SEAMLESS FLOW OF CREDIT UNDER GST

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ABSTRACT

After a millennium struggle, conquering all the problems that serve as bureaucratic hurdles in the implementation of Goods and Services Tax (GST), it was enforced in the federal India as of July 1, 2017. By subsuming plethora of indirect taxes and the cessation of taxes levied on the central and state government in India, the indirect tax system has been streamlined by extinguishing the dynamic and cascading existence of multiple-tier indirect taxation. More than 160 countries around the world have now introduced GST. Therefore, it has its own rich heritage of victories and defeats. Both decision makers and the citizens of India expect GST to resolve loopholes from the preexisting indirect tax system. This paper proposes, to study the functioning of VAT/GST of 3 ASEAN countries- Indonesia, Vietnam, Thailand- And equate it with the GST regime of India. Efforts are also made to derive lessons for India from the experience of these nations. India must learn from the setbacks of administration and enforcement of law of developing countries as well as from the effective administrative policies of the developed countries.

Keywords: *Goods and Services Tax, administration and enforcement of law, Value Added Tax, Indirect Tax.*

INTRODUCTION

One Tax, One Market, One Nation ~ Arun Jaitley

The mechanism of taxation in India prevailed in the prehistoric texts of the Arthashastra and Manu Smriti, wherein the farmers and artisans paid taxes in the form of gold, silver or agricultural produce. In accordance with these texts, during the British reign, Sir James Wilson conceptualised the modern taxation system in 1860. Nevertheless, post-independence the Indian Government soldered the entire taxation system to impel the economic development of the nation. The Tax structure of India exemplifies a three-tier federal structure. Article 246 (Seventh Schedule) of the Constitution of India cites that, "Parliament has exclusive powers to make laws in respect of matters given in Union List (List I of the Seventh Schedule) and State Government has the exclusive jurisdiction to legislate on matters containing in State List (List II of the Seventh Schedule). In respect of matters contained in Concurrent List (List III of the Seventh Schedule), both the Central Government and State Governments have concurrent powers to legislate".[1] "In India taxes are levied by The Central Government, The State Government and Local Municipal Bodies."[2] Similarly, Article 256 states that "*No tax shall be levied or collected except by the authority of law.*" Since time immemorial, the Centre and the State levied and collected their respective taxes form the taxpayers due to which the Taxation System of India coined cascading effect.[3] Therefore, various fiscal reforms have taken place to mobilize the resources to attain the exigencies of the country; from which one of the landmark reforms is enactment of Good and Services Act, 2017.

This paper endeavours to consider the working of VAT/GST of 6 ASEAN countries - *Philippines, Indonesia, Singapore, Vietnam, Thailand and Malaysia* - and contrast it and the Indian GST system. India should ascertain the pitfalls of the developing countries pursuant to the administration and appliance of law along with the triumphant strategies of developed countries resembling Singapore. Moreover, this paper predominantly emphasizes on the concept of Input Tax Credit which falls under the purview of Indirect Tax. Input Tax Credit

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[1] 'Article 246 in The Constitution of India 1949' <https://indiankanoon.org/doc/1405898/> accessed 1 August 2020.

[2] 'Central Sales Tax A,1956' <http://kb.icai.org/pdfs/PDFFile5b27945d1fb5b3.98083931.pdf> accessed 1 August 2020.

[3] Cascading tax effect is likewise named as "tax on tax". This effect happens when a good is taxed on each phase of production. Such a good is taxed until it is finally offered to the consumer. This implies each succeeding transfer of goods is taxed comprehensive of the taxes charged on the previous transfer. Accordingly, the final consumer bears the weight of the numerous taxes forced on each phase of production. Such a circumstance prompts inflationary costs.

(ITC) is the tax paid by the business on purchase and can later claim credit to the extent of the amount paid on purchase to reduce the tax liability. The paper also navigates through the reforms undertaken under Indirect Tax following a gradual paradigm shift from 'Partial Input Tax Credit' to 'Seamless flow of credit'.

RESEARCH QUESTIONS

- How did the theory of Input Tax Credit evolve and pave its way under the Federal Indian Taxation System?
- Whether Goods and Services Act,2017 devalue the major drawbacks set by the indirect taxes that prevailed in the Value Added Tax,2005?
- Whether the negative list provided under Section 17 (4) of Central Goods and Services Act, 2017 entail 'Partial flow of Credit' on the manufacturers and dealers?
- Whether the enactment of Goods and Services Tax, 2017 solved the contemporary inadequacies of input tax credit and attain a paradigm shift from 'Partial Input Credit' to 'Seamless Flow of Credit'?

RESEARCH METHODOLOGY

The title of the Research paper is ***'Seamless flow of credit under GST',*** the principal objective of the paper is to investigate and analyze the working mechanism of Input Tax Credit prevailing in India to attain a holistic panorama. However, contemplating the veracity in the title, the researcher can't devise a single research methodology in the entire paper. To study and analyze data in reference to the issue on 'flow of credit in the pre-GST and post-GST era'. Thus, various provisions, journals, articles, statistical reports and news articles are relevant secondary sources that are referred to.

The research methodology utilised in this research paper is an amalgamation of Doctrinal Research Methodology and Descriptive Research Methodology.

Doctrinal research methodology (Traditional research methodology) is used to analyse the pre-existing statutory provisions and the contemporary statutory provisions that fall under the ambit of input tax credit. Various Case laws and legal proposition were analysed to ascertain a solution. *Descriptive Research Methodology* is used to discuss the phenomena or also an issue per se. The methodology is used to describe the aspects of seamless flow od credit encompassing its meaning, significance, rules and policies, history and exemption prescribed under carious acts enacted by The Central Government and The State Government.

LITERATURE REVIEW

- ***"Goods and Service Tax: A Comprehensive and Uniform Indirect Tax Reform in India" written by Surbhi Gupta, published by The Journal Press India, Vol 2 Issue 3, Pg. 31-53:***

  The author explains how the overriding the provisos in the current indirect tax system, Goods and services tax (GST) was a significant indirect tax change in India. Pre-requisites of a paradigm shift from destination-based Vat to origin-based tax was elucidated with relevant examples. Elimination of cascading effect under GST along with the negative list mentioned under Section 17 (4) of CGST Act was discussed. The author is of the opinion that the GST system was required to bring a container of advantages for the whole economy accordingly arranging, organization, opportune direction to the business and preparing to both the tax officials and payers on GST will help its smooth usage and decrease the compliance cost of the country.

- ***"Malaysia's GST Journey: Past, Present and Future" written by Jeyapalan Kasipillai, published by The Journal of Monash University:***

  This paper navigates the reasons for introduction of Goods and Services Act, 2015 along with the legal process undertaken for the same. Pre-GST indirect taxes were discussed with the advantages and disadvantages laid by VAT regime. Fairness of taxation mechanism and cannons of taxation are explained to upsurge the countries taxable revenue. Problems with the new GST is explained with the defects in invoice-based taxation system. A comprehensive study is undertaken of ASEAN countries to derive relevant solution in order to adopt in the Malaysians GST framework. The feasible invoice-based mechanism was that of Singapore; and relevant options of inculcating their strategies were put forth by the author.

- ***"Implementation of Goods and Service Tax (GST): An Analysis on ASEAN States using Least Squares Dummy Variable Model (LSDVM)", written by Saravanan & Venkatachalam, published by The journal of International Conference on Economics, Education and Humanities Volume: ICEEH'14:***

The point of this work is to dissect the post-impact of the goods and service tax (GST) on public development. A secondary data for preferred ASEAN nation from World Bank was recovered and regression analysis directed utilizing the least squares dummy variable model (LSDVM). Discoveries uncovered that not all nations in ASEAN are encountering growth in public development after usage of the GST. Some suggestion was attracted to guarantee a fruitful usage of GST. The author is of the view that the survey conducted using the unique model can be implied for further examination later on.

EVOLUTION OF VAT REGIME IN INDIA

I. PRE-VAT REGIME

Prior to the advent of GST, The Parliament enacted, Central excise duty (Entry 84) Customs duty (Entry 83), Service Tax (Entry 97) and CST were major sources of revenue to the Central Government under the Union List. On the other hand, tax levied on sale and purchase (Entry 54), Taxes levied on amusements, luxuries, entertainment, betting as well as gambling (Entry 62), Tax levied on excise duty on opium, alcoholic liquors and narcotics (Entry 51), electricity tax (Entry 53) and Octroi or entry tax (Entry 52) under the State List and were the primary source of revenue for the State. These taxes however set major drawbacks such as-

- Levy of taxes on the dealers/manufacturers on the first sale point.
- Exclusion of services from the narrow tax base.
- Taxation on inputs and capital goods.
- Non-availability of Input Tax Credit on plant and machinery, capital goods, etc due to enclosure of elongated negative lists (exemptions) to avail credit that impedes the value chain of distributive trade.
- The Multiplicity of Taxable rates leading to Cascading effect.
- Complex laws and the unstructured framework of administration.

Constitutional provisions pursuant to the taxation powers imposed on the State and Centre mentioned under Schedule VII are encapsulated below-

POINTS	DIRECT	INDIRECT
Taxes, Collected, imposed & Retained via the Centre	a. Corporate Tax (Corporate tax) b. Surcharge imposed on Income Tax. c. Taxes levied on capital value of assets d. Fees mentioned under Union list.	Necessary Custom Duty
Central taxes imposed & accumulated by Centre although apportioned with States	Taxes imposed on Income (except agricultural income & corporation tax)	a. Excise Duty provided under the Union list (other than medicinal). b. Service Tax,
Taxes imposed, accumulated by Centre but consigned to the States.	a. Duties appropriated via succession of property (except land utilised for agricultural purpose). b. Levy of Estate duty on certain property (except agricultural land).	a. Taxes imposed on goods & passengers transmitted via railways, sea and airways. b. Taxes levied on vending or buying of newspapers & on advertisements printed in them. c. Taxes on transaction made in the stock exchanges.
Taxes imposed by Centre Government but accumulated and maintained by the State Government		Taxes levied on the inter-state sales/ purchase/ consignment of goods.

Taxes imposed, accumulated & Retained by State Government	a. Land revenue. b. Tax imposed on agricultural income. c. Tax levied on land & buildings. d. Capitation taxes. e. Tax imposed mineral rights. f. Tax on professions, employment etc. g. Stamp duty (excluding list I)	a. Tax levied sale/purchase of goods (excluding newspaper) b. Excise Duty: I. Alcoholic liquor for human consumption II. opium, narcotics etc. III. Toll tax IV. Tax levied on electricity. V. Taxes levied on goods/ passengers transmitted via road or waterways. (vii) Entertainment tax, tax imposed on betting & gambling, etc.

This assortment and selective division of indirect taxes distributed by the State level and the Central level has expectedly resulted in about a complex structure in the Indirect tax regime in India. Bagchi Committee examined the domestic trade taxes prevalent in India was in dire need of reform since the modus operandi of the taxation mechanism was obsolete, irrational, and complex.[4] It followed no sane example, having developed throughout the long term generally through changes made ad hoc every very often due to the prevalence of exigencies and violated canons of taxation - *certainty, neutrality, simplicity, and equity.*[5] Such a framework made endless harm the economy by subjectively meddling with the choices of monetary operators and in this manner contorting the example of trade and industry, adding to their costs,

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[4] Saravanan & Venkadasalam, *"Implementation of Goods and Service Tax (GST): An Analysis on ASEAN States Using Least Squares Dummy Variable Model (LSDVM)"* <https://www.researchgate.net/publication/273576920> accessed 28 October 2020.

[5] Ritika Muley, 'Canons of Taxation: Meaning, Types and Characteristics' (*Economics Discussion*, 29 January 2016) <https://www.economicsdiscussion.net/government/taxation/canons-of-taxation-meaning-types-and-characteristics/17428> accessed 28 October 2020.

sabotaging their serious quality, and misallocating scant resources. The absence of transparency, will not serve the objective of equity either.

II. A WAY FORWARD TO VAT IN INDIA

The Central Government levied MODVAT which was a full-fledged tax imposed only on Manufactured goods wherein credit on input was permitted to the amount paid on Manufactured goods.[6] In 2002, CENVAT was introduced to widen the tax base. Although, CENVAT excludes several Additional Excise Duties, Custom Duties, Central Taxes and hence the advantage of set-off on input tax as well as service tax was withdrawn from the manufacturers and producers. To simplify the snow-balling effect the '*Empowered Committee of State Finance Ministers'* established Value Added Tax in 2005 on the recommendation of Bagchi Committee Report, 1994. In the year 2004, Input Tax Credit was introduced to authorise cross flow of credit over prevailing taxes. However, VAT continued to be characterised as narrow based due to plethora of exemptions, the multiple rate framework, the snow-balling effect that ultimately broke the input credit chain. It additionally clashes with standards of inter-jurisdictional equity in light of the fact that the high-income producing States viz. Haryana, Gujrat, Tamil Nadu, Maharashtra can trade their taxes to other people, obliging the domestic tax base of the low-income consuming States viz. M.P, U.P., Bihar, and Assam. This resulted in a complex situation where States were undermined to rationalize the Tax framework.[7]

The indirect tax systems encompassing at the Central and the State levels remains intricate. VAT, analogous to its precursor Sales Taxes, continues to be characterized by a narrow base, excess exemptions, multiple rate structures and a snow-balling effect that accounts to breakage chain of input-credit. While input-credit is obtainable for transaction made in intra-state, no such credit is obtainable for inter-state transactions. The variable that contributed to unsatisfactory circumstances of VAT are:

- Taxes levied on Manufacturing Stage

CENVAT is imposed on goods that are *manufactured* in India. This gave escalation of issues pertaining to definitions as to which ingredients would constitute *manufacturing*, along with issues pertaining to valuation for governing the value on which tax is to be imposed.

[6] Mahesh C Purohit, 'Adoption of Value Added Tax in India: Problems and Prospects' (1993) 28 Economic and Political Weekly 393 <https://www.jstor.org/stable/4399456> accessed 28 October 2020.
[7] 'Central Transfers to States: Role of the Finance Commission' (*PRS India*, 11 April 2018) <https://www.prsindia.org/theprsblog/central-transfers-states-role-finance-commission> accessed 28 October 2020.

Furthermore, the operational encumbrance of tax turns reliant on the supply chain i.e. the value taxable at manufacturing level including the additional value beyond manufacture level.

- Exclusion of Taxation powers for the State from plethora of services

The states were not authorised to impose taxes on constituents of consumer expenditure (service tax). This enables a negative impact on bounciness of taxation revenues of the State.

- Cascading effect

Tax Cascading effect endures the most genuine imperfection of the current VAT system. It expands the expense of production that subsequently hold Indian suppliers in a serious disservice in the global business sectors. It makes an inclination for imports, which don't bear the hidden weight of taxes on production inputs. Regardless of whether the statutory rate is unvarying, the compelling tax rate (that encompass statutory amount on final goods along with the hidden tax levied on production inputs) can differ from item to item contingent upon the size of the hidden tax imposed on inputs utilized in their production and distribution.

A. Cascading effect lies under both Central and State level

   The enormous contributing component to tax cascading is the incomplete inclusion under CENVAT/VAT by the Central and, State taxes. Agriculture, production of oil & gas, real estate, wholesale, mining and various services stay outside the purview of CENVAT along with the service tax imposed by the Union. The exclusions do not permit to guarantee any credit for CENVAT.

B. Plethora of exemptions and the multiplicity of tax rates pertaining to Service Tax & CENVAT

   The base for the CENVAT is narrow, and is being additionally dissolved through an assortment of contingent and unqualified exclusions.

- Inconsistent procedures

  The VAT structure lacked uniformity among states which not only included tax rates but also exemptions, definitions, procedures and computation.

No significant progression was observed in the pre or post-VAT regime. Therefore, pursuant to the modus operandi of VAT could, therefore, at best be called a '**partial**' VAT system. Hence, introduction of Goods and Services Act to simplify the intricacies that prevailed in the VAT regime.

EVOLUTION OF THE GOODS & SERVICES ACT, 2017

The Constitution (122nd Amendment) Bill, 2014, was put forth in the Parliament with a *"Statement of Objects and Reasons"* that authorised the Central Government and State Government for imposing GST to impose tax on transaction of certain products respectively.[8] GST has supplanted various recent Central, State, and local taxes. Accommodation of Common National Market by eliminating snow balling effect across the entire Indian Supply Chain was the focal objective of this significant reform. The invoice must specify the aggregate taxable amount paid on the good or service rendered to the taxable person. For the taxable person to benefit the invoice-based input tax credit mechanism Goods and Service Tax,2017 must uniformly authorise availability of credit provided the amount of tax paid at stages of production and distribution chain. Therefore, the chief reason to providing input tax credit is to minimise the snow balling effect. Pursuant to the credit framework, the mediators levy tax on goods and services prior to their sale to their clients and guarantee credit of taxes previously paid on the obtainment of their goods and services. This serves to:

A. maintain a strategic distance from or limit the cascading effect;
B. limit tax incidence on a definitive customer of goods & services;
C. guarantee toll of tax just on value addition by that particular assessee; and
D. dispose off or limit the phenomenon of "tax on tax".

➢ Partial Flow of Credit v. Seamless Flow of Credit

Goods & Services Act, 2017 is an origin- based taxation system with provision for claiming Input Tax Credit. According to the Section 145A of the Income Tax Act, 1961 aimed at determining taxable revenue under "Profits *and gains from business or profession*" shall be pursuant to the established calculating technique wherein it will be settled to encompass the value of any tax, fee, duty or cess that is paid or acquired by the assessee to convey the products to the place of its production on the date of estimation.[9] The adjustments foreseen in Section 145A would not affect the trading Account owned by the assessee. In short, under both the inclusive and exclusive methods of accounting, wherein the gross profit remains same.[10]

[8] 'Brief History of GST | Goods and Services Tax Council' <http://www.gstcouncil.gov.in/brief-history-gst> accessed 28 October 2020.

[9] Formica India Division v. CCE, (1995) 77 ELT 511

[10] Section 44B of The Income Act, 1961.

Furthermore, the assessable value is to be verified as per the provisions specified under the Act with compliance of MODVAT Credit. [11] In the case of *CCE v. Incab Industries*[12] the court held that the primary advantage of MODVAT is the availability of credit of the amount paid on the inputs once the duty is paid on final products. Every registered person is entitled to avail credit on the supply of goods and Services purchased by him to be utilised in the course of his business[13] unless contrary to the Act, a person is authorized to avail credit exclusive the time limit.[14] Therefore, according to Section 17 (1) restricts credit on Goods and Services purchased for individual purpose. In order to be authorised to entail input tax credit the taxable person must be a registered under Goods and Services Act, 2017. This provision has retrospectively proved that claiming credit is a mere right and not benefit and therefore, it resembles as tax paid. [15]

These above provisions proved a paradigm shift from Partial flow of credit to seamless flow of credit. However, Section 17 (4) of the Central Goods and Services Tax Act, 2017 specifies a detailed negative list on which credit won't be permitted which ultimately results in breakage of supply chain leading to a proportional cascading effect. Section 17 (4) of CGST Act, 2017 provides motor vehicles, membership of a club, insurance, health and fitness centres, supply of food and beverages, beauty and cosmetic treatment, travel allowance, work contracts of immovable properties etc to be outside the ambit of Input Tax Credit.

[11] CCE v. Atic Industries Ltd. (1992)

[12] (1990) 45 ELT 342

[13] Section 16 (1) of Central Goods and Service Act, 2017

[14] Collector of Central Excise, Pune v Dai Ichi Karkaria Ltd., (1999) 8 TMI 920

[15] Eicher Motors Ltd. v. Union of India (1999) 106 E.L.T. 3 (S.C.)

PROVISION OF INPUT TAX CREDIT IN CERTAIN ASEAN COUNTRIES

I. INDONESIA

- ITC in Indonesian VAT regime

Among the ASEAN countries, Indonesia was the first nation to execute VAT in the year 1985. Indirect taxes pervasive before the enactment of VAT contained sales tax (turnover) via the manufacturing stage; particular excise on beer, spirits, tobacco, stamp duty, sugar; and customs duty. The prior framework was very complex and falling in nature bringing about far-reaching evasion and contortions. So, a need was felt to present a more disentangled, broad-based indirect tax structure in Indonesia that could improve the circumstance.[16] The reforms undertaken were exhaustive and very much arranged. A uniform 10% VAT (including high luxury tax) was presented in 1985. VAT was presented as a *destination-based consumption tax* demanded on the supply and import of Goods & Services in Indonesia at the manufacturer level utilizing the tax credit technique for the assortment with zero-rating of fares (with the advantage of the input tax credit) and certain exceptions (without the advantage of the input tax credit). Continuously the VAT was reached out to the retail level. In spite of the fact that there was an enormous number of VAT exclusions on things devoured by the lower-income groups, in any case, a portion of these exceptions ends up being more advantageous to the highest income groups. Additionally, large scale exclusions demonstrated unsafe for pre-retail firms under the tax-credit VAT.

- Impact of VAT on the economy

In its initial three years of presence, VAT effectively accomplished original expectations and contributed almost 3% of GDP, very nearly multiple times that of the previous turnover tax. In 2016, the portion of VAT in the total tax revenue attained by the Government was 32.07% making it the second-biggest wellspring of income for the Government.[17]

II. VIETNAM

- ITC in Vietnamese VAT regime

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16 'A Guide to VAT/GST in Asia Pacific 2019' <https://www.pwc.com/sg/en/tax/assets/vat-gst-guide-2019.pdf> accessed 28 October 2020.

17 'Indonesia Financial System Statistics - Bank Sentral Republik Indonesia' <https://www.bi.go.id/en/statistik/sski/default.aspx> accessed 28 October 2020.

The Vietnamese VAT framework is among the most mind-boggling in ASEAN. While eight nations in the area have a VAT regime, just Vietnam's VAT framework has more than one rate with an enormous rundown of exclusions. Remembering the above targets, the VAT law was passed in Vietnam in 1997 and at last actualized in January 1999 as a broad-based consumption tax exacted on the offer of goods and services in Vietnam at each stage in the supply chain with the advantage of a full input tax credit.

The VAT was at first imposed at three rates: 5%, 10% and 20%. Exported goods and services were levied zero percent tax, while 26 classifications of goods and services were excluded. Since January 2004, the quantity of VAT rates has been diminished to two: 5% and 10%. [18]As of late, the Vietnamese backhanded tax framework has been rearranged. In any case, a wide scope of tax rates and exceptions remain. Considering most of independent companies which are household ventures that don't keep up itemized accounts, the administration of Vietnam made consistence under VAT less difficult for them. Small scale organizations are needed to pay VAT utilizing an immediate strategy instead of the Input tax credit. Anyway, the significant downside of this plan is that organizations purchasing goods and services from those which are under the direct method won't be permitted to claim the input tax credit.

III. THAILAND

- ITC in Thailand's VAT regime

In Thailand, VAT came into existence on 1 January 1992 replacing the pre-existing business tax. Business tax acted as a major obstacle in Thailand's economic growth and international competitiveness. Since business tax was an ad valorem tax levied on every transaction, it used to get accumulated along the chain of production. Thus, an initial tax rate of 10% could turn into an effective rate of over 25% depending upon the number of intermediate stages in their production.[19] This led to various problems such distortions in production decisions, high cost of production and incentives for vertical integration. In Thailand, VAT appeared on 1 January 1992 supplanting the previous business tax. The business tax went about as a significant

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[18] 'Vietnam Pocket Tax Book 2019' 64. <https://www.pwc.com/vn/en/publications/2019/pwc-vietnam-pocket-tax-book-2019-en.pdf> accessed 28 October 2020.

[19] Rattanawadee Ruangmalai, 'VALUE ADDED TAX IN THAILAND' <http://classic.austlii.edu.au/au/journals/RevenueLawJl/1993/11.pdf> accessed 28 October 2020.

hindrance to Thailand's financial development and worldwide intensity. As the business tax was an ad valorem tax required on each exchange, it used to get collected along the chain of production. Accordingly, a 10% tax rate could transform into a successful pace of over 25% relying on the total stages in their production. This prompted different issues, for example, incentives for vertical joining, bends in production decisions, and the high cost of production. Various stages in the supply chain on the export and import of goods and services in Thailand were at a solitary uniform rate of 7% with the advantage of an input tax credit of preceding purchase.

- Impact of VAT on the economy

Be that as it may, measures embraced by the legislature, for example, value control on specific products facilitated the circumstance. Deficient understanding of the VAT framework likewise prompted the unloading of the items by a portion of the organizations in the market who accepted that costs would decrease present VAT due on a lower tax trouble. The tax credit measure was deferred because of an inadequate no. of tax authorities and the income division was condemned by the dealers. VAT discount speaks to a solid failure in the VAT assortment

DISCUSSIONS & RECOMMENDATIONS

Taxation is the procedure or means by which the sovereign, via its law-making powers, raises revenue to settle costs of the Government. Taxation allocates the expense of government among the individuals who are privileged to make the most of its advantages and should, in this way, endure its burden. The genuine burden of the expense isn't really borne simply by customers. The genuine loss of income may likewise be felt by the employees, additionally financiers, owners of the firms whose yield is being burdened. VAT could postulate solutions to resolve the intricacies that prevailed in the pre-VAT regime if VAT was imposed on a comprehensive base encompassing a uniform rate for plethora of Goods and Service. This would ensue simplification of laws, elasticity or stability in sources of revenue, restoration of neutrality, reduction of litigation minimization of cascading effect. Despite, VAT was contemplated as a rational option in order to abide with the prevailing framework of The Indian Constitution. Goods and Services Act, 2017 was introduced in India to ensure 'Seamless Flow of Credit' among all the distribution channels. However, a vast negative list encumbered in Section 17 (4) of the CGST Act that set offs breakage in the seamless flow of credit across supply chain. Therefore, it was necessary to examine the VAT/GST framework in other developing country and ascertain their successful taxation strategies pursuant to the provisions of input tax credit and endeavour to adopt them to Indian GST framework.

ASEAN countries have successfully adopted uniform rate of the VAT/GST regime. On the other hand, India has introduced a 'multiple GST structure' to address the broad-based consumption principle. While discussing about input tax credit (invoice-based) modus operandi only Vietnam has not adopted input tax credit method in their indirect regime. The developing countries though have observed a surge in their indirect tax revenues but have encountered high compliance and administration costs. Appropriate Audit plan is the need of an hour in India in order to minimise tax evasion even after implementation of invoice matching system and electronic e-filling system which would increase the tax revenues of the country just like Malaysia and Singapore. Issues pertaining to cascading effect need to be resolved to ensure 'Seamless flow of credit'- keeping petroleum products, under the ambit of GST as it is widely utilised by many sectors for their business in course. Motor Vehicles should be included for availing credit as many companies use vehicles to grant transport facility to their workers. Also, companies organise huge conferences or training programmes for their employees wherein they provide refreshments and drinks. Such food and beverages must be covered under ITC. Construction builders have a harsh impact after the roll out of GST due to exclusion of input credit on the raw material used for construction. GST has unexpectedly resolved many issues but has various challenges to be encountered yet.

CONCLUSION

Tax administration plays a significant role in safeguarding the efficiency of a taxation policy. Administering dual GST model is a major challenge encountered by India, wherein lessons should be derived from the developed countries like Singapore and must be implemented in Indian GST model. Despite of the drawbacks set by the current indirect taxation system Multinational Conglomerate have an edged advantage in logistics as the transition time is abridged by almost 30%. Amendments in the provisions of ITC have no doubt provided benefits for companies but in my opinion an array of negative list that restricts taxable person from availing ITC denotes the flow of cross credit as "Partial **flow of credit**" across the supply chain.

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