

**“A COMPARTATIVE STUDY OF VAT AND GST WITH REFERENCE TO  
AUTOMOTIVE AXLE LTD, MYSURU.”**

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**ABSTRACT**

According to Manu Smriti, the taxpayer was not feel a pinch of tax because the king was making the arrangement of the collection of tax. He laid down the artisans and traders should pay one-sixth of profits in agriculture, one-fifth of profits in silver and gold, and one-eighth and one-tenth of they produce. Depending upon their circumstances. But now-days there is a system as well as law for the taxation purpose which was known as Value added tax but now it is known as Goods and Service Tax. The study focus on comparative study of VAT and GST at automotive Axle Ltd, Mysuru. When compare to the VAT, GST is preferable to the company not only in customer point of view but also in manufacture point of view.

**INTRODUCTION:**

Goods and Service tax (GST) came into existence on 1<sup>st</sup> July 2017 through the implementation of 101 Amendment of Constitution of India. On the supply of goods and services the GST is used in India. It is destination-based tax, multistage, comprehensive. GST council consist of financial ministers of all the states where the taxes, rates and regulations are governed by them. GST has been divided into five different slab which consist of zero percent to twenty eight percent but the slab rates doesn't include any petroleum products or any alcoholic products into it. But it is taxed separately under every state government as per the previous tax system. On the basis of the Location of Supplier and Place of the Supply the IGST (or) CGST and SGST the invoice bills will be raised. The major impact of GST was led to the removal of cascading effect of taxes. Goods supplied or service provided are classified into Inter and Intra state.

Value-Added Tax (VAT) was introduced to Indian Taxation System on 1<sup>st</sup> April 2005. On the actual transaction of product (or) services at each and every stage of production, distribution or sale to end consumer the tax is levied. VAT is implemented on the destination-based and tax depends upon the location of the customer location and applied on the sale price of the product. It is a

multipoint tax where tax is levied on value addition of the goods and tax burden will be shifted from one person to another person till it reaches to the consumption of ultimate consumer. It is charged by the State government of different states.

VAT on Sales is a Liability which will be credited and VAT on Purchase is Assets which will be debited. On each transaction of production and distribution system it is collected in installment. It is offline process. VAT has been divided into 7 different slabs from zero percentage to twenty percentage. The general sales tax which was existing were replaced by VAT Act in 2005 with the VAT rules.

Established in the year 1981, Automotive Axles Limited (AAL) which is a joint venture of Kalyani Group and Meritor Inc., USA. It has manufacturing facilities which is located at Mysore (Karnataka), currently the company is largest independent manufacturer of Rear Drive Axle Assemblies in India. The company has also enlarged its footsteps in North India with its plants at the places of Pantnagar and Jamshedpur.

#### **STATEMENT OF THE PROBLEM:**

In earlier stage i.e. in VAT stage the company has to file more than 2 returns and all audits should be separately maintained such as Excise audit, VAT audit, Entry tax audit and lot of tax compliance where there. In GST for the extra software purchased by the company has to bear the cost of the software, Vouchers should be cleared as and now otherwise it will be treated as illegal and there is no instalment basis system as it was in VAT.

From the past 30 years, AAL has been successful in manufacturing the reliable and long-life Medium and Heavy duty Drive Axles, Front Steer Axles, Non-Drive Axles, Axles for Defense and Off-Highway applications and Drum and Disc Brakes. Recently it has forayed into manufacturing of Light duty Drive Axles.

#### **REVIEW OF LITERATURE:**

**PUROHIT MAHESH (1993):** has concluded that the adoption of VAT. The most remarkable events in the evolution of commodity taxation in this century by a rapidly growing number of countries. **BURGESS ROBIN AND STERN NICHOLAS (2005):** Both for the revenue & in terms of inefficiencies & complexities are warrant to serious considerations. They have argued that the stress on the Indian domestic indirect tax system. Where the structure should settle it is important to develop early in the reform process. **CHELLIAH RAJA, AGRAWAL PAWAN, PUROHIT MAHESH, & RAO KAVITA (2001):** disucussed that, until the commodity reaches the hands of the final consumer the value added (or) created not only at manufacturing stage but also at all the stages of the activities. So, it is better to that transactions which covers value added

only at the stage of the manufacture & sale by an importer. **EHTISHAM AHMED and SATYA PODDAR (2009)**: said, with increase in output and productivity economy in India founded that GST introduction will provide simpler and transparent tax system. On the rational design of GST the benefits of GST are critically dependent. **NEELAVATHI.K (2010)** :has investigated that, GST changes from the origin public could improve GDP progress over classes could push attention for the vehicle crosswise. With the yield obligation of the GST all valuation on input paid are counter stable. In general cost of auto creating may reduce due to the effect the duty dwindling will outflow. **ANSHU JAIN (2013)**: In this study he stated that due to the some important issues that GST will be perfect for the industry to recognize and apprehend. **NITINKUMAR : (2014)** “Studied Goods and Service tax – A way Forward”: By the current indirect tax system the implementation of GST in India helped in removing economic distortion and which is indifferent to geographical locations are expected to encourage the unbiased tax system. **GIRISH GARG, (2014)**: said that, to make Indian economy stronger GST will create a Single, unified Indian market. By breaking tax barriers between States and integrating India through uniform tax rate development in India’s economic and improved the tax collection, minimizing the exemption through the lower tax rates and increasing the tax base. **DHANDA (2015)**: With the minimum tax rates which results in increased the tax base and minimized the exemptions would be allotted equally among production and services that implementation of GST taxation policy. **KAJALCHAUDHARY, MILANDEEPKOUR, BALJINDERKAUR, and SURJAN SINGH: (2016)** GST has been helped to get the rid of multiple taxes by this it will reduce the burden at present the Indian goods and imported goods are rated at the same rate. Various Indirect Taxes like Sales Tax, VAT are vanished because of the one tax system. **AKANSHA KHURANA and AASTHA SHARMA (2016)**: By covering the wide and comprehensive coverage of Input tax credit set-off, service tax set-off and the several taxes the GST has been made the relief to the producer and the consumer. **MILANDEEP KOUR (2<sup>nd</sup> Nov 2016)** In his study “Study on Impact of GST after its Implementation – The obedience present load will be reduced that is GST, there will be one tax system. After the implementation of GST has faced many problems and results to give many benefits. In general by this study the GST has played a major role in development and growth of our country. **CHAURASIA et al. (2016)**:Studied “Role of Goods and Service tax in the growth of Indian economy” more than two percent of GDP has improved by the GST. The overall GST has helpful in the development of Indian Economy. **MONIKA SHERAWAT and UPASANA SRINIVAS K R :( 2016)**: discuss to replace the various indirect tax levied by the both governments GST will compressive indirect tax structure on the sales and consumptions of goods and services, on manufacture thought India. **DHYAN VISHNU PRAJWAL N (11<sup>th</sup> Nov 2017)**: observed that, after the application of GST with increased return the tax rates are abridged and shares have been traded at the higher rate. For both the shareholders and manufactures the GST is win-win condition. **NEELAVTHI, Mrs. RACHANA SHARMA (2017)**: the author has concluded that automobile industry plays the major role in contribution for the economic development of the country. it not only helped in increasing the employment opportunity but also it was successfully able to analyses different types of tax rates levied on the vehicles during the Pre and Post GST. **ROSHAN ROY (2<sup>nd</sup> may 2017)** The foremost area of concern of a business used on the assets of tax credits on earnestness of limitation and condition and the mechanism of the credit should be more liberal. The Automobile industry will be more

benediction by overall GST. **AKSHARA MAHESH and KARTHIKA K (2018)** In her article “Impact of GST on Automobile Industry in India” – Not in case of Small cars but Luxury cars tax rates decrease it may rise in sales.

**RESEARCH GAP:** Till date there was number of good articles from the customer point of view. So, we made an attempt to do the comparison study on G.S.T & V.A.T & its impact on raw-materials purchased from the suppliers, cost reduction & in point of distribution channels from the company point of view.

### **OBJECTIVES OF THE STUDY:**

- [1]To identify tax imposed in the form of raw-materials purchased from supplier at AAL, Mysuru.
- [2]To analyze cost reduction between VAT and GST at AAL, Mysuru
- [3]To study the positive and negative effect of pre and post implementation of GST of distribution channels at AAL, Mysuru.

### **DATA COLLECTION:**

Research type: Descriptive and Explanatory.

Type of sampling technique: Non probability

Sample Size: One Company – Automotive Axle Limited (data collection of 3 years data)

Data Used: Primary Data. Source of Data: Annual Reports and Company Resources.

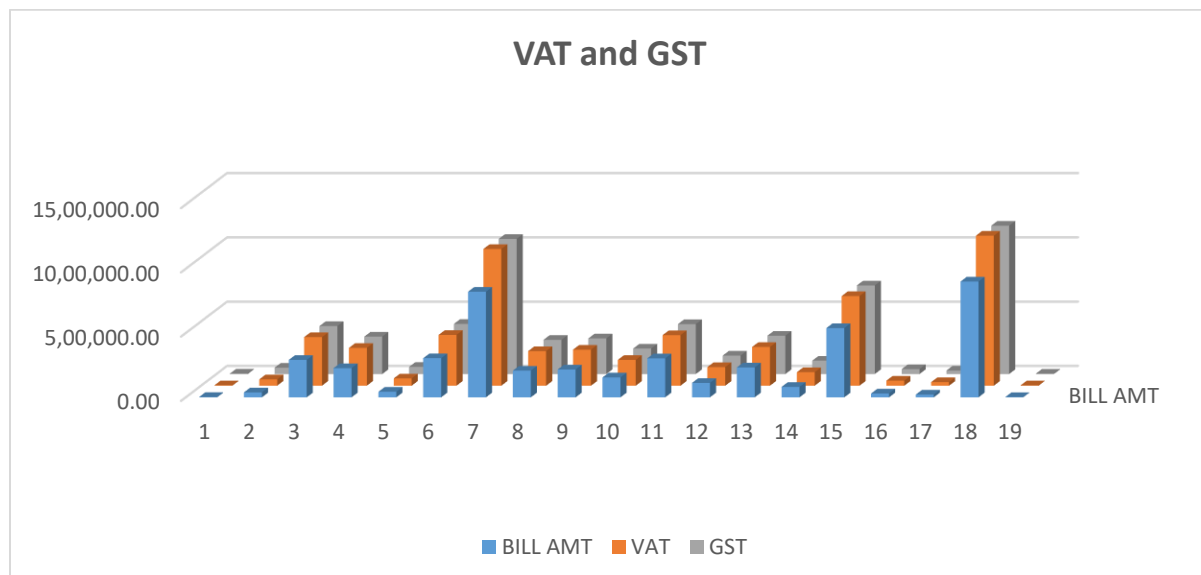
### **ANALYSIS OF TAX IMPOSED IN THE FORM OF RAW-MATERIALS PURCHASED FROM SUPPLIER AT AAL, MYSURU.**

With reference table 1 to 5 mentioned in Annexure, the tax imposed on VAT & GST are different but in previous years the company was filing more returns in different format but now the company has to file the return in two formats. And the tax rates of some products are reduced during the GST period. In previous tax system the filing was on quarterly or annually bases hence there was burden of maintain of all the files but now the company will do the returns on monthly basis hence the burden will be less and they can avail Input tax credit in GST. Comparing to VAT, GST has more benefited to the company in all the forms.

From the above study we can conclude that the tax imposed on the raw-materials purchased from the suppliers are different. In the previous tax system, the tax imposed on raw materials are different where the company has to under-go 5 different rates of taxes which comes to 29.5% of tax on overall product. But in the new tax system tax imposed on the raw-materials are different where the company has to under-go either two different types of tax rates (or) one different rate of taxes. Hence the company has been benefited from the new slab rates comparing to the old slab rates.

Table 5: Details of cost reduction between VAT and GST

Month/ Year	Bill Amount	GST @ 28%	Bills after GST	VAT @ 14.5%	Others @ 15%	Total of VAT+ others	If VAT is added to total bill	Comparison
Jan-20	2,594.37	726.424	3,320.79	376.18	389.156	765.339	3,359.71	38.92
Jan-20	38,472.48	10772.3	49,244.77	5578.5	5770.87	11349.4	49,821.86	577.09
Jan-20	291,767.20	81694.8	373,462.02	42306	43765.1	86071.3	377,838.52	4,376.50
Jan-20	227,329.12	63652.2	290,981.27	32963	34099.4	67062.1	294,391.21	3,409.94
Jan-20	43,641.76	12219.7	55,861.45	6328.1	6546.26	12874.3	56,516.08	654.63
Sep-19	304,921.00	85377.9	390,298.88	44214	45738.2	89951.7	394,872.70	4,573.82
Sep-19	821,487.00	230016	1,051,503.36	119116	123223	242339	1,063,825.67	12,322.31
Sep-19	207,943.25	58224.1	266,167.36	30152	31191.5	61343.3	269,286.51	3,119.15
Sep-19	216,600.00	60648	277,248.00	31407	32490	63897	280,497.00	3,249.00
Sep-19	154,985.28	43395.9	198,381.16	22473	23247.8	45720.7	200,705.94	2,324.78
Nov-18	303,634.26	85017.6	388,651.85	44027	45545.1	89572.1	393,206.37	4,554.52
Nov-18	112,081.74	31382.9	143,464.63	16252	16812.3	33064.1	145,145.85	1,681.22
Nov-18	232,607.28	65130	297,737.32	33728	34891.1	68619.1	301,226.43	3,489.11
Nov-18	81,220.75	22741.8	103,962.56	11777	12183.1	23960.1	105,180.87	1,218.31
Dec-17	538,567.32	150799	689,366.17	78092	80785.1	158877	697,444.68	8,078.51
Dec-17	30,115.65	8432.38	38,548.03	4366.8	4517.35	8884.12	38,999.77	451.74
Dec-17	21,392.00	5989.76	27,381.76	3101.8	3208.8	6310.64	27,702.64	320.88
Dec-17	901,259.20	252353	1,153,611.78	130683	135189	265871	1167130.66	13,518.88
Dec-17	2,418.00	677.04	3,095.04	350.61	362.7	731.31	3,131.31	36.27



### **ANALYSIS OF COST REDUCTION BETWEEN VAT AND GST:**

Analysis of the above objective in the previous tax system the rates on the raw-material were higher hence the tax rates will be on the product basis and filing of the returns will be more. But in new tax system the rates of raw-materials rates are reduced hence the rates of taxes also reduces and more over in new tax rate company can avail Input Tax credit so that there will less tax availed for the company.

Comparing to the above objective there is a cost reduction on raw-materials after the implementation of GST. Because in the previous year the company was paying different slabs of taxes from one point to another point i.e. it was a cascading effect on the products but in a new tax system though the company is paying different slab rates there will be no tax collection from one point to another point hence the taxes on cost of product will be reduced.

### **ANALYSIS BETWEEN PRE AND POST GST AFTER IMPLEMENTATION OF GST ON DISTRIBUTION CHANNELS AT AAL, MYSURU.**

With reference to case analysis, table 7 to 10 mentioned in Annexure, we can come a conclusion that there is benefit to both the manufacture and customer. It saves around **Rs. 86,663.013** in hands of customer. Comparing to the VAT, GST is beneficial to both. In previous tax system the rates of the taxes are more i.e. the overall tax rates comes to 29.5% but in a new tax system the rates of the taxes are less i.e. the overall tax rates comes to 28% for the raw-materials purchased. And now there will be no cascading effect to the company hence the company will get less tax burden and the tax can be availed from the tax dept. after filing the return but this was not there in the previous tax system.

From the above comparison though the GST is destination based tax which the end consumer (or) the customer pays tax and it is benefited to the customer because when the VAT is there it was a tax on tax effect but now it is only tax on the supply of the goods where the company also get back the returns after filing the returns to the Govt. we can conclude the above objective by there a beneficial between pre and post GST of the Company. When compare to the VAT, GST is preferable to the company not only in customer point of view but also in manufacture point of view.

**FINDINGS**

- The tax rates are different in period of VAT i.e. the company has to pay three tax on the actual product price after than on the total product price the company has to pay the VAT the rates of VAT also differ from the product to product.
- The tax rates are different in period of GST i.e. the company has to pay only two different types of taxes i.e. CGST & SGST if the product is bought from intra-state. In-case of inter-state it is only IGST.
- From the company point of view GST is beneficial compare to VAT.
- Compare to the VAT the cost reduction has more in GST because the rate of tax were coming to 29.5% after all the addition of taxes but in GST on the product you have to pay only 28% that is highest tax in the GST but in VAT highest tax goes up-to 20%.

**SUGGESTIONS:**

When compare to VAT, GST is better for the company because the revenue and the profit of the company goes high.

- ✚ The demerits of VAT became the beneficial to the company in GST.
- ✚ States will be allowed to collect the SGST and Central will be allowed to control CGST.
- ✚ Tax administrations are better so it's better to have GST.

**CONCLUSION:**

- On the automobile sector the GST has influenced directly hence there is a huge demand for the automobile sectors.
- The cost reduction in the raw material helped the company in the profit gaining.
- As the tax varies for the product compared to the VAT, GST is better to have the GST in further.
- The GST is beneficial to the company and not only that it is benefited to the customer also.

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#### Annexure:

**Table 1: Product Name: M S BORING SCRAP**

Particulars	Quantity	RATE	VAT	GST
Taxable amount	11.400	19000	2,16,600.00	2,16,600
ED Cess @12.5%	0	0	27,075	0
E Cess @ 2%	0	0	4,873.5	0
SHE Cess@ 1%	0	0	2,485.485	0
VAT @ 5%	0	0	12,551.6993	0
VAT @ 14.5%	0	0	0	0
CGST @ 9%	0	0	0	19,494.00
SGST @ 9%	0	0	0	19,494.00
CGST @ 14%	0	0	0	0
SGST @ 14%	0	0	0	0
TCS @ 1%	0	0	2,635.85684	2,556.00
TOTAL TAXABLE AMOUNT			266,221.541	2,58,144.00



**Table 2: 2-Product Name: AXLE ASSY**

Particulars	Quantity	RATE	VAT	GST
Taxable amount	4.000	56,832.28	2,27,329.12	2,27,329.12
ED Cess @12.5%	0	0	28,416.14	0
E Cess @ 2%	0	0	5,114.9052	0
SHE Cess@ 1%	0	0	2,608.60165	0
VAT @ 5%	0	0	0	0
VAT @ 14.5%	0	0	38,202.9712	0
CGST @ 9%	0	0	0	0
SGST @ 9%	0	0	0	0
CGST @ 14%	0	0	0	31,826.08
SGST @ 14%	0	0	0	31,826.08
TCS @ 1%	0	0	0	0
TOTAL TAXABLE AMOUNT			301,671.738	290,981.28

**Table 3: 3- Product Name: BREAK LINEAR KIT:**

Particulars	Quantity	RATE	VAT	GST
Taxable amount	96.000	1,614.43	1,54,985.28	1,54,985.28
ED Cess @12.5%	0	0	19,373.16	0
E Cess @ 2%	0	0	3,487.1688	0
SHE Cess@ 1%	0	0	1,778.45609	0
VAT @ 5%	0	0	0	0
VAT @ 14.5%	0	0	26,045.4894	0
CGST @ 9%	0	0	0	0
SGST @ 9%	0	0	0	0
CGST @ 14%	0	0	0	21,697.94
SGST @ 14%	0	0	0	21,697.94
TCS @ 1%	0	0	0	0
TOTAL TAXABLE AMOUNT			205,669.554	198,381.16

**Table 4: 4-Product Name: REAR AXLE ASSY**

Particulars	Quantity	RATE	VAT	GST
Taxable amount	5.000	41,588.65	207,943.25	207,943.25
ED Cess @ 12.5%	0		25,992.9063	
E Cess @ 2%	0	0	4,678.72313	
SHE Cess@ 1%	0	0	2,386.148	
VAT @ 5%	0	0	0	0
VAT @ 14.5%	0	0	34,945.1491	0
CGST @ 9%	0	0	0	0
SGST @ 9%	0	0	0	0
CGST @ 14%	0	0	0	29,112.06
SGST @ 14%	0	0	0	29,112.06
TCS @ 1%	0	0	0	0
TOTAL TAXABLE AMOUNT			275,946.177	2,66,167.37

**Table 5: 5- Product Name: BREAK ASSEMBLY LH**

Particulars	Quantity	RATE	VAT	GST
Taxable amount	8.000	4,809.06	38,472.48	38,472.48
ED Cess @ 12.5%	0		4,809.06	0
E Cess @ 2%	0	0	865.6308	0
SHE Cess@ 1%	0	0	441.4717	0
VAT @ 5%	0	0	0	0
VAT @ 14.5%	0	0	6,465.35	0
CGST @ 9%	0	0	0	0
SGST @ 9%	0	0	0	0
CGST @ 14%	0	0	0	0
SGST @ 14%	0	0	0	0
IGST @ 28%				10772.29
TCS @ 1%	0	0	0	0
TOTAL TAXABLE AMOUNT			51,053.99	49,244.77

**Table 7: Case 1: Value to Manufacturer.**

Particulars	VAT	GST
Cost of Production	207,943.25	207,943.25
(add) Excise duty @ 12.5%	25,992.9063	-
(add) SHE Cess @ 2%	4,678.72313	
(add) E Cess @ 2%	2,386.148	
Total Production Cost	241,001.02	207,943.25
(add) VAT @ 14.5%	34,945.148	-
(add) CGST 14%	0	29,112.06
(add) SGST 14%	0	29,112.06
Invoice Value	275,946.177	2,66,167.37

**Table 8: Case 2: Value to Wholesaler**

Particulars	VAT	GST
Cost of Goods to Wholesaler	275,946.177	2,66,167.37
(add) Excise duty @ 12.5%	34,493.272	-
(add) SHE Cess @ 2%	6,208.788	-
(add) E Cess @ 1%	3,166.482	-
Total Production cost	3,19,814.719	2,66,167.37
(add) VAT @ 14.5%	46,373.134	-
(add) CGST @14%	-	37263.43
(add) SGST @ 14%	-	37263.43
Invoice Value	3,66,187.853	3,40,694.23

**Table 9: Case 3: Value to Retailer**

Particulars	VAT	GST
Cost of Goods to Retailer	3,66,187.853	3,40,694.23
(add) Excise duty @ 12.5%	45,773.481	
(add) SHE Cess @ 2%	8,239.226	
(add) E Cess @ 1%	4,202.005	
Total Value	4,24,402.565	3,40,694.23
(add) VAT @ 14.5%	61,538.371	
(add) CGST @ 14%		47,697.192
(add) SGST @ 14%		47,697.192
Invoice Value	4,85,940.936	4,36,088.614

**Table 10: Case 4: Value to Customer:**

Particulars	VAT	GST
Cost of Goods	4,85,940.936	4,36,088.614
(add) Excise duty @ 12.5%	60,742.617	-
(add) SHE Cess @ 2%	10,933.671	-
(add) E Cess @ 1%	5,576.172	-
Total Value	5,63,193.396	4,36,088.614
(add) VAT @ 14.5%		-
(add) CGST@ 14%		61,052.405
(add) SGST@ 14%	81,663.042	61,052.405
Total Value	6,44,856.438	5,58,193.425