

## DIFFERENCES BETWEEN GST AND PREVIOUS TAX REGIME

GST and the earlier tax policy, Value Added Tax (VAT), can be differentiated across various parameters. The VAT was charged at every production or distribution point of goods. But, GST is levied only on production, sale, and consumption of goods and services. The following table will provide a comprehensive insight into GST vs previous tax regime.

The previous tax structure has been replaced by GST and a number of changes have taken place as a result. Here are the most prominent differences between the VAT structure and GST:

Parameter	VAT	GST
<b>Structure</b>	Under the old taxation system, the central taxes applicable were custom duty/central excise duty, central sales tax on commodities and services, surcharge and cesses. The state taxes included state VAT, WCT, entertainment tax, luxury tax, tax on gambling, betting and lottery, sales tax deducted at source, and surcharge and cesses.	Under GST, all the central and state taxes will be subsumed and a single tax will be levied on all commodities and services apart from motor spirit, petroleum, natural gas and high-speed diesel.
<b>Basis of Levy</b>	Under VAT, tax will be levied at the place where goods are manufactured or sold, or the place at which services are rendered.	Under GST, tax will be levied at the place of consumption, like a destination-based tax.

Parameter	VAT	GST
<b>Registration</b>	Under VAT, the registration is decentralised under state and central authorities.	Under GST, there will be uniform e-registration depending upon the PAN of the entity.
<b>Validation</b>	Under VAT, the system will partly validate the returns, and full verification will be subject to assessments by state or central authorities.	Under GST, the validation will take place on the system, and consistency checks will be carried out on input credit availed, tax payments, and utilisation.
<b>Filing of Returns and Collection of Tax</b>	Under the old scenario, service tax and central excise were uniform, but VAT varied from state to state.	Under GST, the process is uniform and the dates for collecting or depositing tax and filing returns are common.
<b>Service Tax</b>	Under VAT, the centre charges service tax on a list of services under the Finance Act on provision/payment basis.	Under GST, the State GST subsumes service tax depending upon rules relating to Place of Supply.
<b>State VAT</b>	Under VAT, all commodities apart from those exempt are taxed.	Under GST, the State GST subsumes this tax.

Parameter	VAT	GST
<b>Excise Duty</b>	Under VAT, excise duty will be levied up to the point of manufacturing.	Under GST, the excise duty will be replaced by Central GST and tax will be levied up to retail level.
<b>Basic Customs Duty</b>	Under VAT, the centre charges tax on imports under a separate act.	No change.
<b>Special Additional Duty</b>	Under Vat, the centre charges tax on imports separately.	Under GST, this duty is subsumed by State GST.
<b>Entry Tax</b>	Under VAT, entry tax is charged by certain states for inter-state transfers, detained as import in local area.	Under GST, entry tax is not applicable, but an additional 1% will be levied as tax on inter-state supply of certain commodities.
<b>Central Sales Tax</b>	Under VAT, CST is charged at a concessional rate of 2% so far as inter-state transfers are concerned against C-Forms. The full rate applicable otherwise ranges from 5% to 14.5%.	Under GST, the Integrated GST subsumes CST.
<b>Tax on Export of Commodities</b>	Under VAT, this tax is exempt.	No change.

<b>Parameter</b>	<b>VAT</b>	<b>GST</b>
<b>and Services</b>		
<b>Tax on Inter-State Transfer of Commodities to Agent or Branch</b>	Under VAT, this tax is exempt against Form F.	Under GST, this tax is levied but dealers will have access to full credit.
<b>Cross Set-Off of Levy</b>	Under VAT, set-off of service tax and excise duty is permitted.	Under GST, set-off between State GST and Central GST is not allowed.
<b>Tax on Transfer of Commodities to Agent or Branch</b>	Under VAT, this tax is generally exempt, but its applicability depends upon state procedures.	Under GST, this tax may be levied unless TIN of the transferor and transferee is the same.
<b>Disallowance of credit on certain items</b>	Under VAT, there are a few non-creditable commodities and services under VAT as well as CENVAT rules.	Under GST, there will be no such disallowance unless the GST Council specifically allows it.
<b>Disallowance of inputs or input services utilised in exempted commodities or services</b>	Under VAT, this is not permitted.	Under GST, there will be no such disallowance, unless the GST Council finalises a list of those items falling under the Negative List.

Parameter	VAT	GST
<b>Cascading Effect</b>	Under VAT, credit between service tax and excise duty is available, but there is no set-off against VAT on excise duty.	Under GST, credit available on the whole amount of taxes up to retailer.
<b>Threshold limits for levy of tax</b>	Under VAT, the threshold for central excise is Rs.1.5 crore, and the threshold for VAT ranges between Rs.5 lakh to Rs.20 lakh depending upon the state. The threshold for service tax is Rs.10 lakh.	Under GST, the State GST will range between Rs.10 lakh to Rs.20 lakh based on recommendations of the GST Council.
<b>Levy of tax on NGOs and government bodies</b>	Under VAT, certain government bodies, non-profit organisations and PSUs will be covered.	No changes.
<b>Exemptions</b>	Under VAT, certain areas such as the North-East will be able to enjoy exemptions.	Under GST, there will be no such exemptions, and the GST Council may introduce an Investment Refund Scheme for certain zones.