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## *Internationally - Goods and Service Tax*

**VAT/GST provisions in countries other than India are quite streamlined and stable. As the Law in India is still not a reality we might look into the provisions which are in place since quite long and access the structure of rate, exemptions etc.**

### **1. Australia**

- (a) The standard rate of GST is 10 %.
- (b) There is a reduced rate of 0% which is applicable on some food products, medical and health services, drugs, medical aids and appliances, exports of goods and services, supply of a business as a going concern, etc.
- (c) Supplies of certain goods and services are exempt from GST. For e.g. Financial services, Residential rent, Residential premises etc.

### **2. Bangladesh**

- (a) The standard rate of VAT is 15%.
- (b) There are reduced rates of 0% - 9% and these reduced rates are applicable on certain categories of advertisement, supply of electricity, air conditioned bus services, engineering services, security services, services rendered by construction contractors, audit and accounting firms, consultants, printing presses, architects, interior and graphic designers, immigration advisers, coaching centers, english medium schools, non-government medical and engineering colleges, photo producers, courier and EMS services, specialized doctors, legal advisers; supplies of goods and services through participation in a tender/quotation and for pathological laboratory work, supplies of goods and services by hospitals and petroleum carriers, maintenance and cleaning of building floors/premises, dental medical centers, trading services, land development and construction of apartments, retail sales of furniture and exports of goods and services.
- (c) Examples of certain supplies which are exempt from VAT:-
  - a. Certain food items (such as meat, fish, potatoes, vegetable and fruits);
  - b. Jute and jute goods;
  - c. Social welfare & cultural training;
  - d. Rehabilitation services; and
  - e. Agricultural development.

### **3. Cayman Islands**

No VAT or GST is applicable in Cayman Islands.

### **4. France**

- (a) The standard rate of VAT is 19.6 %.
- (b) There are reduced rates of 5.5 %, 2.1 %, and 0%, and these reduced rates are applicable on food, water, passenger transportation, some pharmaceutical products, books, hotel accommodation, newspapers, medicines for human health when reimbursed by social security, and export of goods and intra-community supplies.
- (c) Certain supplies of goods and services are exempt from VAT:-
  - a. Medical supplies;

- b. Postal services;
- c. Education;
- d. Certain Financial transactions; and
- e. Insurance services.

**5. Germany**

- (a) The standard rate of VAT is 19 %.
- (b) Reduced rates can be applied on certain examples like on food, plants, animals, books/newspapers, entrance fees to cultural sites, and short distance passenger transport, for cross-border air passenger transport, financial services to non-EU recipients, exports and certain transactions involving ships and aircrafts.

**6. Hong Kong**

No VAT or GST is applicable in Hong Kong.

**7. Japan**

- (a) The standard rate of consumption tax is 5 %.
- (b) There is a reduced rate of 0%, and this reduced rate is applicable on sale or leasing of goods as export transactions; sales or leasing of foreign cargoes; international transportation services; services provided to non-residents.
- (c) Supplies of certain goods and services are exempt from consumption tax, for example, sale and leasing of land; rental of housing; sales of securities, and similar instruments; medical treatment under public medical insurance laws; social welfare activities; school tuition; and examination services.

**8. Mauritius**

- (a) The standard rate of value-added tax is 15 %.
- (b) There is a reduced rate of 0 % which is applicable on export of goods other than exempt goods, sugar, wheat flour, books, booklets, supply of electricity, water, certain pharmaceutical products, international transport of passengers and goods, supplies of services to non-residents.
- (c) Supplies of certain goods and services are exempt from VAT, for example, rice, wheat, bread, butter, milk and cream, medical, hospital and dental services, educational and training services provided by registered institutions, postal services, cargo handling, and certain residential buildings.

**9. Pakistan**

- (a) Indirect taxes in Pakistan include a sales tax and a federal excise duty.
- (b) The standard rate of sales tax is 16 %; however, certain goods are subject to sales tax at higher rates of 18.5 % and 21 %.
- (c) There is a reduced rate of 0 %, which is applicable on, all export of goods, local supplies of raw materials, supplies of specified export sectors, import and local supplies of capital goods.
- (d) Certain examples of supplies which are exempt from sales tax are agricultural products, unprocessed food items, animals and their meat, fisheries, dairy products, construction materials, computer software, ships, navigation equipments, sale to hospitals and educational non-profit organizations.

**10. Russia**

- (a) The standard rate of VAT is 18 %.

- (b) There are reduced rates of 10% and 0 % and these reduced rates are applicable on food products, specific goods intended for children, books and periodicals, pharmaceutical and other medical products; exports of goods related services, services related to transit of goods through Russia, international passenger transportation and fuel for ships and aircraft.
- (c) Examples of certain supplies which are exempt from VAT are lease of premises to foreign companies accredited in Russia, medical services and certain medical products, educational services, public transportation, sale of securities, banking and insurance services, rent of apartments, sale of apartments and residential property.

#### **11. Singapore**

- (a) The standard rate of GST is 7 %.
- (b) There is a reduced rate of 0 %, which generally applies to export of goods and international services.
- (c) Supplies of certain financial services and sale or lease of residential properties are exempt from GST.

#### **12. Thailand**

- (a) The standard rate of VAT is 7 %.
- (b) There is a reduced rate of 0 % which is applicable on export of goods or services.
- (c) Supplies of certain goods and services are exempt from VAT, for example, domestic transportation, health care, education, leasing of immovable property, sale of agricultural products, newspapers, magazines and textbooks, services rendered by libraries, museums, and zoos.

#### **13. United Arab Emirates**

No VAT or GST applicable in the United Arab Emirates.

#### **14. United Kingdom**

- (a) The standard rate of value-added tax is 15% - 17.5 %.
- (b) There are reduced rates of 5 % and 0 %, and these reduced rates are applicable on children's car seats, certain contraceptive products, domestic fuel and power, renovations/conversions of residential properties; food and animal feed, books and newspapers, prescription drugs and medicines, children's clothes, passenger transport, and exports of goods.
- (c) Supplies of certain goods and services are exempt from VAT, for example, financial and insurance services; education services supplied by eligible bodies; certain cultural services; betting, gaming, lotteries; subscriptions; and health and welfare.

#### **15. United States**

United States does not impose a national value-added tax, however most states, and some local governments impose transactional based taxes commonly referred to as sales and use taxes.

### **Conclusion**

Having read VAT provisions internationally we deduce that:

1. Tax Rates in developed countries (Like Australia, Thailand, Singapore and Japan) is quite rational, as compared to VAT rate proposed by States in India which is 18%-20%.

2. Tax Rates in certain countries (Like Russia, Bangladesh, France, Germany, Mauritius, United Kingdom) is quite high, which is in line with GST rate proposed by States in India which is 18%-20%. Notable Countries out of these are France, Russia and Germany where development rate is high even though taxes are pitched at a high rate.
3. Several countries (like USA, UAE, Caymans Island and Hong Kong) have still not implemented scheme of GST.

We see wide disparity in GST applicability and GST rates around the world. Country like India may study each country, however rate should be inline with the revenue neutral rate applicable to Indian Economy as such. Revenue neutral rate as shown in the study of NCAER and Task force report is 12%, proposed GST rate in India shall also be 12%. Any rate above this 12% would hamper our productivity and efficiency as an economy.

#### Exemptions/reduced tax rate

The international laws of GST/ VAT draws more or less a common list of exemption which generally includes;

1. transportation,
2. health care,
3. education,
4. Exports
5. books/newspapers

These items are basic necessities of any individual (whether rich or poor). Exemption list drawn by India shall include at least these items so that poor people can be relieved of the unnecessary taxes.