it using the regression analysis and established that the method of VAT collection in the said municipality was above average. The study is important because VAT is one of the primary revenue generators for any Government.
Central Excise Act, (1944) The Act deals with excise which is a tax on goods manufactured in India. The tax is administered by the Central Government. It specifies the goods liable to excise and the various rates of duties applicable and the abatements/setoff available. It also describes the method of availing credit of duties paid on purchasing by a manufacturer. It lists out the various compliances to be undertaken by the tax payer like challans, returns etc.

The Act is a fiscal one relating to tax on manufacture. It also has provisions for availing Cenvat credit, audit, refund of tax etc. The Act is very relevant because service tax which is not a separate Act is drawing many of its provisions from this Act. Service tax is levied through the Finance Act and many of the provisions of the Central Excise Act are made applicable to service tax.

Relevant provisions for the financial services industry drawn from this Act are section 11B – Claim for refund of duty, Section 11 BB- Interest on delayed refunds, various provisions relating to appeals, procedure thereof, matters referred to settlement commissions, their powers, duties, orders etc.

Central Sales Tax Act, 1956 This Act administers the sales tax on interstate sale of goods. It is particularly relevant because it shows how currently the state of origin or the state from where the movement of goods commences collects the sales tax on interstate sales. This is different from the proposed GST where the interstate transactions will pay tax in the state of destination. Further the taxes under this Act though a subject of central levy is administered by the respective government and proceeds thereof are kept by the said Government.

This can be relied on whilst devising the system for future GST administration of IGST. Further ideally after introduction of GST, this Act needs to be repealed to avoid multiplicity of taxes.
Cenvat Credit Rules, 2004 These rules are extremely important and relevant since they contain provisions in relation to amount of Cenvat credit or ITC which can be availed. There was a Notification 23/2004 C.E.(NT) dated 10 Sep., 2004 issued under section 94 of Finance Act, 1994 and section 37 of the Central Excise Act, 1944. This overruled the existing Cenvat Credit Rules, 2002 and Service Tax Credit Rules, 2002 and the rules under reference were issued.

The rules provided definitions mainly important ones being the capital goods, inputs and input services as ITC is available on the same. The rules also provide the exclusions to the definition of each. From a financial services point of view definition of input services and the exclusions thereeto are highly relevant since they determine the eligible ITC for financial institutions. All other input taxes on exclusions would become costs and result in cascading of taxes.

The rules also define ‘exempted’ services. This is again relevant as ITC on exempted services is totally not available irrespective of the eligibility as an ‘input service’. Thus the classification as ‘exempt’ service results in increase in ITC costs. The rules also specify the taxes which can be included to avail Cenvat credit eg. Excise duty paid, service tax paid etc. The rules describe the requirements of the document or invoice based on which ITC can be availed. It also provides the provisions and procedure to claim refund of blocked ITC.

The rules then provide the procedure for availment of credit by service providers like banks who provide both exempted and taxable services as defined under the provisions relating to service tax. Currently financial institutions are required to avail only eligible credits, not take credits of tax paid on inputs services purely for exempt services, and of the balance reverse 50%. This flat slab reversal is required as banks provide both exempt and taxable services and hence are not allowed full credit of ITC. This results in the 50% written off becoming costs for banks which ultimately results in cascading of taxes. The rules also provide for other things like transitional provisions, penalty provisions etc.
Ciobanu (2012) The authors trace the correlation between the types of taxes and their role in the budgeted revenues and the fiscal development of Romania. Indirect tax by its very nature is easier to govern, is neutral to status of tax payer, and increases revenue but leads to inflation. On the other hand direct taxes depend on the tax payer and are difficult to govern. Further, indirect tax helps the government to an extent to direct consumption of the public. The authors conclude that both the taxes are important for overall growth of the economy.

Cnossen, (1992) VAT is operative in a number of countries and primarily in countries where federal government is not in existence. The author has studied the various VAT systems existing in the world and tried to arrive at an appropriate VAT for Central and East Europe countries.

This was because, the Central and East European Market was in the process of migrating from being a planned economy to a market driven one. One of the first requirements for this was a change in the approach to taxations and introduction of indirect taxes like value added tax.

The author has laid down various requirements to ensure that the said VAT is completely effective like it should be destination based, the input credit mechanism should be seamless, the law should be easy to understand, cost of conformity should be low etc. Further it is necessary that the burden of VAT should be considered whilst drafting exemptions else VAT can be highly regressive as it is equal for all. The rate of VAT needs to be well researched to give both high government revenues at the same time not impact the common people too much. Thus the author has listed the various factors to be considered for introducing the VAT.

Collins, (2014) The author in this paper has studied and evaluated the contributions by households to the direct and indirect tax collections in Ireland. Further these contributions and the impact thereon are studied in the light of the recent reforms in indirect tax undertaken in Ireland.

Households in Ireland contribute greatly to the direct taxes collections in the nature of income taxes, social insurance payments, and contributions from earnings. Further in an unseen manner,
they also contribute greatly to the indirect taxes through payment of VAT, excise, duties, local charges etc. which are embedded in the costs of goods and services they consume. The paper uses the data from the household budget surveys to estimate the contributions by households to direct and indirect taxes in Ireland.

Then the impact of the two recent VAT reforms in Ireland on these collections is studied. The two VAT reforms were an increase in the standard VAT rate to 23% and the introduction of a reduced VAT rate of 9% for specific sectors.

The conclusion has been that indirect tax reforms may not always be distributive as desired and direct tax reforms were progressive. The lower and higher income groups were found to be more impacted by changes in VAT than the middle income group. Overall VAT was seen to be regressive. Further the increase in VAT rate had a regressive impact and the reduction in VAT rate had a progressive impact.

**Constitution of India** The Constitution of India is the law of the country which lays down basic framework within which the powers, duties and rights of the people and the Government lie. It states the fundamental rights of the citizens, their duties and the directive principles for the Government to function. It details the rights and duties of the Government also.

Amongst other rights it confers the right on the central and states governments to administer respective laws in relation to different taxes. Right to tax sale of goods is with the different states and hence different states apply VAT. Similarly the right to tax services rests with the Central Government.

Currently this has become a point of discussion as without central government having the right to tax goods and the states having the right to tax services, implementation of Goods and Service tax is impossible. This is because GST is a comprehensive tax on both goods and services together. Hence without the constitutional amendment as mentioned above, the GST cannot be introduced.
**CRISIL, (2014)** The authors have in this paper through CRISIL, placed their views and discussed how GST would be a good solution to solve the fiscal deficit of India, especially in light of the current majority Government. GST would help since it is a structural reform, leading to higher tax collections since at this stage the deficit cannot be lowered by reducing expenditure.

The paper suggests that the Government could consider reducing expenditure on subsidies and spending on education, health, infrastructure etc. The Government needs to reduce the fiscal deficit and for this they can look at GST as a great revenue generator.

However, the related law and rules, the practical issues arising due to unclear provisions on place of provision of the services, the IT framework to administer GST etc. need to be addressed before introduction.

**Crossley, (2009)** In 2009, the United Kingdom Government decided to reduce the VAT rate by a marginal amount in order to boost the consumer spending. The authors have studied the said relation in his paper and concluded that if the VAT rate is reduced, the spending by general consumers increases resulting in overall buoyancy in the economy.

**Debruyne, (2013)** The author has in the paper discussed the existing laws in relation to taxes in Malaysia and then discussed the proposed GST to be introduced in Malaysia. Currently in Malaysia the main indirect taxes operational are service tax, sales tax, import and export duties and excise. The author has then discussed whether the GST when introduced to subsume these indirect taxes should be imposed on consumption, gross product or the income. Further whether the GST should be origin based or destination based. The paper lists all the benefits and drawbacks of the proposed GST along with inputs from the global experience.
Deloitte, (2014) In this paper Deloitte provides a summary of the changes proposed in the Place of Supply Rules for e services, telecommunication services and broadcasting services from 1 January 2015 in the European Union.

This paper is highly relevant from an Indian GST and financial services perspective, since India has a dual government and financial services are also intangible like e services. In brief the new rules propose that the e services provided to private customers and non registered customers i.e. B2C supplies will be taxable in state where customer is located. This is contrary to the existing rules in the EU, where such supplies are taxable where the supplier is located.

The new rules make it mandatory to identify the nature of customer (registered not registered etc.) and also the state where the said customer is located, the rate applicable etc. in case of the supply being B2C. Once this is completed, compliance needs to be done in the state where customer is located irrespective of whether the supplier is having business in the said state or not. (Mini One stop Shop - MOSS registration etc. has been offered as an option).

The minimum threshold will not apply and hence even one supply to a customer will trigger compliance in that EU member state. In case of the MOSS, the option has to be exercised across all EU member states.

Thus businesses will need to do two types of compliances, one in their domestic state and one for the MOSS registration which will include all services outside of their domestic state. The MOSS is then expected to distribute the VAT across the member EU states where the services are consumed.

Thus businesses need to evaluate their existing contracts, methods and processes to identify the above B2C kind of transactions, accounting and IT systems to provide data for compliances at the domestic and MOSS level and so on.
India can have learning from this in relation to the current POPS existing in India, the proposed CGST, SGST and IGST system to be introduced with GST and its impact on the financial services industry.

Deol, (2012) The author in this paper has discussed the background of GST proposed to be introduced in India. India has been trying to introduce GST since 2008. However given that India has a federal government and indirect taxes contribute greatly to the revenues of the states, it is not possible to introduce GST in India unless there is consensus within the states and centre.

The author discusses the advantages, the issues the states have with its implementation etc. in the paper. The author has also stated the ‘zero rating model’ for interstate sales. Under this model the exporting state dealer does not charge any indirect tax on the sales. However, the importing state dealer declares all his imports and pays tax on them in his state somewhat similar to an international reverse charge system operating currently. Under this system the compliance is simpler and GST remains a destination based tax.

Another option discussed is the one like in Canada where the centre will distribute the federal GST on interstate sales based on equity. However this model is ridden with problems and is highly unlikely.

A charge of both CGST and SGST is another model put forth in the paper. Given the Indian economy and political scenario this looks like the likely model to be introduced.

Further, the paper discusses how it is evident that introduction of GST will definitely increase the tax base, reduce the costs of tax imbedded in prices of products and generally increase the exports. A constitutional amendment will allow the states and union government to tax goods/services hitherto not within their taxation net.
Further, in relation to compliances the paper states that the registration, returns etc. are proposed to be PAN based and separate for central and state. This is likely to increase compliance. The paper concludes that introduction of GST would be advantageous to Indian economy.

**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.

**Ernst & Young, (2006)** The authors have carried out a study for the European Commission – Directorate General of Customs and Indirect Taxation. The study is in relation to taxation of financial and insurance services under the VAT system. It studies the different approaches like cash flow method, subtraction method etc. The paper discusses the taxability of gold transactions under VAT.

Further it is suggested that for financial services where there is no physical delivery involved the same should not be liable to VAT. The paper does emphasize that for taxing financial services having explicit place of supply of services rules is essential.

**Eugen, (2011)** The authors have examined the various methods adopted by assessees to evade VAT especially in intra country transactions in Romania. The paper describes the various methods that could be adopted to evade VAT like duplicate invoices, fraudulent invoices not backed by actual purchases, short declaration of output VAT liability, falsified refund claims etc.

The authors mention how the authorities need to evaluate whether the incorrect claims are due to malafide intentions or genuine errors. This is because obviously the penalty and interest in each case needs to be different.
**Eva, (2008)** The author in his paper has examined the cost of complying with the indirect tax laws in the Slovak Republic by doing research of small, medium and large businesses through a questionnaire and concludes that businesses especially the small ones are not able to and do not make efforts to quantify the cost of compliance which is quite high due to the complex laws.

**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.

**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.

**Feria, (2010)** The authors have evaluated the European Commission’s proposals in relation to reforming the VAT applicable on financial services. The issues arise in VAT and financial services due to the fact that the margin or return on financial services is both for lending the money and for bringing the lender and borrower together. However, it is almost impossible to segregate the return for each individually. For this EU had also explored the option of following the ‘cash-flow’ method to tax financial services. But this had too many practical problems mainly that of very high compliance costs. The paper primarily discussed the proposal to allow member states to ‘opt-in’ and tax the financial services so that ITC is available. The paper concludes that the practical implementation of the same is quite difficult.
**FICCI, (2013)** In this paper, the authors through FICCI, a body representing the industry, have explained the approach to the proposed GST and have discussed the same along with recommendations from FICCI.

FICCI believes that GST as a tax would lead to increase in the efficiency of the Indian economy, reduce the costs and efforts of compliance, increase the overall revenues and simplify tax administration. Based on these expectations, FICCI has placed these recommendations orally and through writing before the government.

Basically, the recommendations include points like no exemptions to be granted (eg – petroleum should also be liable to GST), state and local bodies should not have authority to impose additional taxes once GST is introduced. Further, the states may have an option of not adopting GST till they want, but once adopted they should not be given the option of quitting.

Further, once GST is introduced then origination based taxes like CST need to be abolished. It has also discussed, administrative issues, exemptions proposed, rate of GST etc. The paper suggests that exemptions should be few, they should be uniform across the country, threshold limits should be reasonably high so that very small businesses are kept out of the onerous compliances.

The paper also suggests abolition of outdated practices like entry bill, way bill etc. It suggests having a uniform adjudicating authority for both central and state level to reduce time and costs of litigation and to ensure that the same issue does not have to be dealt with by the assessee at both central and state levels.

Further the paper rightly states that robust transition provisions have to be drafted to ensure that things like accumulated credits etc. are taken care of. The basis of the paper is that GST needs to be introduced by taking all these factors into consideration. The reports from the Empowered Committee on proposed rate of GST, treatment of interstate supplies, dual administration etc. are also very relevant before GST is introduced.
Finance Act, 1994 Service tax is levied through the Finance Act and many of the provisions of the Central Excise Act are made applicable to service tax. Chapter V of the Finance Act, 1994 (as amended from time to time) and chapter VA of the Finance Act, 2003 contains the statutory provisions in relation to service tax.

Prior to 1 July, 2012 Section 65(105) contained the description of various services liable to service tax. Currently under negative list of taxation regime the following sections are relevant
- sections 66B the charging section,
- section 66D – negative list of services,
- 66E – Declared services,
- 66 F – principles of interpretation,

Further sections in relation to registration under service tax – section 69, filing of returns – section 70, special audit – section 72A, penalties – section 76-68, appeals – sections 84-86 are also contained therein. These are all very relevant since under the proposed GST the same, similar or slightly modified versions of the law will be introduced.

Hence it is important that the difficulties encountered currently in interpretation of these provisions due to ambiguity, incompleteness etc. be addressed before introduction of GST.

The section relating to negative list covers the income is received in nature of interest or discount by the financial services industry. Thus services of lending which are the predominant source of income of banks are not liable to service tax as they are covered under the negative list.

Firth, (2012) The topic of GST on financial services as always been a subject matter of great debate. There is a problem in taxing financial services due to their intangible nature, the confusion around the location of service provider and service recipient and the value of the
service. The authors in their paper are trying to address these issues especially for the country of Canada.

In Canada, there is an exemption for financial services, intermediary services in relation to financial services etc. The authors in their paper have discussed the existing laws and suggested changes to the existing laws for better efficiency in taxing financial services. When financial services are exempted, as is the case in Canada, the input costs include ITC resulting in increase in costs. However, valuing the exact financial service is difficult and hence not adopted.

In the situation, the authors have suggested zero rating i.e. allowing ITC to the service provider in case the recipient is a business. This means that in B2B transactions the financial services be treated as zero rated and ITC allowed and in others it be treated as exempt and no ITC allowed.

However, under this approach, the service providers would need to identify the status of customers and account for the two types of services separately leading to a different set of challenges. The authors have also suggested the methods to tax import of financial services and suggested time limits on retrospective legislative amendments to reduce uncertainty in doing business. Further the amendments should be accompanied with sufficient time for implementation and education of the public to avoid costs to the business since these taxes have to be collected from the customer and paid.

**Gale, (2011)** The authors in this paper have discussed how a federal VAT could be a potential solution for the fiscal deficit problem in United States of America. The paper discussed the ideal VAT that could be introduced in USA based on the Canadian experience.

The authors have discussed the yield ratio, which indicates the ratio of the increase in VAT revenues as a part of GDP due to an increase in the VAT rate. This would be positive for the USA and help in reducing the deficit.
The authors have also given comparative statistics for other OECD countries also to show how VAT helps generate revenues for the government. The authors have also discussed the benefits and drawbacks of zero rating certain preferred goods or making them exempt.

The paper also gives data on how VAT can be used to stimulate and continue economic growth. The paper also discussed the regressive effect of VAT, how it can be offset through certain welfare policies, the administrative issues encountered by both assesses and administration to implement VAT etc.

The paper also discusses how USA could adopt the Canadian system of VAT wherein the states would drop their local sales tax and integrate state tax with the GST.

**Gelardi (2013)** The author in the paper has studied the expected impact on consumers of the proposed National Consumption Tax to be introduced in USA since it would mean additional costs to the consumers. This proposed tax would be federal and in addition to the existing state sales tax in the various states of the US.

For this study, UK and Canada where the VAT or GST a similar tax on consumption, is already operative has been studied to see the change in consumer behaviour with introduction of these taxes.

The author concludes that there is not substantial impact on consumer behaviour due to introduction of these consumption taxes, however the rates of these taxes do impact the same in UK and Canada. If the rate change is major in these taxes, marked change in consumer behaviour is also observed.

However given that in US the tax is not replacing existing taxes but is additional the same results may not follow since to an extent in UK and Canada GST or VAT replaced existing taxes to a large extent.
Gendron, (2010) The author in this paper has discussed the treatment under VAT laws specially pure exemption from VAT of the entities in the public sector and the issues arising from it. Public sector includes entities like government entities, non profit entities, public sector bodies, charitable organizations etc.

Due to pressure from the general public to keep socio economic goals in mind whilst taxing such entities many time they are not covered under the tax net at all i.e. they are treated as ‘exempt’. This results in lot of distortions in the economy specially in developed countries.

To combat this, various options are discussed by the author like full taxation of public sector entities with full ITC, partial exemption, rebate of ITC to entities to reduce their costs etc. The paper then proceeds to mainly study and quantify the VAT system of granting rebate of VAT paid on inputs to such public sector entities under the Canada system as against the existing EU system.

The Canadian model is thought to be a good via media to keeping the socio economic goals and reducing distortions resulting out of complete exemptions.

Genpact, (2011) In this paper, Genpact has in brief stated how the outcome of the study conducted by them for a manufacturing client to whom European VAT was applicable, saved money due to certain process changes in handling VAT related compliances by the client.

The recommended changes also reduced the risks inherent in the process of availing credit. It shows how important VAT or indirect tax compliances have become in current environment especially with the proposed launch of the GST. The main lacunas brought out by the study were in the process of claiming of credit and the incompleteness of the documents based on which credit was claimed. Rectifications in these like establishing controls to weed out non compliant invoices, ensuring that vendors provided valid VAT registration numbers etc. led to a
visible financial benefit reinforcing the importance of indirect taxes in current business environment.

The study is particularly relevant to India whilst it awaits the GST, to ensure smoother processes to avail credit.

**Goeydeniz, (2010)** The author has prepared the paper for International Fiscal Association to show how the different place of supply rules, the administrative obligations etc. result in difficulties in taxing cross border transactions specially those of services which are intangible in nature.

The author has discussed the issues arising specially in cross border intangible services provided, where deciding the jurisdiction which gets the right to tax and the people involved who should be taxed is extremely difficult. The paper studies the difficulties in imposing and collecting tax from non resident consumers. For this the author has specifically referred to the European VAT Laws.

The author has also discussed the rules effective 1 January, 2015, whereby in Europe the place of supply for intangible services like financial, telecommunication etc. will be the place where the customer resides. This is contrary to the prior scenario where in such cases the place of supply was that of the service provider. This also entails difficulties to service providers in terms of compliance in states where the customers reside.

The authors have discussed the difficulties in this compliance especially in the e commerce transactions. For this EU has proposed the Mini One Stop Shop scheme to reduce the burden of compliance. Under this scheme though the laws etc. are applicable as per destination state, the compliance i.e. payment of tax, returns etc. may be done by the vendor in the state of his choice for all states together.
The other issue caused by the proposed change in law is that the service provider is forced to identify the status of the customer whether individual or business so that the transaction can be classified as B2C or B2B and then treated accordingly.

The author has discussed various types of services, status of customers (taxable and not taxable) and status of suppliers (resident in EU and non member states) and then discussed the VAT implications in different scenarios. In conclusion, the VAT laws pose difficulties in case of cross border transactions specially in case of intangible services.

Govind (2011) The author in the paper has discussed the current indirect tax system in India and its drawbacks, the benefits of the proposed GST to be introduced in India and suggestions to improve the proposed laws. The author states that given the various complexities of the current service tax legislation, the cascading effect of VAT and the blocked input tax costs, it would be very necessary for India to introduce GST at the earliest.

The paper also analyzes and discusses the proposed GST in India. Specifically the author has discussed the proposed GST rates, exemptions, the dual system of GST, the issues envisaged therein, suggested solutions for it, the administrative changes required for it etc. The author has on these points compared the framework in India with other countries where GST is already operational.

The author has discussed the complexities in the existing legislations around contentious issues like taxability of goods and/or services, taxing of renting of property, interpretation of place of provision of services, what is included in services etc. The author has also stated that the most difficult issue in the GST implementation is the method of distributing the GST between states and centre, the ITC rules for each, the returns administration for each and so on.

Even constitutional amendments need to be made if the GST is to be introduced. However the author concludes that even with all these difficulties GST is an important tax which would have far reaching positive impact on the Indian economy so solutions to issues mentioned would need
to be found and the tax implemented. Also before implementation the authorities need to have a robust IT system in place and clarity of law.

**Grigore, (2012)** The authors study the chief features of VAT in the EU member states, the differences in them and the changes in VAT laws required across EU member states in order to assist intra EU trade. EU consists of different member states and hence can be compared to a federal economy. Thus the issues faced are similar.

**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.

**Herekar, (2012)** The Ministry of Finance had set up the Task Force with Mr. V. Kelkar as the chairman of the Task Force. The main task of the Task Force was to evaluate the impact of the proposed GST on the Indian economy. The author in the paper has studied the different parts of GST and their impact on the common man, the business and the economy. The author has concluded based on secondary data that if GST is introduced in India, it would have a positive impact on the overall economy. The author has specifically discussed the types of GST i.e. CGST, SGST and IGST, the exemptions under GST, the treatment of imports and exports under GST, the adjustments of ITC etc.

**Hove, (2013)** The author in this paper has conducted a study of various measures to curtail tax evasion by using the Beitbridge border post in Zimbabwe. The author has used the staff and
clients of Zimbabwe Revenue Authority for the survey. These people have been interviewed and asked to answer questions for the survey.

The author found that tax evasion was on the higher side due to reluctance of businesses to be tax compliant due to the unreasonable high tax thresholds and lack of lucidity in the use of tax revenues.

Amongst other things the author recommends reviewing the tax thresholds and educating the public on the uses of tax compliances. This is because the revenue lost to the parallel market due to non compliance is very high.

This revenue can be used for public benefit and welfare schemes like education, transport, infrastructure, health, telecommunications etc. Currently the revenue only makes the corrupt more rich and in totality is detrimental to the economy. Thus the paper strongly recommends reform and public awareness to ensure compliance.

However, care needs to be taken that the regressive nature of GST – since it applies to all irrespective of income bracket is taken care of by law rating necessary goods. Further, people need to be educated on its benefits, information technology has to be in place for both the government and businesses, law has to be clear, accountants/tax consultants need to be educated on it etc.

The author has also provided data from the Asian Development Bank for 2009, showing how different GST rates have different impacts on the poverty rates in developing economies.

**Huang, (2013)** The authors examine the relation between the newly introduced GST in Australia in 2000 and the mortgage costs between 1999 and 2001. The study concludes that given that in Australia financial services industry is taxed on input taxation basis i.e. the output mortgage service is not liable to GST and GST paid on input services to provide these mortgage services
are also not allowed. This extra cost of sunk input tax is passed in the form of increased mortgage costs to customers making housing costly post introduction of GST in Australia.

Ilaboyia, (2012) The authors have studied the relation between indirect tax and economic growth specifically in Nigeria and concluded that the relation is inverse and focus from indirect tax should be shifted in Nigeria. This is also because the study reveals that there is a direct relation between direct taxes and economic growth.

Ilaboyia, (2013) The authors in this paper have used statistical analysis methods to evaluate the relation between direct and indirect taxes and the income inequality in Nigeria. For the study the authors have compared data specifically for Nigeria for the period 1980 to 2011.

The authors state that inequalities in income can be reduced through different methods like government spending on education, health and housing for the poorer sections of society, better administration and transparent governance and taxation. Then the authors have evaluated the main two types of taxes and their effect on inequalities in income.

Direct tax or income tax is generally a tax on the income earned. Hence more the income earned higher is the tax paid. Thus direct taxes are considered as progressive in nature. However, irrespective of the income levels, indirect taxes which are taxes imbedded in the costs of goods and/or services consumed are paid by every person/entity rich or poor at the time of consumption. Thus the tax is considered regressive. Thus the authors have studied not only the effect of taxation on inequalities but also the type of tax and its effect.

Further most studies of this nature are for developed economies. However, for developing economies like Nigeria it was considered necessary to carry out this study by the author so as to see how taxation and reduction in inequalities can be done in developing economies.
The study concludes that there is a correlation between the taxation tools and redistribution of wealth but that the higher proportion of direct taxes leads to more inequality.

**Jan, (2011)** The author has explored in the paper how to ‘manage’ indirect taxes like VAT, Sales Tax, Use or Consumption Tax etc. effectively. For this the author has studied practices followed by various multinationals and concluded for effective management it is necessary to have proper processes, advanced software and external checks by auditors. The author states that for good management it is necessary to have automated processes right from tax collection, reporting to tax payment. Further there should be central responsibility for tax reporting and as far as possible the processes should be standard.

**Kabera, (2009)** The author in this paper has studied the various measures available and used under the Rwanda Tax Law to control offences under Tax laws. The author has studied the strong and weak points of such measures and tried to identify steps to improve on the same so that tax offences are better controlled.

For a strong economy and revenue collections, the methods adopted by the authorities for collecting taxes, controlling compliances and curbing tax offences have to be tough. Growth of businesses globally and e businesses open up more avenues for tax evasion. The paper has tried to find legal and administrative means practiced in Rwanda to curb the offences.

The paper also compares these means with means adopted by other economies and compares their effectiveness. The author has also suggested efficient tax administration authorities and integrated effort by all government agencies to punish offenders would also help curtail tax offences.

The study also gives commendations on means that the Rwanda government could apply to reduce and control tax offences. Generally tax payers would evade tax if the amount of tax evaded is more than the penalty for the same. Hence penalties need to be applied. This would
ensure that the tax payer is wary that the tax administration is vigilant and would apply the penalty. Otherwise the penalties will just be law not applied and hence not feared. The tax offenders should be punished so that those who comply with the tax laws feel vindicated. Information on such offenders should be published to deter others. General public should be encouraged to report offenders, there should be schemes for voluntary disclosures – this would encourage higher compliance, corruption should be controlled, laws should be clearer to avoid reliance on discretion of tax authorities for interpretation etc. All these measure would help curb tax offences.

**Keating, (2010)** GST is operative in both Australia and New Zealand with anti evasion/avoidance provisions under the GST law framed in both the countries. The author compares the said anti evasion provisions in both countries, examines their effectiveness and also whether tax payers have successfully evaded the law. The author concludes that if the law interpretations based on the New Zealand Court decisions are referred to, it implies that assessees will find it difficult to evade the law.

**Keen, (2007)** The authors in this paper have studied 143 countries over a period of time and evaluated the approach of the countries to adopt VAT as a system of taxation and the causes and results of such adoption.

For this study they have used mathematical equations and applied these equations using mathematics to place the hypothesis. The final objective of the study is to find out whether VAT as a form of taxation is as effective as it is supposed to be. The paper has concluded that whilst VAT is an effective form of taxation, it is less effective in agricultural economies.

Further, the success of the tax is impacted by the IMF support to countries and is in the long run instrumental in increasing government revenues. The paper also concludes that introduction of VAT results in increase in the total revenue collections – GDP, however administration of the tax and education about it are necessary to make it successful.
**Keho, (2011)** The author examines the connection between the tax rates and economic growth using the ARDL bounds testing approach, for Cote d’Ivoire in the period 1960 to 2006. The author has concluded that there is a strong link between taxes and economic growth especially direct tax and growth, and he further concludes that switching from direct to indirect taxes has a positive impact on the economic growth and general economy.

**Khan, (2013)** The authors have in the paper presented the importance of GST in India, its relevance in generating additional revenue for states and its benefit as a transparent tax. The paper also discusses various steps which could be taken to improve the proposed GST like lesser exemptions, more comprehensive coverage of all taxes into GST etc.

The paper discusses the various proposed provisions of GST and their implications as follows. GST is proposed to be introduced with CGST, SGST and IGST. ITC of each can be set off only against the output of the same tax. Further central government will collect IGST from the exporting state and transfer it to the importing state. The total rate will be a sum of the CGST and SGST rates. Further for different products different rates will apply. For eg – for essential products the CGST and SGST rates will be lower.

The classification of the goods/services as essential or otherwise will be same for CGST and SGST. The paper also discusses global provisions of GST and tries to draw similarities with the proposed GST in India.

**Komal, (2013)** The author in the paper has studied the way business concerns, consultants, tax officials and consumers perceive or interpret VAT and has collated their suggestions for better implementation of VAT in Delhi. The study has been conducted on a sample of people in Delhi.
The author has suggested that for better implementation across India, there needs to be transparency at all levels whether in the Government or the assesses in relation to implementation of VAT laws. Also, there needs to be uniform classification of goods across all states to avoid confusion, and there should be a system of single window introduced to reduce the compliance burden on the assessee. Further CST needs to be abolished. In the background of these changes VAT could be infinitely more successful for both the taxpayer and the tax collector.

**Kononova, (2009)** The authors in this paper discuss the implications of moving from VAT to Sales tax in Russia. Globally VAT is advocated as a better indirect tax system since it is self regulating (due to credit on invoices), it reduces costs due to ITC and it is all encompassing. However, Russia has experienced difficulties in VAT administration due to the multistage nature which is the reason it is advocated. Thus it is a paradoxical situation.

The proposed sales tax to be introduced in Russia would cover households, government and businesses. The authors have listed issues like false credit claims, delays or difficulties in getting ITCs, refunds, high VAT rates etc. as probable issues in the proposed tax.

The authors in the paper have then discussed the practical issues in existing indirect taxes in Russia, which are more due to the invoice based nature of claiming the tax rather than the tax itself.

Further, in Russia tax payers are facing issues like fraudulent invoices, leading to difficulties in availing ITC or claiming refunds. This has highly increased the costs if compliance and the documentation costs in Russia.

Thus in contrast to the rest of the world, in Russia VAT has proved to be ineffective not solving the cascading effect of taxes and hence the authors have explored the possibility of Russia moving back to sales tax. This is the reverse situation of the entire globe where countries are adopting GST as a better indirect tax system than sales tax.
KPMG, (2012) KPMG has in this paper, summarized its views on the VAT provisions as applicable in Philippines as of October 2011. The paper lists out the relevant provisions and provides brief synopsis of how they operate in Philippines.

Basically in Philippines VAT is a tax which is applied on consumption, sale, barter, exchange or lease of goods and services within Philippines or imported into Philippines. Services which are imported into Philippines are liable to VAT in the country since it is considered that the services are performed in the country. Thus, services exported from Philippines are considered as performed outside the country hence not liable to VAT. This is relevant in services since the same are intangible.

Le, (2003) The author in his paper Value Added Taxation : Mechanism, Design and Policy Issues, has discussed practical issues in indirect taxation policies in the developing countries across the world. It discusses how VAT is a better option to increase revenue generation for the Government, reduction in prices due to reduction in cascading of taxes etc. It discusses the various options to tax financial services with the benefits thereof.

The paper also states that zero rating the financial services supply is better than exempting it. This would avoid the cascading of input taxes in the financial service industry. Further the paper states that fee based financial services may be subject to VAT.

It concludes that the common form of VAT globally is consumption based, it is applied on destination principle and ITC is available on invoices.

Further, the paper generally concludes that the number of exemptions under the law should be less to avoid build up of ITC, further the threshold exemption limit should be reasonable based on the general level of the economy. The tax administration should also be in a position to administer the tax fairly.
The paper has studied different economies like Ghana where at the time of introduction of VAT, it failed due to low thresholds, poor education of public etc. The paper stresses the need to learn from the errors made by such economies. The paper also states that the rates of Vat should be reasonable and preferably a single rate should be applied to avoid confusion and ease compliance. Further refund provisions – for refund of VAT in exports specially should be simple. Thus the paper discusses all relevant provisions of an ideal VAT system by studying different economies.

**Levaggi, (2006)** The author in this paper has discussed the costs of tax evasion in Italy. The author concludes that there are varied levels of tax evasion in different sectors of the economy. This could be due to institutional reasons i.e. the perceived probability of getting caught in evasion. Further the cost of producing goods and/or services in a scenario where tax evasion is difficult is higher. The paper studies the impact of tax evasion on the input costs of different sectors. This is relevant because lower input costs due to tax evasion would encourage further tax evasion which is counterproductive.

Earlier studies have documented the effect of tax on behavioural patterns of consumers and the impact it has on consumer demand/supply. This study tries to establish the relation between tax reforms, resulting tax evasion and impact on the costs of production in certain sectors of the economy.

The study shows that given that tax evasion is lesser in public sectors, the cost of production is higher. Public sector is more transparent in its dealings. However, the study shows that costs of production and tax evasion are higher in the private sector generally and higher in specific sectors. Thus the results of this study could help whilst devising tax reforms/policies, keep in mind the sector wise impact so that the expected outcome is obtained from the tax reforms.

**Lipinska, (2009)** The authors in this paper have studied the economic systems of two countries. In the study they have considered the impact on the economy and compared the two economies if
one of them opts to rely on indirect taxes as a base for government revenue collection as opposed to direct taxes. The authors conclude that any shift by countries to raise revenues through increase in indirect taxes could work if the additional revenues generated by this raise in indirect taxes are used to reduce the direct tax burden on people.

**Maharashtra Value Added Tax Act, 2002** This Act administers the sales tax on intra state sale of goods in Maharashtra. It is particularly relevant because it shows how currently the sale of goods is taxed under VAT in Maharashtra. It lists out the schedule of goods, the applicability of tax on different transactions, the availability of input VAT, the non availability of input VAT, the related compliances etc. The law also contains provisions for registration, compliances, assessments, refunds of excess VAT paid etc.

Similar Acts are applicable in other states. However, these Acts are all state specific and are applicable on transactions within the states only. For interstate transactions of goods Central Sale Tax is applicable. All these taxes covered by state VAT laws will get subsumed in the proposed GST.

**Mansor, (2012)** The authors have in the paper studied the link between strategic planning and decision making process and competence of the tax administration in indirect taxes in Malaysia. For this the author has compared the planning system in Malaysia with other economies and concluded that in Malaysia the main problem is around deficiency of resources and will of employees in the tax department.

**Mansor, (2013)** GST has always been considered as a tool in the hands of any Government to increase revenue. The Malaysian Government introduced the said tax in Malaysia in order to reduce its budget deficit. The authors in the paper have discussed the readiness of the Malaysian economy in adopting the said newly introduced GST along with the reactions of various sections of the society.
The existing indirect tax laws in Malaysia are two, one Sales Tax for transactions in goods and the other Service Tax, covering transactions of services. Both are applicable to entire Malaysia. Further they are one stage taxes i.e. they are applicable either at the input stage or output stage. The proposed GST is considered multistage as it applies at every stage when the value addition takes place. Further ITC of the earlier stage is available to reduce the final tax costs. Hence GST is considered a better tax as it reduces costs with the ITC mechanism, increases compliance as to take ITC the dealers at each stage have to be GST registered and increases the revenue for the Government.

**Mawuli, (2014)** The author has evaluated the existing GST framework in Papua New Guinea - PNG and suggested measures to improve on the negative impact of the same. The paper examines the reasons for adopting GST in PNG, its impact on the PNG economy and the reforms or changes to be carried out in the GST law for betterment.

GST as a tax impacts the poorer sections of the society since it is a tax which is finally borne by the consumer. Hence, the authors have emphasized that this has to be kept in mind in a poor economy like PNG. As regards businesses in PNG, the author states that GST would have a positive impact only if most businesses are compliant. This is because for removing the cascading effect of taxes under GST, the ITC on inputs is available only if the input/input service provider is registered for GST and gives a valid invoice. If not GST can adversely impact compliant small businesses since they would not get ITC and their costs will go up.

Further, in PNG there is a dual government and the GST is shared between the National Government and local provinces in an agreed ratio. The National Government receives all GST on all imports and 40% of the internal collections and the provinces 60% of the internal collections. However, many of the provinces are not very happy with this arrangement since they feel that they were better off with their local indirect taxes rather than 60% of the GST. The urbanized provinces have benefitted whilst the lesser developed provinces are at a disadvantage.
Further, this impacts the provinces commitment to ensure compliance to GST and willingness to commit GST to development. The paper recommends that GST be maintained at 10% a rate which is not too high a burden. Further the ratio of distribution of provincial GST should be abolished – relevant in Indian context.

Provinces be compensated by the centre depending on their level of development – for this the current distribution ratio can be changed as 60% continue for provinces, only 20% to the national government and 20% kept aside for lesser developed provinces as an aid. The lesser developed provinces to substantiate their need for finance from this 20%. Lastly, the GST compliances to be made easy even for smaller businesses to increase collections and educate the public about the GST laws.

**McMahon, (2000)** The authors have discussed the difficulties in taxing financial services under indirect taxation given the issues in valuing the said services. The problem is because of the fact that the margin or return on financial services is both for lending the money and for bringing the lender and borrower together. However, it is almost impossible to segregate the return for each individually.

Further they have discussed how the ‘exempt’ approach adopted to financial services leads to increase in the costs of financial services since the service providers are unable to take benefit of ITC involved in providing ‘exempt’ financial services. The paper also discusses other method like that followed by Australia of reduced ITC for e.g. it is currently 75% ITC allowed subject to certain conditions. The paper also discussed the Australian system which also has concepts like place of provision of services, facilitators of financial services which are taxed differently.

**Mega Exemption Notification – 25/2012** This notification was issued on 20 June, 2012 and it has been amended from time to time resulting in additions/deletions to the original list of exemptions. Under the negative list system, some of the services are not liable to tax by virtue of
being in the negative list. Certain services are however exempted due to this notification. It currently covers 42 items.

**Millar, (2012)** The authors have discussed the GST systems prevalent all over the world and their key points and drawbacks and compared the same to the Australian GST. GST was introduced in Australia in 2000. It had replaced the federal wholesales sales tax and a number of indirect taxes applied by the individual states and territories.

Constitutionally, the GST in Australia is a federal tax collected by the central government and then distributed to the different states and territories depending on their contributions and on the taxes they have lost on account of introduction of GST. Customs duty is out of the purview and continues to be administered by the customs authorities at the various points of entry into the country. The paper then discusses the GST system in Australia in detail with reference to all things like registration, returns, appeals, litigation, taxing of imports-exports, refunds of ITC etc.

**Muntean, (2010)** The EU consists of 17 states (27 unofficially) in the geographical area of Europe who have adopted Euro as their common currency. The monetary policy of the EU is administered by the European Central Bank. VAT is adopted by the individual states at different rates. There is trade between the member states and of each individual state with non EU states. The author has studied the various systems/measures adopted by the European Commission to reduce the evasion of VAT applicable on imports/exports on goods and services transacted within the EU and/or from outside EU states.

**Murphy, (2010)** The author in this paper has tried to evaluate the claim of the IFS that VAT as a tax is mildly regressive and in fact is progressive. The paper finds that this claim is not true and that VAT is more a regressive tax impacting the poor. The paper states that VAT as a tax is imposed on spending or consumption. Hence in terms of comparison between the tax rates and the income of a household/individual etc. direct tax is directly proportional to the income which
is not the case in indirect taxes like VAT. This results in poorer sections paying a relatively higher comparative rate of indirect taxes and bearing the higher burden of the indirect taxes. Hence the tax becomes regressive.

However the author state in the paper that the method or principles adopted by IFS to interpret the same data has been changed so that the tax does not appear to be regressive.

**NCAER, (2009)** In this paper, the authors have concluded that the introduction of GST in India would lead to benefits like, increase in efficiency in use of energy, increase in general economic welfare, increase in the exports, increase in the GDP, increase on the return on capital, optimum returns and allocation of the factors of production, reduction in general price level etc.

The paper has stated how indirect taxes have always been a major contributor in the GDP as compared to most countries forming a part of the study. Similarly in India, indirect taxes form major part of the total taxes collected in the economy. The paper further states that given the above, with the introduction of GST resources would be used better, the tax could become environment friendly. Further the recommended rate for the comprehensive GST is 6-10 %. It is also suggested that there should be fewer taxes, most indirect taxes should be subsumed within the GST, and there should be very few exemptions. The paper also studies the impact the proposed GST would have on the imports, tax collections, exports etc.

**New Zealand Government, (2012)** The author has traced the GST and import duties applicable on the various imports into New Zealand. The paper discusses not only the goods on which duty is payable but also whether further GST is payable on the same goods. GST is applied on the imported goods including those imported by placing online orders. It is calculated on the customs duty value, with addition of other expenses on import like insurance, freight etc. This is
in addition to the tariff duty or customs duty payable on imports. Thus for imports specially of those goods which are available locally both customs or tariff duty and GST becomes applicable.

The paper also discusses the applicability of the taxes on the goods ordered and delivered through internet. The paper also discusses various exemptions available like personal effects to the import taxation.

**Newton, (2011)** VAT is applied on financial services transactions in the EU region. The authors in their paper have discussed the applicability of VAT on financial services transactions, and the cost of VAT to financial services industry. In EU, the financial service industry, due to the inherent problem of valuing the transactions, is treated as exempt.

However, since the output services are treated as exempt, the financial service industry is not allowed to avail ITC of taxes paid to its suppliers. This could result in blockage of ITC, increase in costs to the financial sector. However, there is an opposite perception that the exemption results in benefits to the sector as opposed to being a cost. Hence the proposal to impose a tax on the transactions by financial services sector where any one party is located in the EU.

The authors have first discussed the proposal to introduce Financial Transactions Tax and Financial Activities Tax by IMF in the EU region and then compared the same with the cost of VAT to the financial services industry.

The FTT is similar to the Securities transaction tax imposed in India and is proposed similarly to be imposed only transactions involving sale/purchase of share/securities where one of the parties to the transaction is located in the EU. The FAT is similar to the bank tax and is proposed to be a tax on the profits generated through banking activities and the remuneration of the bank employees.
The basic issues addressed in the paper are whether the exemption status provided to banking has resulted in benefit to them or is a cost. The other issue studied is whether by taxing the banking sector the revenue generation for the government will increase. The said tax was proposed to be introduced by 1 January 2014 but has been postponed to 1 January, 2016.

The author has further stated that the intention to tax ITC on financial supplies should be critically re-examined and other alternatives to the same explored so that spilling of tax can be reduced. The author has also examined the way financial services is defined, taxed (input tax or exempt) whereby no ITC is available making it a cost. The law had intended that the financial services where the income was represented by a margin – interest or discount should be exempt or input taxed. Where explicit fees were charged tax would apply and consequently ITC available. The author has also discussed various transactions under financial services and their tax costs due to the law.

The author then goes on to suggest that B2B transactions should be zero rated (ITC available) even if income is by way of margins since this supports the basic concept of GST – seamless credit. For other transactions the law to be amended to ensure that intention of legislature is achieved.

**Notification 26/2012 dated 20 June 2012** The above Notification is amended till 2014. This notification provides the various abatements available to the assesses at the time of discharging service tax liability. The abatements allow the assesses to pay service tax on a lower amount. The notification also provides to conditions to be complied with to avail of the abatement.

**Parkhi, (2010)** The author in the paper has discussed the concept of GST to be introduced in India, the background to GST and the method of collecting the proposed GST especially in light of the federal nature of administration in India. The author has discussed the various indirect taxes like VAT, excise etc. currently operating in India.
The author has also discussed the variants to apply GST specifically in case of interstate supplies. Under one option, the seller charges to the buyer and pays tax in a bank in the exporting state. The bank transfers the funds and the documents for such tax to a bank in the importing state and then the buyer gets credit of the same. The banks also intimate the respective state governments of the credits so received and/or transferred.

A modification in this model is where seller charge the tax, but it is directly paid by buyer in the destination state and he take credit for the same. Documentary proof for the same is provided by buyer to seller so that seller can claim exemption in his state. Again the banks in destination state will send report of the same to both the government and designated bank in origination state. The author has suggested one best model where the central government applies one tax and distributes the states share to the states on a agreed basis like Australia. However this is a very difficult model to introduce in India given the political will.

**Pedram, (2008)** In this paper on Concept Economics, the author deals with the advantages and disadvantages of the value added taxation system of indirect tax in relation to Iran. It discusses how VAT as a tax shifts the focus of charging tax from a ‘tax on income’ to a ‘tax on consumption’.

The paper discusses how an estimate on capacity of economy to generate VAT can be studied using different parameters like products related VAT, consumer related VAT, income related VAT etc. The paper concludes that the Tax base in VAT is much higher hence it is revenue generating for the Government. From general public perspective it is better because due to availability of ITC, the general prices reduce.

Thus the VAT is considered as a better tax since it increases revenue for the government, encourages compliance, reduces tax evasion, reduces prices due to availability of ITC, encourages better distribution of resources etc. VAT does have disadvantages like practical difficulties in implementation etc. however the advantages far outweigh the disadvantages.
Pena, (2010) In 2001, in Mexico, it was proposed to introduce a flat 15% VAT rate on certain items like food etc. which are items of basic consumption, instead of subsidizing the masses. The author using the General Equilibrium Model studies the impact of the proposed introduction of flat VAT rate and concludes that it is better to introduce such flat rate on basic items which will generate revenue, and a part of this revenue can be used for the betterment of masses than subsidizing the masses.

Pinki, (2014) The authors in the paper have explored the concept of GST, the need to introduce it in India, the hurdles in introducing it in India and suggestions to overcome the same. The paper also discusses the benefits of introducing GST at the earliest. The authors have discussed the options to introduce the dual GST in India which could be Concurrent Dual GST, National GST or State GST.

Under the concurrent dual GST the better option was the one where GST is applied on both goods and services. The other option explored was where the Central GST would be on goods and services but state GST would be only on goods since state to collect GST in services is difficult to determine. This option also recommended one single return with both CGST and SGST details and PAN based registration. The authors have also discussed the constitutional amendments required if GST is ever to be introduced since without the amendment taxing both goods and services using one tax is not possible.

The paper also highlights the issues in the credit mechanism in the CGST/SGST model since it is difficult to practically implement in terms of determination of place where service is taxable. The other challenges to introduction of GST in India highlighted are the availability of strong IT network, infrastructure and programmes, agreement on other provisions like basic threshold, exemption to goods/services, rates to be applied etc.
**Place of Provision of Service Rules, 2012** These rules generally referred to as POPS, were issued vide Notification 28/2012 dated 20 June 2012 and amended from time to time. They are extremely important to financial services industry since the services are intangible and the rules help determine the place where the service is provided. Currently they are relied upon only to determine whether the services are provided within India or outside India. This is because currently service tax is only a central levy.

However, once India moves towards GST, these rules will be of great importance as GST will be both a central and state tax. Hence it will be crucial to determine which state the service is being provided and then do the appropriate compliances. The rules are applied in the chronological order, with the specific overruling the generic. Further if a service is a bundled service the corresponding rule is to be applied depending on the essential nature of the service being provided. Rule 3 is the general rule which becomes applicable in scenario where none of the rules apply directly.

From a financial services industry point of view Rule 9 – specific is applicable. As per the said Rule 9, if a customer is an account holder and the bank provides services in the ordinary course of business to customer, then place of provision of service would be the place where bank is registered. This would be highly relevant to determine the place of provision of service. If Rule 9 does not apply because either the customer is not an account holder as defined or the service provided is not one which is provided in ordinary course of business then Rule 3 would apply. Further Rule 4 also applies in specific cases. Thus for application of the rules, financial services sector needs to identify status of customer whether account holder or not and then identify the nature of service to apply the correct Rule. Recently in 2014, these rules were amended to include intermediary in respect of goods in Rule 9 which were earlier excluded by definition.

**Poddar (1997)** The authors have discussed the difficulties of taxing financial services under the VAT system given the difficulties in quantifying the value of financial services liable to VAT. The difficulty arises on account of the fact that the margin or return on financial services is both for lending the money and for bringing the lender and borrower together. However, it is almost
impossible to segregate the return for each individually. Where the fees are explicit they can be charged to VAT, but fees/charges which are imbedded in the interest margin pose difficulty as discussed. Hence most in most economies, financial service is exempted from VAT.

The reason for this study is that the general approach of exempting financial services from VAT leads to cascading of taxes. Hence, in this paper, the authors have discussed the cash flow method, its difficulties and suggested the truncated cash flow method as a better variant to tax financial services.

Basically under the cash flow method, all financial inflows and outflows are made liable to VAT with complete ITC available. For e.g., deposits received would be liable to input VAT since it is expense and interest on loans disbursed to output VAT. The net VAT would be payable to the government. Though conceptually it is a good method to VAT financial services practically it is very difficult.

**Point of Taxation Rules, 2011** These rules were issued vide Notification 18/2011 dated 1 March, 2011. They are for determining the point of time at which the service becomes taxable and service tax payable. For this the rules include definitions, determination of date of payment, point at which tax becomes payable, the impact of rate change on the liability to pay tax, etc.

**Poirson, (2006)** The author in this paper has studied the Indian tax system from the perspective of how effective it is towards encouraging growth of the economy. The author has compared the Indian tax system to other countries and concluded that Indian economy is highly indirect tax dependent, effective tax rates and productivity are lower, and marginal tax rates are higher.

The study has concluded that indirect taxes are a big contributor of total taxes which can be regressive, average effective tax rates are lower than the average and marginal effective tax rates are high. The proposed tax reforms including introduction of GST is expected to improve tax productivity and reduce the marginal effective tax rates. However the author states that
businesses which rely on borrowing or external funds would continue to be having high marginal taxes.

**Ramona, (2012)** The author has explored the relation between a value added tax on financial services sector and the revenue generated and regulatory impact of the same especially with reference to Romania. The author also studies the difficulties in taxing the financial sector which is intangible. The author has explored the various tools to tax financial services sector, the revenue raised by the same and the difficulties in the same. The author mainly states that since the financial sector makes enough profits, is exempt and is the cause of the European crisis, taxing it might address all these issues.

**Rashid, (2014)** In this paper the authors study impact of GST in Malaysia since it is proposed to introduce GST in Malaysia in 2015. The GST is being introduced mainly so as to increase the revenue collections of the government and reduce the deficit. The authors have studied the impact of the introduction of this GST and its relation to certain indicators like the consumer price index and the structural balance. For this the relation between these factors and the GST are studied for Singapore, Thailand and Indonesia so that whilst implementing GST in Malaysia the administration can adopt the best practice. The paper recommends transparency in implementing GST and review of the rates/base of GST after 5 years and rectification based on the 5 year experience.

**Roychowdhury, (2011)** The author in his paper has explored the existing indirect tax of VAT and then gone on to explore the law surrounding the proposed GST to be introduced in India along with the benefits thereof and the issues in implementing the same. The author has discussed how GST is supposed to encompass both goods and services. Further the author has discussed how in India it has been proposed to introduce SGST and CGST.
The author has also discussed the benefits and drawbacks of this dual type of GST. Further the author suggests that ideally under the proposed GST, the place of taxation of services should be destination based and not origin based. Further exports should not be taxed and imports should be liable to tax. Thus states where consumption of goods/services is high will benefit under the proposed GST.

The author also suggests reduction of exemptions under GST, since they lead to errors in the system of ITC chain. Specifically the author has discussed the concept of IGST in his paper. Under IGST, the centre will levy IGST which is the combination of both CGST and SGST on all interstate transactions of goods and services.

The interstate seller will charge and IGST on his sales after adjusting input of IGST, CGST, SGST on his inputs. The exporting state will need to transfer the credit of the input SGST claimed by the seller dealer to pay his IGST to the centre. The buyer can claim IGST so paid against his future output IGST/CGST/SGST liability and so on. Thus the modalities for this model are essential to the entire successful working of GST.

**Saahdong (2008)** The author in the paper has evaluated the impact of changes and transformations in tax laws on the increase in generation of revenue in Cameroon and concludes that the revenue generation is dependent on the reforms and there is a progressive relation, but it also varies as per the internal mechanisms of the reforms for eg – the individual indirect tax bases impacted the total revenue generation. The author also states that for effective conclusions the same analysis needs to be done with larger tax collections data base. This will ensure that the conclusions drawn are more scientific.

The author also suggests that the tax base in Cameroon can be widened by introducing lower tax rates, increasing the efficiency of tax administration to reduce evasions of tax, education of tax payers, computerising most of the processes and records.
Saeed, (2012) VAT as a tax to generate revenue and improve returns ratio was introduced in different SAARC countries at different points of time. The authors have in the paper examined the effectiveness of VAT as a tax to generate tax revenue and to improve the tax to GDP ratio in SAARC countries. The authors for this purpose have concluded that VAT is effective on both counts.

Schenk (2009) The author studies the American VAT system for VAT on financial services in comparison to the GST/VAT applied universally. The charges for value addition under financial services are difficult to quantify thereby giving rise to difficulties in charging VAT/GST. When fees are charged for financial services they may be liable to GST/VAT however it is very difficult to value the services imbedded in the interests charge by financial institutions. This is because interest income also has a portion of income for bringing the lender and borrower together in addition to the return on money lent. However, this portion is very difficult to segregate and identify.

Due to this most economies either exempt financial services (leading to build up of ITC costs) or zero rate financial supplies. In the American context this can lead to problems since America is a dual economy. As stated in the paper, as an example, in Canada, the federal government exempts financial services, Quebec was taxing it at state level and Ontario was zero rating them. This led to pressure by the financial institutions on Quebec to zero rate the financial services or face loss of all revenues due to banks moving operations to Ontario. Thus in a federal structure it is very important that at all levels the financial services are treated in the same manner.

Further difficulties arise on account of the fact that in most countries they are exempt leading to indirect ITC costs. The paper recommends finally that exempting financial services increases costs. Hence something on the lines of Australian system of VAT should be followed where
partial ITC is allowed (approx 75%) based on the status of taxability under GST of the recipient of services.

The paper has also discussed the various systems adopted by New Zealand and Singapore. In these countries B2B supplies are zero rated and B2C are exempt. Thus the cascading effect is reduced. This would be relevant in the Indian scenario where the ITC credit of 50% is allowed irrespective of the status of the customer.

Schroyen, (2006) The authors in this paper have studied the impact of marginal changes in indirect taxes on lowering the inequality in income and their impact on environment with respect to Norway. The paper studies the changes in law proposed in 1999 and 2000. The changes involved were a reduction in the VAT rate on food and an introduction of VAT on services provided. The study showed that both these changes had a positive impact on the lower income groups and a negative impact on the top income groups. Thus the reforms proved to be redistributive.

However, the increase in demand for products triggered by the reform resulted in an increase in the greenhouse gases due to increase in production leading to environment issues. The paper suggests that if the said reforms were accompanied by other changes then environment impact could have been minimized and the redistribution effect could have been across all income levels. The paper has also studied the impact of social welfare tax related reforms. The authors conclude that the study can be used specially in Norway to introduce tax reforms which are social welfare oriented and result in redistribution of income.

Service Tax (Determination of Value) Rules, 2006 The rules were issued by Notification 12/2006 Service Tax, dated 19 April 2006. They are issued to determine the value of service liable to service tax. They include rules for determining the amounts to be included in the value of the services and the amounts to be excluded from the value.
**Service Tax Rules, 1994** These rules are notified vide Notification No. 2/94 Service Tax dated 28 June 1994. They are containing certain important definitions, requirements of the document basis which Cenvat credit may be availed – Rule 4A, the calculation of service tax payable in relation to sale or purchase of foreign currency – Rule 6(7B), various formats of forms for registration, returns, appeals etc. The earlier export of service rules and provision of services from outside India and received in India relating to import are replaced with the place of provision of services rules. Further for qualifying as exports, Rule 6A of the Service Tax Rules, 1994 provide the conditions. If the services satisfy all the conditions, then they are not liable to service tax.

**Stroe, (2011)** The author has in the paper analyzed the various VAT systems existing and operative in various parts of the world. The author further states that VAT majorly impacts the economies of every country specially developing countries, it impacts the quality of life since if not administered properly it can be highly regressive and hence is very important. The author then has compared the VAT tax system in USA and Europe and has concluded that VAT as a tax is a burden for the economy. VAT and/or sales tax also have their own issues in each of the economies.

In the USA, VAT is not adopted throughout i.e. each state has its own sales tax normally known as Retail Sales Tax. Further it is not applicable at various stages of value addition. However, in Europe VAT has been adopted for EU which is a tax at every stage of value addition and is supposed to reduce final tax costs due to ITC concept. However it is difficult to compare two economies as they are different. The author has created a model which can be used to compare the effectiveness of indirect taxes across economies and find out which country or economy has a better model for taxation.
**Sundar, (2013)** Value Added Tax is a tax which is all-pervading in goods and services and thus affects every individual and business. The authors have studied the significance of VAT in the context of the Indian economy and effect of VAT on the common man and industry in India using secondary data made available by the Government. One of the recommendations of the authors is to achieve more transparency in VAT compliances in India.

**Tamizi, (2013)** The authors examine the advantages and complexities of the VAT system implemented in Iran during 2009-2012. The study is split into two parts; the first examines the difficulties in implementing VAT in Iran given the political scenario there. The second part examines the benefits/disadvantages of the said implemented VAT system. The study is conducted using T Value on data collected using a questionnaire.

**Tareke, (2013)** The authors in the paper have studied the major characteristics and problems in the implementation of VAT in Ethiopia – Tigray. VAT globally is established to be a big generator of government revenues and is hence very important. Hence the study involving VAT was undertaken. The general conclusion is that VAT is perceived negatively, it is thought to lead to rise in price levels and compliance does not seem to be increasing. The businesses do not seem to be completely aware of all the provisions and are not seen to be compliant as expected.

Most of the people surveyed were under the impression that imposition of VAT led to an increase in prices by businesses so that they could cover their costs. The other observation of the study is that people perceive that the benefits of VAT are more to the government than to the society though it is projected otherwise. The paper also states that education and awareness of the laws relating to VAT to all is very necessary to obtain the desired results.

**Taxation of services – CBEC Education Guide** This guide TRU Circular dated 20 June 2012, was published along with the shift in service tax to negative list system. The guide is very relevant from the point of view of the assessees as it contains various examples and explanation
to explain the complex laws. However, there is a very clear cut caveat at the start of the guide stating that is not a department circular or instruction issued by CBEC and thus does not have any legal binding. The guide contains various guidance notes subject wise.

From a financial services industry point of view it is relevant as it explains various concepts and their taxability. For eg – The Guidance note 2 which is a part of the said guide, is in relation to meaning of the word ‘service’. There are other Guidance Notes in the guide which deal with other subjects like declared services, exemptions, valuations etc.

**The Constitution (One Hundred and Twenty Second Amendment) Bill, 2014**, This Bill has been introduced in the Parliament with the intention of enabling both the Union and State Governments to tax both goods and services. This power is currently not available under the Constitution. Without the passing of this Constitutional Amendment Bill, it is not possible to introduce the GST as GST is a tax on both goods and services and both Centre and states have to charge, administer and collect the same. This bill will be called The Constitution (One Hundred and Twenty Second Amendment) Act, 2014 once it is passed.

To empower the Union and State Governments as mentioned above, the Bill has introduced Article 246A which is a special provision with respect to GST. Currently the Bill provides for the Central Government to collect the GST on interstate sales and then distribute it between states as provided by the law passed by the Parliament as per Article 269A. The place of supply rules for such interstate sales/purchases may be separately notified by Parliament as law. The Parliament to pass this law based on the GST council recommendations. Article 279A provides for the constitution of the GST council, its functions, members etc. The GST council to recommend important provisions like basic threshold of GST, exemptions, the rates, the taxes to be subsumed, the laws relating to IGST, etc.

The Bill also lists out the details of additional tax to be applied for the first two years and distributed between states. The said tax to be distributed based on the state from which the supply originated.
The Bill also provides for transitional provisions and compensation to states for loss of state taxes.

The schedule of goods/services liable to GST is also provided. The bill provides for keeping alcohol out of the purview of GST and petroleum and related products from a date to be notified.

The Bill lists out the various taxes at a Central and local States level which are proposed to be subsumed in the GST i.e. which would effectively be inactive once GST is introduced.

For passing of this Bill, a majority of the total membership of each house of the Parliament and 2/3 of the members present and voting in each house is required. The said Bill is needed to be passed by ½ of the state legislatures also before it becomes law.

Tripathi, (2011) The authors have discussed the concerns faced in India post the implementation of VAT, the learning we could take from it, the effects on the social order in India. All this is discussed in the background of the impending GST in India. The authors have discussed the various issues around VAT, how it impacts the different sections of society. VAT is present in all goods produced and GST would be present in all goods and services produced making it a tax payable by all sections of the society. Thus it is a tax which though good to increase the revenue impacts even the poorer sections of society.

Valodia, (2011) The author in the paper has discussed the equity and justness of indirect taxes specially in developing countries and whether they have a gender bias. The author studies the taxation system, tax policies and the impact of poverty based on the gender of the population. The author has studied 3 countries over a period of 8 years for this paper. The author in his study has also considered the level of development of the countries considered in the paper.
The paper concludes that in comparison to direct taxes, indirect taxes are relatively gender neutral and can be used to reduce disparity of income by introducing exemptions judiciously. Added to this is the fact that indirect taxes in comparison to direct taxes are easy to administer, easy to collect and very difficult to evade hence making them a very effective tool in tax collection. Further the countries can consider zero rating basic necessities to achieve the objective of generating government revenue and protecting the weaker gender of women and the poorer sections of the society.

**Watrin, (2008)** The authors have examined the relation between the level of compliance by people especially in terms of payment of tax, with the type of tax i.e. direct and indirect taxes. The authors conclude that based on studies carried out that individuals react more to changes in detection methods under indirect taxes than direct taxes but are more compliant with direct taxes than indirect taxes. The authors suggest that this behaviour pattern of individuals should be borne in mind by policy makers who make the tax policies.

**Wawire, (2011)** The author has in the paper studied the interdependence of government revenues from tax and the GDP for Kenya. This was specifically important because the study shows how for developing countries tax collections are related to growth and can be used to generate revenue and promote growth. Past studies have shown a positive relation between GDP and imposing of indirect taxes. However, the author states that this cannot be a standard principle, other factors like nature of the tax system, demography etc. need to be considered also. The paper concludes that indirect taxes which are hidden in the consumption costs of the products, are easy to comply with and difficult to evade are good for generation of revenue for government and for growth of the economy. The paper has also concluded that a direct conclusion from the results of the Kenyan economy is that there was a parallel economy in Kenya during the period of the study. Thus using indirect taxes to increase GDP needs to be used taking all factors into consideration.
White, (2007) The author in his paper has discussed the benefits and problems of the GST system in New Zealand and concluded that the system is one of the best worldwide since it has fewer exemptions and uniform rate. It advocates that countries proposing to introduce GST should study the New Zealand GST so also invest more in educating the general public on GST. The author also suggests that countries should generally take more time and effort on the VAT, its administration, its benefits and drawbacks since in countries where it is applicable it contributes almost 25% of the total tax revenues.

Overall global entities like World Bank, International Monetary Fund, OECD etc. should spend more time and efforts on publicising this tax, doing research on it and educating general public about it. The author states that GST or VAT economies where there are multiple VAT rates, too many exemptions, restricted ITC result in diluting the benefits of GST and complicate the administration thereof.

New Zealand GST has a single rate, very nominal exemptions and hence is most optimum in achieving the benefits of GST. Basically the author stresses the need to have international bodies and networks to disseminate information and research about the VAT/GST laws worldwide so that at the time of introduction of the tax in any country there will be enough reference and research material available on the subject.

Williams, (1996) The author has studied contemporary indirect tax systems in the world and compared them with the indirect tax or VAT system in Republic of Fiscalia. The author has discussed the various advantages and disadvantages of the various VAT/GST systems in the world in light of adopting the best practice in the Republic of Fiscalia. The author also discusses whether the creation of an International body on the lines of United Nations would help make VAT a seamless tax across countries.

Zhang, (2006) In this paper the author discusses the costs of VAT compliance in the UK in relation to different industries and the factors influencing them. The paper states that VAT
comprises around 27% of the total tax collections of most countries and over 5% of the GDP. However most countries including UK feel that the costs of compliance of VAT are high. The factors influencing these costs are mainly business size, the method for maintaining VAT records, etc. The paper has also compared and contrasted the VAT system to the existing sales tax system in the USA specifically in relation to the compliance costs in both the economies given the differing indirect tax systems operating in the economies.

Zhou, (2013) The authors in this paper analyse the Malaysia GST. The authors have first in short summarized the existing issues in the Malaysian economy with comparisons to the proposed GST. The paper also studies the impact of the GST on the price levels, growth of the economy, the revenue generation etc. The paper states that GST would generally bring down the prices and increase the GDP – this is as expected in Indian context also.

Further, they have also discussed how GST has worked in other countries and the measures adopted by them which could be considered. For eg. in Singapore GST was accompanied with reduction in direct taxes and a low rate of GST at the time of introduction which helped. It relied on the principle that income tax is related to the working population of a country which may decrease with better life expectancy. Also foreign workers in Singapore get lot of income tax exemptions. However GST is payable by all hence the tax coverage and collections would be higher. Further given the concept of ITC under GST, the chances that most businesses would be compliant and not evade GST was also high. All these worked positively in Singapore.

In Australia the GST was introduced to equalize the taxation of manufacturing and service sector. Further to reduce the impact of GST it was introduced with several exemptions. The paper then discusses what Malaysia can adopt whilst introducing GST *interalia* like lower rate at time of introduction, fewer exemptions, subsidization to lower income households for the higher costs associated with introduction of GST etc.
Zyl, (2011) The author deals with whether people having illegal businesses need to register under VAT and whether the standard VAT rate would apply for their business. He concludes that even illegal transactions should be liable to VAT so that they do not benefit due to lower costs on account of no VAT. The author has analyzed the applicability of indirect taxes on illegal transactions from various perspectives.