

MCTP GROUP II PHASE III FOR IRS OFFICERS

Concept Paper

On

**HOW TO ACHIEVE ADMINISTRATIVE HARMONY BETWEEN
CENTRE AND STATES IN GST REGIME**

Mentor: Shri B B Agrawal, Principal ADG, NACEN, COE, New Delhi

Radheyshyam Sharma

J. K. Simte

M. K. Sarangi

K. G. V. N. Surya Teja

Sydney D'Silva

Manish Thapliyal

SYNOPSIS

There is no dearth of literature available on internet on the topic of GST. However, various discussions, research papers etc. through light on the legislative challenges, rates to be adopted, objections by the States, revenue loss by the States etc. There is absolutely neither literature available nor any discussion held, on the possible administrative challenges in the GST regime. The different administrative hierarchies of the Centre and the States would definitely pose a challenge in bringing out the harmony. Looking at an international picture is of little use as only two countries viz., Brazil and Canada have dual GST regime. We have analyzed the Canada Model in this paper. Canadian Model itself gives a challenge in the sense that there are three types of Models working within the dual GST, depending on the province. The situation in India is more complicated in view of the number of States and also their size. The administrative hierarchy in these States not only differs from the Centre but also among them. For the purpose of the study, we compared the State of Andhra Pradesh Sales Tax Department with the Centre. The comparison of administrative hierarchy throws up many challenges as there is only Commissioner as Head of the Department and at the Centre, there are many Commissioners/Principal Commissioners in each State. The appellate and revisionary powers also vastly vary. The first appellate stage is the level of Deputy Commissioner itself, whereas at the Centre, the first appellate stage is at the level of the Commissioner (Appeal). There is no equivalent post of Commissioner (Appeal) in the State. With these challenges, the paper proposed a Model to bring in administrative harmony between the Centre and the States in the GST regime. As there is no Grade Pay concept in the State of Andhra Pradesh, for the purpose of comparison, the Centre and the Government of Maharashtra Sales Tax Department Grade Pay were taken. While there are many Pros with reference to the Model, there are many challenges also, both foreseen and not foreseen. Hence, the recommendations also included setting up of a GST Board to thrash out differences between the Centre and the States on administrative issues. While GST Council is involved in policy and legislative matters, it is hoped that the GST Board would look into all the administrative issues. The proposed lateral entry method between the Centre and the State Tax Services may bring about the desired harmony.

INTRODUCTION

The dual GST proposed to be introduced is expected to expand the tax bases and simplify and harmonise the conception tax systems presently levied at both central and state levels.

There is considerable expectation in India that the government at the centre would activate the reform process to introduce the goods and services tax (GST). GST is a value added tax (VAT) on both goods and services, as against the prevailing VAT on only goods. The important gains from the GST reform are that it is expected to broaden the tax base, reduce distortions in the economy through a more comprehensive input tax credit, enhance export competitiveness by comprehensively relieving domestic consumption taxes on exports, ensure greater regional equity by getting rid of inter-state sales tax and having a destination-based tax, and help create a seamless national market by removing inter-state trade barriers. It is hoped that the reform will significantly reduce the compliance cost for taxpayers by simplifying and harmonising the tax structure and by making the administration uniform across states.

The dual GST proposed to be introduced is expected to expand the tax bases and simplify and harmonise the conception tax systems presently levied at both central and state levels. The central VAT (CENVAT) levied at present, has a narrow base and multiple rates. It is levied on goods at the production stage, and value added in subsequent stages is not included in the base. In the proposed Central GST, the base will be expanded by merging the service tax with the CENVAT, extended to wholesale and retail levels and simplified to have only one or two rates. The merger of service tax in GST helps to ensure more comprehensive input tax credit and relieve the tax on exports. The State GST will expand the base of the prevailing VAT to include services. The tax will be simplified by merging a number of other taxes such as motor vehicles tax, goods and passengers' tax, entertainment tax, electricity duty and entry taxes. Harmonisation of tax rates and administration across states would bring about significant gain in minimising distortions and reducing compliance cost for taxpayers.

While the desirability of the reform is not in doubt, making a transition to GST involves not only considerable work but also formidable challenges. Unlike in many other countries where GST is a centralised tax, in India it is leviable by both Central and State governments, according to the proposal. This implies that both the structure and administration of the levy will have to emerge after detailed negotiations and bargaining between the centre, 29 states and the two Union Territories with legislatures. Given the sharp differences in the structure of the economy and sales tax revenue (as a ratio of gross state domestic product, or GSDP) across states, the interests of the states do not always coincide and considerable effort is needed to persuade

them to adopt a uniform or even a broadly harmonised structure and administrative system for the tax.

The assessee base is expected to jump considerably from the present base. Hence, there is an urgent need for efficient administration and manpower planning. Presently, the Union government's field officers are located in cities/places where manufacturing activity is happening, whereas States do not have much to do with manufacturing or services. There will also be a dislocation of officers and also lot of resistance from the officers.

The proposed suggestion of lateral entry would harmonise the tax machinery in both the Centre and the State.

While no model is ideal, we have suggested a model after study/research of the various models and also the existence tax laws and present administrative hierarchy in place, in both the Centre and the States. We have taken for the purpose of this study, the present VAT structure in the State of Andhra Pradesh and compared it with our structure in CBEC. Even after restructuring of the State, there is no change in VAT structure or Act in Telangana or Andhra Pradesh. The team had also contacted VAT official in the State to get his comments on the present structure and views on the proposed structure. In the international context also, only two major countries viz., Canada and Brazil have dual GST structure. The Canadian Model has been discussed in detail, in the paper.

INDIAN CONTEXT

CBEC – Central Ex. & Service Tax

Overview:

Levy and collection of Central Excise duty is governed by the Central Excise Act' 1944, the Central Excise tariff Act' 1944 and rules framed there under. Levy and collection of Service tax is governed by the Indian Finance Act' 1994 and Rules framed there under. Aforesaid laws are administered by Central Board of Excise & Customs ("CBEC"), Department of Revenue, Ministry of Finance which is responsible for formulation of policy relating to levy and collection of Central Excise duty and Service tax. It also exercises overall supervision over Central Excise and Service Tax field formations located across the country. The standard rate of Central Excise duty is 14%. The standard rate of Service Tax is 12.36%. Input tax credit is allowed to be taken.

Organizational Structure:

The Organizational structure consists of CBEC as the apex body. There are 23 zones of Central Excise and Customs and 4 zones of Service Tax headed by Principal Chief Commissioner or Chief Commissioner. There are 119 Central Excise & Customs Commissionerates performing executive functions predominantly concerning collection of central excise duty. Some of these Commissionerates also deal with customs and anti-smuggling work. In addition there are 22 Service Tax Commissionerates, 45 Audit Commissionerates and 60 Appeals Commissionerates apart from 5 Large Tax Payer Units. Each Commissionerate is headed by a Principal Commissioner or Commissioner and assisted by Additional Commissioner/Joint Commissioner and Deputy Commissioner ("DC")/Assistant Commissioner ("AC").

Each Central Excise Commissionerate has five divisions headed by AC/DC that administers assesses registered both under the Central Excise Act' 1944 and also the Finance Act' 1994. Each Service Tax Commissionerate has five divisions headed by AC/DC that administers assesses registered only under the Finance Act' 1994. Central Excise assesses have been allocated to these ranges based on geography.

Appeal:

Appeal against the Orders passed by an officer below the rank of Commissioner of C. Ex lies with Commissioner of C. Ex. (Appeals). There are

60 Appeal Commissionerates in India. Appeal against the order of the executive Commissioner of C. Ex as well as Commissioner of C. Ex. (Appeals) lies with Central Excise, Customs & Service Tax Appellate Tribunal (“CESTAT”). CESTAT has 3 benches in Delhi and 4 benches in Mumbai and one each at Kolkata, Chennai and Bangalore. New Bench opened at Allahabad. Each Bench consists of a Judicial Member and a Technical Member. Except in the matters relating to classification and valuation of goods, the Tribunal is the final Appellate Authority though a reference to the High Court can be made on a question of Law. In classification and valuation matters, the appeal against the order of the Tribunal lies only to the Hon’ble Supreme Court.

Advance Rulings:

In order to attract foreign direct investment, Govt of India has set up “Authority for Advance Ruling”. Certain category of persons can apply and obtain ruling on central excise and service tax matters that will be binding on officers working under CBEC.

Registration:

(A) Central Excise:

Every manufacturer of dutiable goods, first and second stage dealers who desire to issue Cenvatable invoices and persons holding warehouses for storing non-duty paid goods are liable to register as per Rule 9 of Central Excise Rules, 2002. Application for registration is filed online in ACES. It is granted by the divisional AC/DC within two working days. Verification of premises and other relevant aspect is done later by the jurisdictional Supdt. of C. Excise i.e. the range officer.

(B) Service Tax:

Every person who is liable to pay service tax is required to take registration under the Service Tax Rules 1994. However, if income from taxable services is more than nine lakhs then the person is required to take registration even if he is not liable to pay service tax.

Application for registration is filed online in ACES. It is granted by the jurisdictional Supdt. of C. Ex/Service Tax. If person is providing service from more than one premises, then the centralised registration is granted by the jurisdictional AC/DC with the approval of Commissioner of C. Excise.

Returns:

(A) Central Excise :

Every assessee registered under the C. Ex. Act' 1944 has to file a monthly return latest by 10th of the succeeding month. If value of clearances (computed as per concerned notification) is less than Rs, 4 Crore, then the Assessee has to file a quarterly return giving production and other details within ten days after the close of the quarter to which the return relates. The returns are filed electronically in a system called Automation in Central Excise and Service tax ("ACES"). The return goes to the jurisdictional Superintendent of C. Excise where upon it is scrutinised. There is penalty for delay in filing or non-filing of return.

(B) Service Tax :

Every assessee has to file a half yearly return in specified form by the 25th of the month following the particular half-year. Hence for the first half it is to be filed by 25th Oct and for the second half by 25th April. The returns are filed electronically in ACES. The return goes to the jurisdictional Superintendent of C. Excise/Service Tax, where upon it is scrutinised. There are late fees or penalty for delay in filing or non-filing of return respectively.

Assessment and collection of duty:

(A) Central Excise:

Every Assessee shall self-assess the duty payable on excisable goods. Exception is cigarette where Supdt. of C. Excise assesses the duty payable. The duty on the goods removed from the factory or the warehouse during a month shall be paid by the 6th day of the following month, if the duty is paid electronically through internet banking and by the 5th day of the following month, in any other case. For the month of March the duty is to be paid by 31st March. In case of manufactures availing small scale exemption the duty is payable on quarterly basis.

(B) Service Tax:

Every Assessee shall self-assess the service tax payable on the services provided or received, in specified cases. In respect of services that are deemed to have been provided in a month, the service tax has to be paid by the 6th day of the following month, electronically. In case of proprietary concern or individual, the service tax is payable on quarterly basis.

Refunds:

The claim for refunds has to be filed within one year from the date of payment of duty or in the case of exports, from the date of export. The refund claims have to be filed before the AC/DC. Refunds are granted

without limit by the concerned AC/DC. Refund attracts interest if it is not paid within three months of the receipt of completed application.

Review:

All the orders of the lower authorities below the rank of the Commissioner will be reviewed by the Commissioner. Committee of Commissioners have powers to review an order passed by Commissioner (Appeal). Committee of Chief Commissioners have powers to review an order passed by the Commissioner of C. Excise.

Search, Seizure and Confiscation:

An officer of the rank of Supdt. of C. Excise and above can summon any person who may have information or documents in respect of enquiry being conducted by the officer. An officer of the rank of Joint Commissioner or Additional Commissioner of C. Excise Power may authorise search of premises and seizure of documents or things. Arrest can be made by an officer of the rank of Inspector of Central Excise or above with the prior approval of Commissioner of C. Excise.

ANDHRA PRADESH STATE VALUE ADDED TAX

Overview:

The State is governed by Andhra Pradesh State Value Added Tax Act, 2005 and the Rules framed thereunder. The standard rate is 14.5% with the list containing exempted goods and also the lists containing duty at 1% and 5%. Input tax credit is allowed to be taken. The undivided State has collected total taxes of Rs. 41,317 Crores during the period 2012-13, which is a jump of 17% over the previous year's figures. The same Act is applicable for Telangana State also.

Organizational Structure:

The Organizational structure consists of the Commissioner of Sales Tax as Head, Additional Commissioners, Joint Commissioners, Deputy Commissioners, Assistant Commissioners, Commercial Tax Officers, Assistant Commercial Tax Officers etc., in the organizational hierarchy. The Additional Commissioners are in charge of functional issues like Policy, Legal etc. They have also few Divisions under them for administrative control. The Joint Commissioners are in charge of GST, Computers, Enforcement, Services etc. The Deputy Commissioners are in charge of Enforcement, GST, Services etc. The Assistant Commissioners are in charge of Services, Legal affairs, Staff College, Enforcement, Statistics, General etc. CTOs take charge of Vigilance, Enforcement, Legal Affairs etc. This is the

organizational structure at the Head Quarters. There is no post equivalent to our Commissioner (Appeals) post.

At the Divisional Level, each Division is headed by the Deputy Commissioner. Each Division may encompass a district or adjoining districts. The bigger and more revenue yielding districts have two Divisions. Each Divisional Deputy Commissioner has two or three Assistant Commissioners under him looking after Audit, Internal etc.

There are 7-11 Circles in each Division, depending on the size. The Circles are created on the basis of geographical area.

Apart from Circles, there are 3 Integrated Check Posts and 15 Border Check Posts. These are headed by CTOs.

Tribunal:

The Appellate Tribunal is located in Visakhapatnam and covers the jurisdiction of all the 13 Divisions.

Advance Rulings:

Apart from the above, there is “Authority for Clarifications and Advance Rulings”, where any dealer can apply for an advance ruling.

Registration:

Any dealer conducting a business or intending to conduct a business will have to apply to be registered for VAT. The threshold limit is Rs. 40 lakhs in last 12 calendar months. All dealers must apply for VAT if their turnover exceeds Rs.10 lakhs for the preceding three consecutive calendar months. Regardless of taxable turnover, there are certain conditions on which the dealer has to apply for VAT registration. VAT registration is done by the Commercial Tax Officer of the Circle concerned.

Returns:

Returns are to be filed by the VAT dealer within 20 days from the end of the tax period. VAT returns are received by the CTO in Circles and Assistant Commissioner in Large Taxpayer Unit.

Assessment:

The Assessment is self-assessment. In the case of dealers with business turnover from Rs. 7.5 lakhs to Rs. 50 lakhs, there is a turnover tax of 1%. In respect of dealers whose turnover is more than Rs. 50 lakhs, VAT returns have to be filed. If there is any discrepancy in returns filed by the dealers, the cases will be referred to the Audit. Final Assessments are done by CTOs

in circles concerned or by the Assistant Commissioner in Large Taxpayer Unit.

Refunds

The claims for refunds have to be filed within in 45 days from the end of the month during which the goods are purchased. The refund claims have to be filed to the Commissioner or to any other officer in the Commissionerate. Refunds are granted by CTO/Assistant Commissioner upto Rs. 2 lakhs, by Deputy Commissioner upto Rs. 10 lakhs and by Joint/Additional Commissioner above Rs. 10 lakhs.

Appeals:

If the tax payer is not happy with the decision made by the Assistant Commissioner, he can make an appeal to the Deputy Commissioner (Appeal). Thus, the Deputy Commissioner (Appeal) is the first appellate authority. If the tax payer is not satisfied with the decision of the Deputy Commissioner (Appeal), he can file further appeal in Appellate Tribunal. Thus, it is the second appellate authority. Further appeal lies with the High Court of Andhra Pradesh. In case of appeals filed at the level of Joint/Additional Commissioners, the appeal lies with the Tribunal. The Orders of the Commissioner are appealable to the High Court directly.

Review/Revision:

The following are the revision powers:

Assistant Commissioner has revision powers to review the Orders of the ACTO, DCTO and CTO. Similarly, the higher authority one step above the authority passing orders has revision papers. Commissioner has revision powers to review the Orders of the any lower authority working under him. He has delegated the revision powers to the officers working under him.

Search, Seizure and Confiscation:

Search and seizure operations can be done by the Circle in the case of normal dealers and by the Assistant Commissioner in case of Large taxpayer units, with the approval of the Deputy Commissioner of Commercial Taxes concerned. Wherever a household search has to be conducted, permission of Joint Commissioner (Enforcement) is necessary.

INTERNATIONAL PERSPECTIVE

Structure and Administration of GST in Canada

Prior to introduction of federal GST in Canada in 1 January, 1991, it had Federal sales Tax (FST), levied by federal Govt at the Manufacturing Level. Due to complexities of FST, narrow base, cascading in as much it was taxing many business inputs, problem in valuation of proprietary rights, branded goods, sole distributorship and sale by manufacturer to related marketing agencies, it was replaced by GST, which covered almost all consumption of goods and services at all stages of production and distribution processes. It was levied at rate of 7% on sale price.

Tax administration at provincial level: Canada has ten autonomous Provinces and three territories.

A) **Quebec Model:** As per Memorandum of Understanding dated 30th August, 1990, with **Quebec Province** (Transition period 30 August 1990 to 31 Dec, 1991) effective 1 January 1992, as per which Quebec was responsible for all administration aspect of GST within the Province from Registration of Vendors & Suppliers, for collection of Taxes and Audit along with Quebec Sales Tax (QST), and remits yield of GST to Federal Govt after deducting charge of collection. Revenue Quebec (RQ) administers GST on behalf of federal Govt in its territory. RQ deals with registration under GST/HST (Harmonized Sales Tax). After registration, all taxable persons continue to deal with RQ for all GST/HST related matters including returns, remittance, rebate application, audit, investigation, interpretation of laws, notice of objection, tax collection and unfilled returns. Canada Govt. responsible for matters relating GST Policy as well as legislating change and interpretation of GST Legislation. The quality of RQ as a tax administration, and its details knowledge of its taxpayer population, when added to economies of scale from collecting two taxes together rather than separately, made the package an attractive one. As per fiscal year 2007-08, RQ received C\$129.2 Million from CRA (588,489 entities registered for GST

in Quebec) to administer the GST in Quebec's territory, which works out to C\$220 per registrant. The Objective of July, 1992 agreement was as under:

i) Minimising costs by eliminating overlap in the administration of two Taxes

ii) Reducing cost of administration;

iii) Guaranteeing the integrity of Revenue for both levels of Govt.;

iv) Facilitating application of GST & QST by Vendors and suppliers;

v) Providing a high level of service to the Public;

B) HST Model with three Atlantic provinces; Comprehensive Integrated Tax Co-ordination Agreement, 1996,

with three Atlantic provinces, e.g., Newfoundland & Labrador, Nova Scotia, and New Brunswick, under which Harmonised Sales Tax/HST, comprehensive Tax levied @15% (Federal component 7%, and Provincial component @ 8% against earlier 12%, 12% & 10% RST in these provinces) levied covering same base of goods and services; Earlier combined Tax rate was @19.84%-Newfoundland, and @18.77% in other two provinces. Under the agreement, the Provinces are to receive grant of CAD 961 Million from Canada, payable over four years for compensation of loss of Revenue due to reduction in Tax rate. The Provinces have no choice over base or Tax rate. The Tax /HST is levied and collected by Canada/Federal Govt at no cost to Provinces, but provincial share distributed as per formula based mainly on consumption. All three Provinces must agree before rate can be lowered, however only two out of three Province need to agree in order to raise the Tax.

-Hence at provincial level, all Provinces except Alberta levy sales tax. Three different models for levying sales tax at Provinces. Quebec levies VAT, known as Quebec Sales Tax(QST), three Provinces (Newfoundland, Nova Scotia & New Brunswick) levy harmonised sales tax(HST)- combination of GST & VAT, rest of provinces levy Retail sales tax (RST). GST, HST & VAT are collected from all traders registered with Tax Deptt., but RST is collected only from dealers who sell directly to final consumers. Three Provinces viz, Ontario, Manitoba, British Columbia levy RST on price exclusive of GST,

but one small province, Prince Edward Island, levied RST on a GST exclusive base. Hence, three Models are working in Canada as under :

a) Separate federal and provincial VAT, administered provincially- Quebec Model, which is unique in the world

b) Joint federal and provincial VAT administered federally (Newfoundland& Labrador, Nova Scotia, and New Brunswick)/HST

c) Provincial RST administered separately.

C) March, 2009; Ontario (largest province) announced to replace existing 8% RST by 8% VAT imposed on same base as Federal GST. Under the agreement, they will receive Federal compensation of \$4.3 billion over period of time; It will be administered by Federal Govt along with GST and revenue will be allocated same way as HST revenue received for three provinces. The tax will be administered by the Canada Revenue Agency, although Ontario will be responsible for winding down its retail sales tax. Ontario will receive transfer payments from the federal government for the provincial component on the basis of an agreed formula, similar to the compensation arrangements in place in the participating provinces.

-Under Canada's Constitution, federal and provincial Govt can not tax each other, however Govt of HST provinces , like federal Govt, has agreed to pay GST/HST on their taxable purchases.

D) BRITISH COLUMBIA: Following Ontario's lead, British Columbia announced its intention to harmonize its sales tax system with the GST on July 23, 2009. The harmonization is to be effective July 1, 2010 at a rate of seven per cent, for composite rate of BC HST of 12 per cent.(However due to subsequent dispute it withdrew from GST , reverted to RST in 2013)

-GST introduced at 7%(1991) was lowered to 6%(2006), and now at 5%(Jan,2008).

The present Tax Structure for these provinces are:

Province	HST(%)	GST(%)	PST(%)	Total Tax(%)
British Columbia		5	7	12
Alberta		5	-	5
Saskatchewan		5	5	10
Manitoba		5	8	13
Ontario	13			13
Quebec		5	9.975	14.975
New Brunswick	13			13
Nova Scotia	15			15
Prince Edward Island	14			14
New Foundland & Labrador	13			13

Statistics: Since 2000, Tax burden in Canada declined 34.9% to 30.6% in 2013 (OECD average in 2013 of 34.1%); GST Revenue in Canada (both Central Govt and Provinces) accounted for 13.7% of total Revenue in 2012 (OECD Average of 19.5%).

Governance of GST :

1. Declarative obligation: This includes registration of Traders with Canadian Customs & Revenue Agency(CCRA), and submission of return and payment of Tax;
2. Accounting Obligations: Traders must maintain sufficient details in the Accounts, to show their purchases and turnover to enable the VAT authorities to verify input credit and VAT liability ;
3. Processing of Returns: Done by System – based upon pre-defined selection criteria , the processing system selects documents for review and verification or audit ; System also identifies non-compliant accounts for further action i.e, neither submit returns nor pay tax;
4. Auditing traders; based Risk management theory –Audit information management System (AIMS) helps in verification, enforcement &

compliance (VEC) of Traders. The information technology branch(ITB) supports this work.

5. Management information system(MIS); Data capture system, starting from time of Registration till payment of tax and processing of Returns / random selection of traders / information on accounting -
6. Appeals: Three -tier approach: First, it sorts out problem with taxpayer through mutual and informal discussion – Next step appeal made before Appellate authority but tax has to be paid before appeal is filed ;
7. Tax payer services: brings out publications for use of tax payer, assist taxpayer file tax returns correctly, and help them understand their obligations and entitlements .

LESSONS LEARNT

SINGAPORE

The Goods and Services Tax is a broad based consumption tax levied on all imported goods and also all supplies of goods and services in Singapore. GST exemptions apply to the provision of most of the financial services, the sale and lease of residential properties, and the importation and local supply of investment precious metals. Goods that are exported and international services are zero-rated. The standard rate is 7%.

As a business, you must register for GST if your annual turnover in the past 12 months is \$1 million. Once you are registered for GST, you should charge GST. This GST that is charged and collected is known as output tax and should be paid to Internal Revenue Administrative Service (IRAS). The GST on business purchases and expenses can be taken as input tax credit. The returns should be submitted to IRAS one month after the end of prescribed accounting period. This is usually done on a quarterly basis.

The GST was introduced in Singapore from 1st April 1994 to shift its reliance from direct taxes to indirect taxes.

In Financial Year (FY) 2014/15, IRAS collected a total of \$43.4 billion in tax revenue, 4.4% higher than the collection in FY2013/14. This amount represents 71.3% of the Government Operating Revenue.

Income Tax (Corporate Income Tax, Individual Income Tax and Withholding Tax) collection of \$23.4 billion accounted for 54% of IRAS' collection in FY2014/15. Contributing to the increase were improved corporate profits which raised Corporate Income Tax collection by 5.4% over the previous FY, as well as the 16% increase in Individual Income Tax collection due to higher individual earnings.

Moderate growth in private consumption expenditure drove an increase in GST collection, from \$9.5 billion in FY2013/14 to \$10.2 billion in FY2014/15, a rise of 7.4%.

SOUTH KOREA

There is no dual GST as VAT is administered, charged and collected by the Federal Government. VAT was introduced into South Korea in 1977 to

consolidate 8 indirect taxes previously in place, and to streamline the Korean tax system. VAT is administered by National Tax Service.

Except where specific exemption is provided, VAT is charged on all goods and services in South Korea, including imported goods. Goods include all tangible and intangible properties that have values. Tangible properties include commodities, raw materials, machinery, building etc. Intangible properties include power, heat and other properties (including 'rights') that do not have a tangible form.

For VAT purposes, the term "supply of services" refers to the provision of services for consideration pursuant to law or contract, except the services provided by an employee to the employer.

The importation of goods into Korea or from bonded area is taxable under Korea Value Added Tax Law (VATL).

The standard VAT rate is 10%. There are no reduced rates.

Zero VAT rate is applicable for export of goods and services, supply of international transport services by vessel or aircraft etc.

Tax exemptions include unprocessed food stuffs, tap water, educational services, health services, passenger transportation service, bricks and anthracite coal etc.

Every business person engaged in the business of goods and services should apply for VAT registration. VAT returns have to be filed on quarterly basis.

Staff strength Comparison – Centre & State

Sr. No.	Rank/Designation (Exec. & Ministerial)	Centre (all Zones within Maharashtra)	State of Maharashtra
1	Pr. Commr./Commr.	47	1
2	Addl. Commr.	113*	9
3	Joint Commr.		79
4	Dy. Commr.	528**	392
5	Astt. Commr.		576
6	Sales Tax Officer/Supdt	2519	1089
7	ST Inspector/Insp	2994	4509
8	EA/TA/Clerk/LDC	1522	2724
	TOTAL	7733	9379

* Includes figure for Joint Commissioner also

** Includes figure for Asstt Commissioner also

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MCTP, GROUP II OF PHASE III, GROUP VII

Sr. No.	Centre (All Zones within Maharashtra)	State (Maharashtra)
Revenue (Crores) 2014-15	1,04,343	75,783
Assessee Base	5,28,054	7,85,165

Comparison of Central and State Grade Pay (Rs.)

For the purpose of comparison, Grade Pay of Central and State Government (Maharashtra) are taken, as Andhra Pradesh is not following the system of Grade Pay anymore.

Centre		State (Govt of Maharashtra)	
Designation	GP	Designation	GP
Commissioner	10000	Commissioner	10000
Additional Commissioner	8700	Additional Commissioner	8800

Joint Commissioner	7600	Joint Commissioner	7600
Deputy Commissioner	6600	Deputy Commissioner	6600
Assistant Commissioner	5400	Asst. Commissioner	5400
Superintendent	4800	Sales Tax Officer	4400
Inspector	4600	Sales Tax Inspector	4300

RECOMMENDATIONS

Proposed Model for Administrative Harmony

[Proposed model for GST](#)

Pros:

1. The Model creates administrative harmony between the States and Centre in terms of Organizational hierarchy.
2. The administrative harmony enhances coordination between the Centre and the States and improves decision making process.

3. The Synchrony between the States and Centre also helps in tax buoyancy as information is shared seamlessly between the Organizations.
4. It improves the service delivery and make the tax payment and compliance hassle-free for the tax payer. Compliance cost will also be reduced.
5. Reduces delays in appeal process as the level of first appellate authority has been made at the level of the Joint/Additional Commissioner in Centre as it reduces the burden on Commissioner(Appeals), resulting in quicker disposal of appeals.
6. The Commissioner rank Officer at the Centre is entrusted with the revision powers and hence the decision making process is quickened as he can revise or modify the order instead of directing filing of appeal against the Order.
7. Single GST Tribunal dealing with disputes from Centre and States arising out of same Tax base, will help both tax payer/assessee and Govt in reducing litigation cost and save time.
8. The success of dual GST in Canada indicates that the harmony between Centre and States in administration can be achieved and be made successful, which helps both the Governments and the Taxpayer.

CHALLENGES

1. The relative staff strengths of the Centre and States are a cause of concern and a major challenge.
2. The reluctance of the States to increase the number of Commissioners is a major challenge.
3. The relative competencies of the Technical/Administrative Members from the Centre and the States in the GST Tribunal may hamper the administration of justice and disposal of cases.
4. The disparities in wages and allowances between the States and the Centre are a major concern for administrative harmony.

5. The challenge is in smaller states like North Eastern States, Puducherry etc. to match with the Centre in terms of administrative hierarchies.

CONCLUSION

The amount of time, energy and resources that have gone into GST are mind boggling. However, it is seen from the literature available that the discussions are on the rates to be identified and other contentious issues to be thrashed out before GST gets implemented. It appears that there is limited focus on bringing administrative harmony between the centre and the states.

The issue is challenging especially when we see the administrative hierarchy between the States and the Centre. There are differences in pay scales, ranks, hierarchies etc. not only between the Centre and the States but also

among the States. But for many States, VAT or the sales tax is the major source of revenue. Hence, it is also a challenge for the States to bring in administrative harmony with the Centre.

In view of the lack of uniformity in administrative structure and staff strengths among the organizations, it is a very difficult task to bring in a model that fits all the aspirations and fixes all the problems. The model suggested by us addresses some of the issues in the administration so that the harmony can be achieved and the synergies used for the development of tax compliance, increase in tax base etc.

While studying the administrative hierarchies between the Centre and the States, it has become amply clear that there is no parity in any rank between them. Even though the model has been suggested, the success of the model depends on various parameters like Centre State relations, relationship among States. There may be many administrative challenges which we may face in the future and the same cannot be predicted now. To thrash various administrative problems, it is proposed that a GST Board be set up at the national level with the Member (Service Tax), CBEC heading the same, with members among various States represented by their Commissioners. The GST Board should have a Chairman and 6 Members, with the Members post rotating among the States on a fixed formula. It should be supported by a Secretariat, the staff of which is drawn from various States and the Centre. Board should address itself only with the administrative issues and try to achieve harmony between the Centre and the States. As GST Council is preoccupied with the policy issues, the GST Board should address the administrative problems. This will smoothen the administrative problems that may occur between the Centre and the States and also among the States and goes a long way in aligning the administrative structure between the Centre and the States.

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