

**Global Variants Of Indirect Tax Administration Regimes: Direct & AMP;
Indirect With A Special Reference To Indirect Tax Administration**

Saday Kumar

Ex-Joint Commissioner

GST(State)

Dhanbad Division

Jharkhand

(Received:25September2023/Revised:29September2023/Accepted:20October2023/Published:25October2023)

Abstract

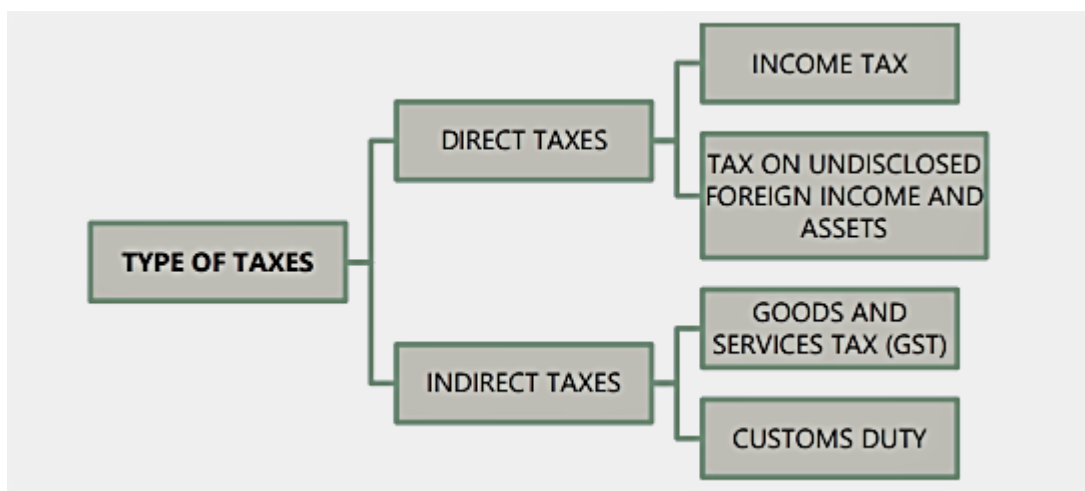
Tax is an obligatory expense enforced on an individual by the state and central government. It is one of the government's most significant sources of income that helps it build a country's economy and infrastructure. This Article takes stock of different types of tax Administration Mechanisms in India or in a global perspective implemented in the taxation system of the respective country with a special reference to Indirect Tax Administration Regime .The tax structure in India is a three-tier structure: local municipal bodies, state, and central government. Typically taxation in India is broadly classified into direct tax and indirect tax. Direct tax is levied on the income or profits of people which can't be shifted and borne by the concerned. Whereas, Indirect Tax is Levied on the supplier and it is ultimately borne the consumer so burden of tax is shifted in case of Indirect Tax. The Global variants of Indirect tax are Sales Tax, VAT (Value Added Tax) GST (Goods & Service Tax) & Consumption Tax etc. Indian Taxation structure as such is divided into 3 tiers with GST , whereas USA has adopted a progressive taxation system with Sales Tax, whereas in U.K too taxes are levied by both central government and local government which include VAT, corporate tax etc. In south africa the VAT mode of Taxation is implemented similar to U.K. In case of China after 1994 reforms, China's taxation structure has divided taxes into 26 categories. Macro Systems of Tax Administration Regimes adopted by various leading economies of the world can be categorised into five Primary tax systems in the Contemporary world today that are as- The Citizenship-Based Taxation, The Residential Taxation, The Territorial Taxation, The Non-Dom-System, No direct taxes. There is only one major country in the world that taxes their citizens based on their citizenship, the United States of America. The only other country is Eritrea. The residential taxation and the territorial taxation are the most widely used tax systems in the world. More than 130 countries use a residential tax system. Roughly another 40 countries use the territorial taxation model. This article aims to develop a novel

discussion of the international tax Administration regimes by exploring the international tax administration regimes, in a global perspective.

Keywords: Global Variants, Tax Administration, International Tax Administration

Introduction:

Tax is an obligatory expense enforced on an individual by the state and central government. It is one of the government's most significant sources of income that helps them build a country's economy and infrastructure. Therefore as a responsible citizen, one must pay taxes. However, it is also pertinent to know the different types of taxes in India or globally implemented in the taxation system of the respective country. Here's all about the types of taxes. How many types of taxes are there ?



The tax structure in India is a three-tier structure: local municipal bodies, state, and central government. Typically taxation in India is broadly classified into direct tax and indirect tax. Let us look at these two types of taxes and try to understand the difference between direct and indirect taxes in the Indian Context or at the Global Level. Before trying to capture the Tax Administration machinery at the global level it is but natural to try to get a glimpse of the Indirect & Direct Tax Administration system in totality in the Indian Context with Federal set up.

In recent times not only have traditional areas of Public economics such as Taxation, public expenditure etc. have thrown up new challenges with particular interest to developing countries and covers topics as :

- 1.Taxation in an economy with a large informal sector
- 2.The Challenges of using VAT
3. The use of Randomized evaluation

4. Theory of Public Expenditure & Public goods including Global Public Goods.
5. Incentive effects of Taxation & Tax Incidence (Ref 1 Modern Public Economics by Raghavendra Jha, 1st edition 2009)

The central question in Taxation and Development which is crucial for all the countries is: "How does a government go from raising around 10% of GDP in taxes to raising around 40%". Every nation grapples to achieve it but with its own constraints and bottlenecks which due to limitation of this article can't be dealt in detail (Ref 2 Besley T. and Persson T. Taxation and Development. Handbook of Public Piketty, T., & Saez, E. (2007).

Direct Taxes: In India Direct tax is levied on the income or profits of people. For example, a taxpayer pays the government for different purposes, including income tax, personal property tax, FBT, etc. The burden has to be borne by the person on whom the tax is levied and cannot be passed on to someone else. Direct tax is governed and administered by the Central Board of Direct Taxes (CBDT).

Indirect Taxes: Conversely, In contemporary times, indirect tax is levied by the government (State/Centre) on goods and services, in the Indian Context under the respective names State Goods & Services Tax (SGST) & Central Goods & Service Tax (CGST). Therefore, it can be shifted from one tax-paying individual to another. E.g. The wholesaler can pass it on to retailers, who then pass it on to customers. Therefore, customers bear the brunt of indirect taxes. Indirect taxes are governed and administered by the Central Board of Indirect Taxes and Customs (CBIC) and by respective GST Departments of concerned State Governments.

Indirect Tax Administration Mechanisms Adopted By Some Countries:

Indirect tax in practice in USA is termed as Sales Tax, whereas it is termed as value-added tax (VAT) in Europe, Goods and Services tax (GST) in Australia & India etc and Consumption Tax (CT) in Japan. Whatever be the Variation, the outcome of the process for collecting the Indirect Tax can vary significantly, but the end result is the same. The Point of impact of Tax burden is on the customer who ends up paying the tax. Though the impact (initial burden) of tax is on the customer yet the Incidence (ultimate burden) of Tax is on the Seller that is why it is termed as Indirect Tax unlike Income Tax, which is Direct Tax where, the point of Impact & the point of Incidence of tax is on the same person. (Ref 3 Ehlers, T., D. Gao and F. Packer (2021). "A taxonomy of sustainable finance taxonomies". BIS Papers, No. 118. Basel: Bank for International Settlements)

Referring Specially To Indirect Tax, The Global Variants Of Indirect Tax Are As :

The Global variants of Indirect tax are Sales Tax, VAT (Value Added Tax), GST (Goods & Service Tax) & Consumption Tax etc.

Having said all the above regarding Indirect Tax we need to give in detail some Indirect Tax systems adopted by some major countries of world. Based on authoritative and detailed survey of 101 tax systems worldwide, Tax administration set up of certain major economies and countries of the world are detailed below as this article has limited scope to cover all the 101 countries in this single piece of Article. (Reference 4 Global Tax Handbook Set 2023,IBFD Tax Knowledge Centre, July 2023)

India:

Taxes in India derive their authority from Article 265 of the Constitution which provides that “No Tax Should be levied without the authority of Law”.

Indian Taxation structure as such is divided into 3 tiers , where tax is levied by the Central Government, State Government and Local Authorities & the Taxation system is both progressive and proportional.

USA:

USA has also adopted a progressive taxation system. Though the Majority of revenue is collected from Direct taxes the remaining is collected from Indirect taxes i.e Sales Tax .The Governments of both the local level and state are independent of each other ,So the taxes are levied by both the governments which is in form of Sales tax. (Ref 5 How Progressive Is the U.S. Federal Tax System? A Historical and International Perspective. The Journal of Economic Perspectives, 21(1), 3-24. Retrieved from Economics, Volume 5, Pages 1-474 (2013), vol. 5)

UK:

Taxation in the United Kingdom is simple and with high administrative efficiency,Whereas taxes are levied by both central government and local government which include VAT, corporate tax, fuel duty, business rates, council tax, street parking charges, etc.

South Africa:

The mode of collection of taxes in South Africa is a bit distinct when compared to that of India. In South Africa tax is levied at two levels that are by central and state government. Also, there is an authority that collects revenue on behalf of the state government which is called the “South Africa revenue Service (SARS).” vat, and fuel duty are collected by the Central Government.

China:

Socialism has major impact on Chinese Tax structure. After 1994 reforms, China’s taxation structure has divided taxes into 26 categories which can be divided into 8 major heads;

turnover taxes, resource taxes, taxes etc, property taxes, behavioral taxes, agricultural taxes, and customs duties(Indirect Tax).

Conclusion:

Summing up it could be said that going Global, one gets curious as to what are the Macro Systems of Tax Administration Regimes adopted by various leading economies of the world

There is only one major country in the world that taxes their citizens based on their citizenship, the United States of America. The only other country is Eritrea. The residential taxation and the territorial taxation are the most widely used tax systems in the world. More than 130 countries use a residential tax system. Roughly another 40 countries use the territorial taxation model. This tax system is especially interesting for location independent entrepreneurs. A few countries have implemented so called non-dom tax systems. They can be considered a hybrid between the two former. Then there are 23 countries who don't charge any direct taxes. Generally they tend to have a low quality of life, or make it very difficult to immigrate into. Additionally, it's important to know if the respective countries have international tax rules (CFC-rules). This will determine if you can use foreign companies without negative consequences. This idea of Global Tax Governance or Global Tax Administration shows greater compatibility with international regimes than the textbook idea of global governance. This article aims to develop a novel discussion of the international tax Administration regimes by exploring the international tax administration regimes, in a global perspective.

References:

1. Besley T. and Persson T. Taxation and Development. Handbook of Public Piketty, T., & Saez, E. (2007).
2. How Progressive Is the U.S. Federal Tax System? A Historical and International Perspective. The Journal of Economic Perspectives, 21(1), 3-24. Retrieved from Economics, Volume 5, Pages 1-474 (2013), vol. 5
3. Flora, Peter et al. 1983. State, Economy and Society in Western Europe, 1815-1975. Frankfurt: Campus Verlag
4. Jha, Raghendra. (2008). Chapter 55, International Handbook of Development Economics, Volume 1. Edward Elgar Publishing, Incorporated, 2008.
5. Todaro, M. and Smith, S. (2014) Economic Development, 12th Edition. Pearson. ISBN: 1292002972