

## Gujarat Value Added Tax (GVAT) VS Goods and Service Tax GST

**Vohra Ali Asgar Abbasbhai**

Temporary Assistant Professor, Department of Accounting and Financial Management

The Maharaja Sayajirao University of Baroda, Vadodara, Gujarat, India

Email - aliasgarvohra4@gmail.com

**Abstract:** GST stands for “Goods and Service Tax” and it is proposed to be a comprehensive indirect tax levy on Manufacture, sale and consumption of goods as well as service at national level. It will replace all indirect tax levied on goods and service by the Indian Central and State governments.

**Key Words:** Gujarat Value Added Tax (GVAT), Goods and Service Tax (GST), Agriculture, goods, dealer.

### 1. INTRODUCTION:

#### Meaning of GST

‘G’ – Goods

‘S’ – Services

‘T’ – Tax

“Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level under which no distinction is made between goods and services for levying of tax. The GST shall subsume all the taxes except Basic Customs Duty that will continue to be charge even after the introduction of GST. India shall adopt a Dual GST model, meaning the GST would be administered both by the central and the State Governments.

This will comprise of:

Central GST (CGST) which will be levied by Centre

State GST (SGST) which will be levied by state

Integrated GST (IGST) which will be levied by Central Government on interstate supply of goods and services

Union GST (UTGST) which will be levied by Union Territory by Centre

### 2. Need of GST:

Let’s begin by elaborating on the important concept of – cascading effect of taxes. It is also, logically, referred to as “taxes on taxes”. It is simple to illustrate – say A sells goods to B after charging sales tax, and then B re-sells those goods to C after charging sales tax. While B was computing his sales tax liability, he also included the sales tax paid on previous purchase, which is how it becomes a tax on tax.

This was the case with the sales tax few years ago. At that time, a VAT system was introduced whereby every next stage dealer used to get credit of the tax paid at earlier stage against his tax liability. This reduced an overall liability of many traders and also helped to reduce inflationary impact this had on the prices.

Similar concept came in the duty on manufacture – The Central Excise Duty – much before it came for sales tax. The CENVAT credit scheme (earlier known as MODVAT) was also a welcome move by trade and industry where credit of excise duty paid at the input stages was allowed to be set-off against the liability of excise on removal of goods. With effect from 2004, this system was extended to Service Tax also. Moreover, cross utilisation of credit between excise duty and service tax was also permitted. To a huge extent, the problem of cascading effect of taxes is resolved by these measures.

On the application of GST following Central Taxes should be subsumed under the Goods and Service tax:

- Central Excise Duty
- Additional Excise Duty
- The Excise Duty levied under the Medicine and Toiletries Preparation Act
- Service Tax
- Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- Special Additional Duty of Customs (SAD)
- Surcharges
- Cesses

The following state taxes and levies would be subsumed GST:

- VAT / Sales Tax
- Entertainment Tax
- Luxury Tax
- Taxes on lottery, betting and Gambling
- State Cesses and Surcharges in so far as they relate to supply of goods and services.
- Entry tax not in lieu of Octroi

### 3. Gujarat Value Added Tax (GVAT) VS Goods and Service Tax (GST):

The GST law has been a mixture of the VAT laws, Service Tax, Central Excise, Customs and others. Therefore while many aspects would be similar there would be many which are different. Broadly the similarities would be easy for the VAT practitioner but the aspects where there is a difference would have to be unlearned and re-learned. GST at glance will indicate the following:

#### 1. Definitions: All laws

Definition	
Definition of Agriculture	<p>“Agriculture” with all its grammatical variations and cognate expressions the following:</p> <ul style="list-style-type: none"> <li>• Floriculture</li> <li>• Horticulture</li> <li>• The raising of crops, grass or garden produce, and grazing</li> </ul> <p>Agriculture does not include the following:</p> <ul style="list-style-type: none"> <li>• Dairy farming</li> <li>• Poultry farming</li> <li>• stock breeding or</li> <li>• The mere cutting of wood or</li> <li>• Grass or</li> <li>• Gathering of fruits</li> </ul>
Definition of Agriculturist	<p>“Agriculturist” means a person who cultivates land personally for the purpose of agriculture</p>
Definition of Business	<p>Business includes:</p> <ol style="list-style-type: none"> <li>1. any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture, whether or not such trade, commerce, manufacture, adventure or concern is carried on with a motive to make profit or gain and whether or not any profit or gain accrues from such trade, commerce, manufacture, adventure or concern.</li> </ol>
	<p>2. any transaction of buying, selling or supplying plant, machinery, raw materials, processing materials, packing materials, empties, consumable stores, waste products, or such other goods, or waste or scrap of any of them which is ancillary or incidental to or resulting from such trade, commerce, manufacture, adventure or concern;</p>
	<p>The definition of “Agriculture” in GST Act is largely adopted from GVAT Act.</p> <p><b>In addition to activities covered in GVAT, ‘sericulture’ is also included in the definition of ‘Agriculture’.</b></p> <p>All the exclusions in GVAT Act are also excluded in GST.</p>
	<p>The definition of ‘Agriculturist’ and ‘to cultivate personally’ in GST is exactly same as those definitions under the current GVAT Act.</p>
	<p>The Definition of “Business” in GST Act is wider than the one contained current VAT Act.</p> <p>1. The import of said clause is considered in section 2(17)(a), (b) and (c) of the GST Act.</p> <p>The import of these clauses is considered in section 2(17) (d) of the GST Act. However, it may be noted that term ‘capital asset’ is defined in GVAT Act, but is not defined under GST Act</p>
	<p>The following additional activities are included in the definition of Business under GST Act. (“deemed business”)</p> <ul style="list-style-type: none"> <li>- Provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members, as the case may be</li> <li>- Any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public</li> </ul>

		<p>authorities</p> <ul style="list-style-type: none"> <li>- Admission, for a consideration, of persons to any premises</li> <li>- Services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation.</li> <li>- Services provided by a race club by way of totalisator or a licence to book maker in such club.</li> </ul>
Definition of Capital Goods	<p>“capital goods” means plant and machinery meant for use in manufacture and such other goods, as may be notified by the State Government from time to time in the official gazette.</p>	<p>GST Act does not contain definition of Capital asset’. Instead it uses the expression ‘capital goods’ and defines it to mean goods, the value of which is capitalised in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of business.</p>
Definition of Dealer	<p>“dealer” means any person who, for the purpose of or consequential to his engagement in or, in connection with or incidental to or in the course of his business buys, sells, manufactures, makes supplies or distributes goods, directly or otherwise, whether for cash or deferred payment, or for commission, remuneration or otherwise and includes-</p> <p>(a) the Central Government or a State Government or any local authority such as municipality or municipal corporation or panchayat, a statutory authority, a company, a partnership firm, a Hindu Undivided Family or any society, club, association or body, incorporated or not, of persons which carries on business;</p> <p>(b) a casual dealer, that is to say, a person who whether as principal, agent or in any other capacity, undertakes occasional transaction of a business nature in any exhibition-cum-sale or auction or otherwise in the State, whether for cash, deferred payment, commission, remuneration or other valuable consideration;</p> <p>(c) an auctioneer, who sells or auctions goods belonging to any principal whether disclosed or not and whether the offer of the intending purchaser is accepted by him or by the principal or a nominee of principal;</p> <p>(d) a factor, broker, commission agent, <i>del credere agent</i> or an auctioneer or any</p>	<p>Under GST Act, any person who is registered or is made liable for registration is regarded as “Taxable Person”. Therefore, unless a person is excluded from requirements under Registration, he shall be treated as taxable person.</p> <p>As per schedule V, following persons are not liable for registration.</p> <ul style="list-style-type: none"> <li>- an agriculturist, for the purpose of agriculture</li> <li>- any person engaged exclusively in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax under this Act</li> </ul> <p>Thus, under the GST, a person becomes a taxable person, because he obtains or is liable to obtain registration.</p>

	<p>mercantile agent, by whatever name called, who carries on business on behalf of any principal whether disclosed or not;</p> <p>(e) any person who transfers, otherwise than in pursuance of a contract, property in any goods for cash, deferred payment or other valuable consideration;</p> <p>(f) any person who transfers property in goods (whether as goods or in some other form) involved in the execution of a works contract;</p> <p>(g) any person who delivers goods on hire purchase or any system of payment by installments;</p> <p>(h) any person who transfers the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration; and any person who supplies, by way of or as part of any service or in any other manner whatsoever, goods being food or any other article for human consumption or any drink (whether or not intoxicating) where such supply or service is for cash, deferred payment or other valuable consideration.</p>	
<b>Definition of “goods”</b>	<p>Under the current definition of “goods” contained in GVAT Act, following are excluded from the definition of “goods”</p> <ul style="list-style-type: none"> <li>- Newspapers</li> <li>- Actionable claims</li> <li>- Money</li> <li>- Stocks, shares, securities</li> </ul>	<p>Under GST, only money and securities are excluded from the definition of “goods”, whereas the ‘actionable claim’ is specifically included in the definition of “goods”.</p>
	<p>Under GVAT, the following are included in the definition of “goods”</p> <ul style="list-style-type: none"> <li>- live stocks,</li> <li>- growing crop, grass and trees and plants including the produce thereof including property in such goods attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale</li> </ul>	<p>Under GST, live stocks are not specifically included in the definition of goods. Further, the expression “<i>attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply</i>” is used not only with reference to growing crops or grass or trees and plants but is with broadly with reference to any ‘thing’.</p>
<b>Definition of “manufacture”</b>	<p>“Manufacture” with its grammatical variations and cognate expressions means includes producing, making, extracting, collecting, altering, ornamenting, finishing, assembling or otherwise processing, treating or adapting any goods; but does not include such manufactures</p>	<p>Under GST Act, the definition of term “Manufacture” is borrowed from Central Excise Act, 1944.</p>

	or manufacturing processes as may be prescribed	
<b>Definition of “Person”</b>	Under GVAT Act, “person” includes the following - Individual - A Hindu Undivided Family - A firm - Any company or society or club or association or body of individuals whether incorporated or not - Any State Government, the Central Government - A local authority - Every artificial juridical person not falling within any of the preceding descriptions	The definition of “person” in GST Act is almost identical and includes all the persons as per GVAT Act and further specifically includes the following  - A Limited Liability Partnership - An association of persons or a body of individuals, whether incorporated or not, in India or outside India - Any corporation established by company as defined in section 2(45) of the Companies Act, 2013 (18 of 2013) - Trust or under any Central, State or Provincial Act or a Government
<b>Definition of ‘place of business’</b>	Under the GVAT Act, definition of ‘place of business’ is inclusive and includes the following places - a warehouse, godown or other place where a dealer stores his goods - any place where the dealer keeps his books of accounts. A place where the dealer is engaged in a business through agent, the place of business of such agent is deemed to be ‘place of business’ only for the limited purpose of section 64 which deals with inspection of accounts and documents and search of premises.	Under GST Act, definition of place of business covers both the places as per GVAT Act, and in addition thereto covers the following places - A place from where the business is ordinarily carried on - Any other place where a taxable person provides or receives goods and/or services. - A place where a taxable person is engaged in business through an agent, by whatever name called.
<b>Tax free goods vs Exempt Good</b>	Under the current GVAT Act, “tax free goods” means goods against which the rate of sales tax is shown to be NIL. in the schedule.	Under GST Act, “exempt supply” is defined to mean supply of any goods/services which are not taxable under the Act and includes supply of goods/services which attract Nil rate of tax or which may be exempt from tax under section 11. <b>The definition of exempt supply under GST is therefore broader than that under the current GVAT Act.</b>

**REFERENCES:**

1. CA. Shivashish Karnani, “Goods and Service Tax- Detail Explanation with Example!!”, retrieved from <http://www.gstindia.com/goods-and-service-tax-a-detailed-explanation-with-examples-2/>, 4<sup>th</sup> April, 2017, 8:30 a.m.

**WEB REFERENCES:**

- [www.icmai.in](http://www.icmai.in)
- [www.icai.org.in](http://www.icai.org.in)
- [www.cbec.gov.in](http://www.cbec.gov.in)
- [www.profitbooks.net](http://www.profitbooks.net)
- [www.gstindia.com](http://www.gstindia.com)
- <https://sreibonds.com/blogs/why-we-need-gst>
- <https://www.quora.com/What-are-the-positive-and-negative-impact-of-GST-in-India>
- <http://www.thehindubusinessline.com/economy/draft-gst-law-proposes-compensation-cess/article9391872.ece>
- [https://www.commercialtax.gujarat.gov.in/vatwebsite/download/act/VAT\\_2005\\_Eng.pdf](https://www.commercialtax.gujarat.gov.in/vatwebsite/download/act/VAT_2005_Eng.pdf)  
<http://idtc-icai.s3.amazonaws.com/download/knowledgeShare17-18/MVAT-vs-GST-Mar-17.pdf>