

Comparative Analysis of GST Frameworks

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Abstract

This research paper undertakes a comparative analysis of the Goods and Services Tax (GST) frameworks of Australia, Canada, and the European Union (EU) to identify actionable insights for improving India's existing GST system. While India's GST regime represents a landmark shift towards indirect tax unification, it continues to face challenges including multi-rate complexity, compliance burdens, and inter-governmental fiscal disputes. In contrast, Australia's single-rate, digitally integrated GST model, Canada's dual-tier federal-provincial structure, and the EU's harmonized yet flexible VAT system offer diverse lessons in simplicity, administrative coordination, and cross-border taxation. The study analyses structural features such as rate design, compliance systems, revenue distribution models, and taxpayer experience. Through doctrinal and comparative legal methodology, it evaluates the effectiveness, efficiency, and equity of each framework. The findings suggest that adopting simplified tax structures, enhanced digital infrastructure, and more transparent inter-governmental coordination could substantially improve India's GST architecture. The research contributes to the discourse on tax reform by offering policy recommendations grounded in international best practices tailored to India's federal context.

Keywords: Goods and Services Tax (GST), Comparative Tax Systems, Indirect Tax Reform, Federal Fiscal Framework, Digital Tax Compliance

1.1 Introduction

The Goods and Services Tax (GST) represents one of the most transformative fiscal reforms in India's post-liberalisation era. Introduced in July 2017, the Indian GST aimed to streamline the country's complex web of indirect taxes into a unified system, enhance tax compliance, and promote economic integration. However, despite its ambitious goals, the Indian GST regime has been subject to persistent criticism due to its multi-rate structure, frequent changes in compliance rules, and Centre-State disagreements over revenue sharing. These challenges have underscored the need to evaluate and refine the Indian GST model by learning from international experiences.

This research sets out to explore the comparative frameworks of GST as practiced in Australia, Canada, and the European Union (EU), three jurisdictions with distinct fiscal arrangements and tax administration philosophies. Australia operates a streamlined, single-rate GST system with a robust digital compliance infrastructure and equitable revenue distribution mechanism. Canada, by contrast, presents a dual-tiered model where federal and provincial GST/HST systems coexist, reflecting a cooperative federalism approach. The European Union, with its harmonised VAT directive and destination-based taxation, offers an example of transnational coordination in indirect taxation across sovereign jurisdictions.

Through a comparative legal analysis, this paper examines how these systems address key areas such as rate rationalisation, compliance efficiency, federal coordination, and taxpayer services. The objective is to distill best practices and policy lessons that can inform ongoing reforms in India's GST framework. By understanding the institutional designs and operational strategies of these advanced tax systems, Indian policymakers can work towards a more coherent, business-friendly, and administratively efficient GST regime. In doing so, the paper contributes to broader debates on federal taxation, economic integration, and regulatory simplification in emerging economies.

1.1.1 Literature Review

A comprehensive understanding of existing scholarship is essential for situating this study within the broader discourse on Goods and Services Tax (GST) reforms and comparative tax systems. A growing body of literature has explored the evolution, structure, and efficacy of GST regimes in both developed and developing countries, with particular attention to federal jurisdictions such as India, Australia, and Canada, as well as supranational entities like the European Union (EU).

Several scholars have examined India's GST implementation from the standpoint of cooperative federalism. Rao and Chakraborty (2017) argue that while the GST Council embodies a unique federal mechanism for consensus-based decision-making, challenges persist due to the overlapping roles of the Centre and States. The multiplicity of rates and exemptions has further contributed to compliance complexity and classification disputes (Poddar, 2018). In contrast, authors like Keen and Smith (2007) have advocated for a single-rate GST structure, as seen in Australia, to promote economic neutrality and administrative simplicity.

Australian literature emphasizes the merits of uniform taxation. The Australian Taxation Office (ATO), through policy papers and compliance reports, highlights how digital tools, including e-invoicing and the Business Activity Statement (BAS), have facilitated high compliance rates and reduced administrative burdens. Moreover, the Commonwealth Grants Commission's methodology for GST revenue distribution is frequently cited as a model for ensuring fiscal equity in federal systems (Spahn, 2001).

In the Canadian context, Bird and Gendron (2010) analyze the complexities arising from dual taxation systems, noting how the Harmonized Sales Tax (HST) model has simplified compliance in certain provinces, while non-harmonized jurisdictions continue to grapple with higher compliance costs and tax inefficiencies. Similarly, Smart and Bird (2009) emphasize the role of intergovernmental agreements in managing federal-provincial tax coordination, albeit pointing out the political resistance faced during HST implementation in British Columbia.

The European Union's VAT system has been widely studied for its success in balancing harmonization with member-state autonomy. Cnossen (2003) praises the EU VAT directive for enabling free movement of goods and services while maintaining national sovereignty in rate-setting. The One Stop Shop (OSS) and VAT Information Exchange System (VIES) are also recognized as innovative compliance solutions that simplify cross-border transactions within the EU (Keen et al., 2021).

Although comparative studies on GST exist, there is a notable gap in applying these international lessons to India's GST reforms in a structured and policy-oriented manner. This research seeks to fill that gap by conducting a comparative analysis that not only highlights differences in design and administration but also extracts actionable recommendations tailored to India's federal and economic context.

1.1.2 Research Methodology

This study adopts a comparative doctrinal research methodology, integrating both descriptive and analytical approaches to examine the Goods and Services Tax (GST) frameworks of Australia, Canada,

the European Union (EU), and India. The methodology is structured to facilitate an in-depth understanding of the legal, administrative, and operational features of GST systems in these jurisdictions and to derive policy implications relevant to the Indian context.

1. Doctrinal Analysis

The primary method involves an examination of statutory provisions, policy documents, administrative guidelines, and judicial decisions related to GST/VAT frameworks in the selected jurisdictions. This includes:

1. Australia's A New Tax System (Goods and Services Tax) Act 1999,
2. Canada's Excise Tax Act and provincial HST statutes,
3. The EU VAT Directive (Council Directive 2006/112/EC), and
4. India's Central Goods and Services Tax Act, 2017, and State GST Acts.

This statutory analysis helps identify structural similarities and divergences in rate design, exemptions, compliance mechanisms, and revenue distribution models.

2. Comparative Framework

A **comparative analytical framework** is employed to assess the effectiveness, efficiency, and equity of each GST/VAT system. The comparative criteria include:

1. Rate structure and classification complexity,
2. Digital compliance and filing systems,
3. Revenue distribution and federal coordination mechanisms,
4. Taxpayer experience and administrative burden.

This cross-jurisdictional analysis is intended to highlight best practices and potential pitfalls that are relevant for India's evolving GST regime.

3. Secondary Data Collection

The research relies on **secondary data sources**, including:

1. Government reports and white papers from ATO, CRA, and the European Commission,
2. Reports by Indian institutions such as the GST Council and Comptroller and Auditor General (CAG),
3. Peer-reviewed academic journals, working papers, and policy briefs.

4. Policy-Oriented Evaluation

The final stage involves synthesizing findings into **policy recommendations** for the Indian GST system. These are evaluated against criteria of feasibility, fiscal impact, and administrative efficiency. The goal is to bridge the gap between theory and practice by offering context-sensitive reforms based on tested international models. Through this rigorous methodology, the study ensures that the comparative insights are not only theoretically sound but also practically applicable to India's federal and economic realities.

1.2 GST in Australia

Australia implemented its Goods and Services Tax (GST) on July 1, 2000, as part of a broader tax reform aimed at simplifying the existing tax structure. The GST is a value-added tax (VAT) applied at a uniform rate of 10% on most goods and services, replacing various inefficient and complex indirect taxes, including the wholesale sales tax. The introduction of GST was a significant step in creating a more transparent and broad-based consumption tax system. One of the key characteristics of Australia's GST framework is its single-rate structure. Unlike other jurisdictions that implement multiple tax slabs

based on product or service categories, Australia maintains a uniform 10% rate, with limited exemptions. Basic food, healthcare, and education services are among the few categories that are exempt or zero-rated. This simple structure minimizes classification disputes and compliance burdens for businesses, fostering economic efficiency.

The GST revenue is collected at the federal level by the Australian Taxation Office (ATO) and subsequently distributed to states and territories based on the recommendations of the Commonwealth Grants Commission (CGC)¹. This ensures a fair allocation of resources while maintaining fiscal equity across different regions. The uniformity and clarity in the GST system contribute to a stable and predictable tax environment that facilitates compliance and administrative efficiency.

1.2.1 The Role of the Australian Taxation Office (ATO) in Ensuring Compliance

The Australian Taxation Office (ATO) plays a crucial role in GST administration, ensuring compliance and enforcement across businesses and individuals. The ATO's responsibilities include GST registration, tax return processing, audits, and dispute resolution. Businesses with an annual turnover exceeding AUD 75,000 are required to register for GST, while non-profit organizations have a higher threshold of AUD 150,000.

One of the ATO's most effective compliance strategies is its robust digital infrastructure. The Business Activity Statement (BAS) system allows businesses to file their GST returns electronically, simplifying reporting obligations. Additionally, the introduction of real-time data analytics enables the ATO to detect anomalies, fraud, and tax evasion efficiently. The implementation of e-invoicing further streamlines the process, reducing errors and enhancing transparency.

To promote voluntary compliance, the ATO also conducts extensive taxpayer education programs and provides user-friendly digital tools, such as the GST calculation worksheet and online portals. In cases of non-compliance, the ATO employs a structured approach that includes penalties, audits, and legal actions, depending on the severity of the infraction².

Moreover, the ATO collaborates with international tax authorities to counter cross-border tax evasion and fraud. As a member of the Organisation for Economic Co-operation and Development (OECD), Australia actively participates in global initiatives like the Base Erosion and Profit Shifting (BEPS) project, reinforcing its commitment to a fair and transparent tax system.

1.2.2 Lessons from Australia's Simplified Tax Structure and Digital Compliance Systems

Australia's GST framework offers several key lessons for countries like India, which have adopted a more complex multi-rate GST system. The simplicity and efficiency of Australia's GST model highlight the benefits of a single-rate structure in reducing administrative burdens and compliance costs.

1. Simplified Taxation and Reduced Classification Disputes

One of the major advantages of Australia's GST is its uniform rate, which significantly reduces classification-related disputes. India, in contrast, operates a multi-tiered GST system with rates ranging from 5% to 28%, leading to frequent disagreements over tax categorization and increased litigation. A uniform rate, as seen in Australia, minimizes ambiguities and ensures that businesses and consumers clearly understand tax liabilities.

2. Efficient Tax Collection and Compliance Through Digitalization

The ATO's emphasis on digital compliance mechanisms has been instrumental in streamlining tax collection. The mandatory use of electronic filing, real-time tracking, and data analytics significantly

¹ Commonwealth Grants Commission. *Report on GST Revenue Distribution*. Canberra, 2023.

² Australian Taxation Office. "GST Compliance and Penalties." Accessed March 2025.

reduces errors and fraudulent claims. India's GST framework has taken steps in this direction with e-invoicing and automated return filing, but further improvements in integrating real-time data analytics could enhance compliance and reduce tax evasion risks.

3. Federal-State Revenue Distribution Model

Australia's model of collecting GST at the national level and distributing it among states and territories ensures equitable revenue allocation. The use of an independent agency, the Commonwealth Grants Commission, in determining state-wise distribution fosters transparency and minimizes conflicts. India, which follows a revenue-sharing model between the Centre and states, faces frequent disputes over fund allocations. Adopting a more structured and transparent approach like Australia's could help mitigate such conflicts and ensure fair revenue distribution.

4. Stronger Enforcement and Audit Mechanisms

Australia's compliance model, driven by sophisticated audit techniques and stringent penalties for non-compliance, serves as a benchmark for improving tax enforcement. The ATO's risk-based approach, which utilizes artificial intelligence and big data analytics, allows for targeted audits and fraud detection. India's GST administration could benefit from adopting similar technology-driven enforcement mechanisms to strengthen compliance without overburdening honest taxpayers³.

5. Taxpayer-Friendly Approach

Australia's GST framework places significant emphasis on taxpayer services, offering comprehensive guidance, digital tools, and dispute resolution mechanisms. The simplified online GST registration and filing process minimizes bureaucratic hurdles, making it easier for businesses to comply. India, despite significant digital advancements, still faces challenges with system glitches, frequent changes in compliance rules, and cumbersome refund mechanisms. Enhancing taxpayer assistance and ensuring stability in regulations could improve compliance rates and reduce grievances⁴.

Australia's GST model presents a compelling case for the advantages of a simple, uniform, and digitally-driven tax system. The single-rate structure reduces classification disputes and compliance costs, while the ATO's robust digital infrastructure enhances tax administration efficiency. The lessons from Australia's GST implementation - particularly in the areas of digital compliance, equitable revenue distribution, and strong enforcement mechanisms - offer valuable insights for India's ongoing GST reforms. By leveraging these best practices, India can enhance its tax system's effectiveness, ensuring greater compliance, transparency, and economic efficiency.

1.3 GST in Canada

Canada's Goods and Services Tax (GST) framework operates as a multi-tiered system that integrates both federal and provincial taxation structures. Implemented at the federal level in 1991, the GST was designed to replace the hidden manufacturers' sales tax and establish a more transparent consumption tax system. However, provinces retained autonomy over sales taxation, leading to a complex interplay between federal and provincial authorities in tax administration.

The Canadian GST is administered federally by the Canada Revenue Agency (CRA) and applies uniformly across the country, barring specific provincial modifications. The standard GST rate at the federal level is currently set at 5%⁵. However, some provinces have opted to maintain their own

³ NITI Aayog. *Digital Transformation of Tax Administration in India*. New Delhi, 2024.

⁴ Indian Revenue Service Journal. "Challenges in GST Implementation in India." Vol. 5, Issue 2, 2023.

⁵ Government of Canada, "GST/HST Rates," Canada Revenue Agency, 2023

provincial sales taxes (PST), resulting in a dual taxation structure in regions like British Columbia, Saskatchewan, and Manitoba. In contrast, Alberta remains the only province without a provincial sales tax, relying solely on the federal GST.

One of the major challenges in Canada's GST framework is ensuring seamless coordination between federal and provincial taxation systems. Businesses operating across multiple provinces must comply with varying provincial tax rules, leading to increased compliance costs and administrative burdens. Furthermore, tax audits and collection efforts necessitate cooperation between different levels of government, sometimes leading to inefficiencies and jurisdictional disputes. Additionally, discrepancies in tax rates and exemptions create distortions in economic activities, affecting consumer behavior and business investment decisions.

To address these challenges, intergovernmental agreements, such as the Reciprocal Taxation Agreements (RTAs) between the federal government and provinces, help streamline tax administration. These agreements enable tax-sharing mechanisms and information exchange to facilitate compliance and enforcement. Nevertheless, despite these efforts, tax harmonization remains an ongoing issue, especially in provinces that continue to operate independent sales tax regimes.

1.3.1 The Concept of Harmonized Sales Tax (HST) in Some Provinces

To overcome the complexities associated with separate federal and provincial sales taxes, some Canadian provinces have adopted the Harmonized Sales Tax (HST), which combines the federal GST with provincial sales taxes into a single tax structure. The HST is currently in effect in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador⁶.

The implementation of HST offers several benefits, including reduced administrative costs for businesses and streamlined tax collection. Businesses in HST-adopting provinces need to file only one tax return, as opposed to separate federal and provincial filings. This simplifies compliance and reduces bureaucratic hurdles for enterprises operating in multiple jurisdictions. Additionally, HST eliminates cascading tax effects by ensuring that input tax credits (ITCs) are available for all business purchases, preventing tax-on-tax situations.

However, the transition to HST has not been without controversy. When Ontario and British Columbia initially moved to HST in 2010, there was significant public opposition due to the perception that it increased the tax burden on consumers. British Columbia eventually repealed the HST in 2013 following a public referendum, reverting to the separate GST and PST system. This case illustrates the political challenges involved in implementing tax reforms that directly impact consumers and businesses.

Furthermore, while HST simplifies tax compliance, it does not fully address regional disparities in taxation. Provinces still maintain the ability to set their own HST rates within the framework, leading to minor discrepancies in overall tax burdens. Additionally, provinces without HST continue to experience compliance difficulties due to differences in federal and provincial tax regulations, creating an uneven playing field for businesses operating nationwide.

1.3.2 Mechanisms for Managing Inter-Provincial Transactions and Tax Credit Systems

Managing inter-provincial transactions within Canada's GST/HST framework presents significant logistical and regulatory challenges. Since each province may have different tax structures, businesses engaged in cross-border transactions must navigate varying tax obligations based on the location of sales, services, and customers.

⁶ Department of Finance Canada, "Harmonized Sales Tax (HST)," Government of Canada, 2022.

To facilitate compliance, the Canadian tax system employs the "place of supply" rules, which determine the applicable tax rate based on the location where goods or services are delivered. These rules help businesses identify whether GST or HST applies to a given transaction, ensuring accurate tax collection and remittance. For example, a business selling goods from Ontario (which follows HST) to Alberta (which only has GST) must apply the 5% federal GST rather than Ontario's HST rate of 13%⁷. The federal government also manages input tax credit (ITC) systems to prevent tax cascading. Under this system, businesses can claim credits for the GST/HST paid on their inputs, ensuring that tax is ultimately borne by the end consumer rather than being accumulated at multiple production stages. The ITC mechanism enhances neutrality and efficiency in the tax system, promoting investment and economic growth⁸.

However, managing tax credits across different provincial jurisdictions introduces complexities, particularly when businesses operate in multiple provinces. Firms must accurately track the tax paid on inputs to claim the appropriate credits, necessitating robust accounting and reporting systems. Additionally, audits and tax disputes over ITC claims can be challenging, as businesses must deal with both federal and provincial tax authorities, depending on their location and tax structure. Another mechanism aimed at ensuring smooth inter-provincial taxation is the federal-provincial tax coordination agreements, which establish uniformity in tax application while allowing provinces to retain some control over rates and exemptions. These agreements facilitate the administration of tax refunds and rebates, particularly for sectors such as manufacturing and exports, which rely heavily on tax credits to maintain competitiveness.

Despite these mechanisms, disparities in tax treatment between provinces can lead to economic distortions. For example, businesses may shift operations to provinces with lower tax rates to minimize costs, resulting in uneven economic development. Additionally, consumers engaging in online shopping may seek out lower-tax jurisdictions to reduce their tax burden, challenging revenue collection efforts in higher-tax provinces. Canada's GST framework is a unique model that balances federal and provincial taxation authorities while striving to maintain efficiency and compliance. The coexistence of the federal GST, independent provincial sales taxes, and the Harmonized Sales Tax (HST) in some provinces presents both opportunities and challenges. While HST simplifies tax administration in participating provinces, non-harmonized regions continue to experience compliance difficulties due to varying tax structures.

The mechanisms employed to manage inter-provincial transactions, such as place-of-supply rules and ITCs, help mitigate tax inefficiencies but require significant administrative efforts from businesses and tax authorities. Although federal-provincial coordination efforts aim to streamline tax administration, disparities in tax treatment across provinces continue to create economic distortions and compliance challenges. The Canadian experience underscores the complexities of implementing a dual-tiered GST system and provides valuable lessons for countries like India, which seek to refine their own GST frameworks.

1.4 VAT in the European Union

1.4.1 A Harmonized VAT System with Member-State Autonomy

The European Union (EU) operates a unique Value Added Tax (VAT) system that is both harmonized

⁷ Canada Revenue Agency, "Place of Supply Rules for GST/HST," Government of Canada, 2022

⁸ Ibid.

across its member states and allows a degree of autonomy. The harmonization of VAT is primarily governed by the EU VAT Directive (Council Directive 2006/112/EC), which sets out common rules to ensure consistency in taxation across the internal market. This directive mandates that all member states implement a VAT system with a standard structure, ensuring that the movement of goods and services within the EU remains seamless and distortion-free.

While the VAT system is harmonized, member states have the autonomy to determine their standard VAT rates, provided they adhere to the EU's minimum threshold of 15%⁹. Additionally, nations can apply reduced rates to specific goods and services, as outlined in the directive, but such reductions must remain within EU guidelines. This structure allows flexibility in economic policymaking while maintaining a level playing field within the internal market.

A key feature of the EU VAT framework is the principle of destination-based taxation, meaning that VAT is levied in the country where consumption occurs. This principle is particularly relevant for cross-border transactions, ensuring that goods and services are taxed appropriately in the country of final consumption rather than the country of origin. The EU's VAT system is designed to prevent tax evasion and double taxation by mandating compliance mechanisms such as VAT identification numbers and reverse charge mechanisms.

1.4.2 Cross-Border Taxation and the Role of VAT Identification Numbers

Cross-border taxation within the EU VAT framework is a complex yet well-regulated system designed to ensure transparency and compliance. The VAT identification number (VATIN) plays a pivotal role in facilitating intra-community trade and preventing tax fraud. Every taxable entity involved in intra-EU transactions must possess a valid VATIN, which is registered with the European Commission's VAT Information Exchange System (VIES).

For business-to-business (B2B) transactions, VAT treatment depends on whether both entities are VAT-registered. If a supplier in one member state sells goods to a VAT-registered business in another member state, the transaction is zero-rated in the supplier's country, and the buyer accounts for VAT under the reverse charge mechanism. This approach eliminates the need for suppliers to register for VAT in multiple jurisdictions while ensuring that tax is collected in the destination country.

Business-to-consumer (B2C) transactions follow a different approach, where VAT is charged based on the seller's location, subject to thresholds. The EU introduced the One Stop Shop (OSS) scheme to simplify VAT reporting for businesses selling across multiple member states. The OSS enables companies to report and remit VAT for all sales within the EU through a single member state's tax authority, reducing administrative burdens and compliance costs.

Despite these mechanisms, VAT fraud, particularly missing trader intra-community (MTIC) fraud, remains a significant challenge. To mitigate fraud, the EU has implemented stringent reporting requirements and real-time transaction monitoring under the VAT e-commerce package. Additionally, the EU continuously updates its VAT framework to address emerging digital economy challenges, including taxing online marketplaces and digital services effectively.

1.4.3 Dispute Resolution Mechanisms and Compliance Strategies

Given the complexity of VAT regulations across 27 member states, disputes often arise regarding tax liabilities, exemptions, and compliance obligations. The EU provides multiple mechanisms to resolve VAT disputes efficiently while ensuring fairness and legal certainty for businesses.

⁹ Council Directive 2006/112/EC, "On the Common System of Value Added Tax," Official Journal of the European Union, 2006.

The Court of Justice of the European Union (CJEU) serves as the ultimate authority in interpreting VAT law, ensuring consistent application across all member states. Businesses can escalate disputes to national courts, which may refer cases to the CJEU for preliminary rulings. These rulings establish precedents that influence VAT interpretations and future legislative amendments¹⁰.

Apart from judicial avenues, the EU has established administrative mechanisms such as the VAT Expert Group and the Fiscalis Program. The VAT Expert Group, comprising tax professionals and policymakers, provides guidance on VAT issues and proposes reforms to enhance efficiency and compliance. The Fiscalis Program facilitates cooperation between tax authorities across member states, enabling information exchange and coordinated audits to curb tax fraud¹¹.

To ensure compliance, businesses must adopt robust VAT management strategies, including:

Accurate VAT Reporting: Companies must maintain detailed records of VAT transactions, ensuring timely and accurate filings to avoid penalties.

Automated Compliance Solutions: Given the digital nature of VAT reporting, businesses increasingly rely on tax automation software to streamline invoicing, tax calculations, and reporting obligations.

Periodic Internal Audits: Conducting regular VAT audits helps identify discrepancies early and prevents potential tax disputes or financial penalties.

Training and Advisory Services: Businesses operating in multiple EU states benefit from engaging VAT specialists who provide up-to-date insights on legislative changes and compliance requirements.

The EU's VAT system, while highly structured, continues to evolve to address economic shifts, digital transformations, and cross-border complexities. By balancing harmonization with national autonomy, ensuring robust compliance mechanisms, and leveraging digital innovations, the EU VAT model serves as a benchmark for indirect taxation worldwide.

The European Union's VAT system is a well-structured, harmonized framework that ensures economic cohesion while granting member states the flexibility to adapt taxation policies. The role of VATINs, the OSS scheme, and destination-based taxation collectively enhance the efficiency of intra-EU trade and prevent tax evasion. Dispute resolution mechanisms, such as the CJEU and administrative cooperation programs, further strengthen the integrity of the VAT system. As the global tax landscape evolves, the EU's VAT model continues to offer valuable insights for other economies, including India, as they refine their own indirect tax systems.

1.5 Comparative Analysis

1.5.1 Taxpayer Experience and Administrative Burden

The design of a Goods and Services Tax (GST) system must not only be effective in revenue collection but also user-friendly for taxpayers. A system that minimizes administrative burdens, ensures ease of registration, and facilitates straightforward compliance is crucial for both businesses and tax authorities. Comparative studies of international GST systems offer insights into how different jurisdictions have managed to streamline the taxpayer experience, enhance registration and filing processes, and mitigate administrative burdens. This section provides a comparative analysis of taxpayer experience across Australia, Canada, and the European Union (EU), focusing on ease of registration, filing, audits, and overall taxpayer services.

¹⁰ Court of Justice of the European Union, "Case Law on VAT," accessed March 2025.

¹¹ European Commission, "Fiscalis Programme for Tax Cooperation," accessed March 2025.

1.5.2 Ease of Registration

Australia's Simplified GST Registration Process

Australia's GST system is praised for its simplicity and efficiency, particularly in terms of taxpayer registration. The Australian Taxation Office (ATO) allows businesses to register for GST online through a straightforward process. New businesses are generally required to register if their annual turnover exceeds AUD 75,000, which is a clearly defined threshold. The online registration system is integrated with other business registration processes, such as the Australian Business Number (ABN), which simplifies the process for taxpayers.

Additionally, the ATO offers a pre-registration service where taxpayers can receive guidance and clarity regarding their GST obligations. This service ensures that businesses are fully informed before entering the GST system. The ATO also provides detailed step-by-step guides for registration, helping to reduce confusion and errors during the process¹².

Canada's GST/HST Registration Process

Canada's GST/HST registration process, while generally efficient, can be more complex due to the country's dual taxation system, where both federal and provincial authorities may impose taxes. Businesses must determine whether they are required to register for GST (for federal tax purposes) and/or HST (for provincial taxes in harmonized jurisdictions). The Canada Revenue Agency (CRA) offers online registration through its business portal, and the process requires businesses to indicate their expected annual revenue to determine their tax obligations.

The CRA also provides clear guidelines on when businesses need to register and what the reporting requirements will be. However, businesses operating in provinces with non-harmonized sales taxes may face additional complexities, as they need to separately handle federal GST and provincial sales taxes, adding to the administrative burden¹³.

European Union VAT Registration System

In the EU, VAT registration varies by member state, but a general structure has been harmonized under EU VAT directives. Businesses operating in the EU must register for VAT in the member state where they are established. In cross-border situations, the EU's VAT Information Exchange System (VIES) facilitates registration in multiple jurisdictions. This system enables businesses to register in one country and then report VAT for transactions conducted in other EU member states through a centralised platform.

While the system promotes ease for businesses trading across borders within the EU, there are still challenges regarding the application of VAT in non-harmonized areas. Some member states have more stringent registration requirements, leading to administrative inconsistencies that can increase the burden for international businesses¹⁴.

1.5.3 Ease of Filing and Reporting

Australia's Online GST Filing System

Australia's ATO offers a robust digital filing system that allows taxpayers to submit their GST returns online. The system is fully integrated with the business's accounting software, which can automatically populate GST returns based on the data entered in the software. This feature minimizes errors and makes the filing process more efficient.

¹² Australian Taxation Office (ATO), *How to register for GST*

¹³ Canada Revenue Agency (CRA), *Registering for GST/HST*

¹⁴ European Commission, *VAT - Rules and Procedures*.

Australia's filing frequency is based on the size of the business. Smaller businesses may file quarterly, while larger businesses are required to file monthly. This flexibility helps reduce the administrative burden on smaller businesses, while larger businesses benefit from a faster processing time. The ATO also offers the option of lodging returns through its Business Portal, making the process more accessible for businesses of all sizes¹⁵.

Canada's GST/HST Filing Process

Canada's GST/HST filing process is generally straightforward but can become complex due to the multiple tax rates in different provinces. Like Australia, the CRA offers online filing through its My Business Account portal, which allows businesses to submit their returns electronically. Taxpayers can file on a monthly, quarterly, or annual basis, depending on their revenue.

However, the filing process in Canada may be more challenging for businesses operating in multiple provinces with varying provincial tax rates. Businesses that need to file for both federal GST and provincial sales tax (PST) or HST must navigate multiple forms and filing deadlines, which increases the compliance cost for businesses¹⁶.

EU VAT Filing and Reporting

The EU's VAT filing and reporting processes are harmonized to a large extent but still vary by member state. Businesses must submit VAT returns to the tax authority of the country in which they are established. Filing frequencies may differ from one jurisdiction to another, and the complexity increases for businesses that engage in cross-border transactions within the EU. The Mini One Stop Shop (MOSS) system was introduced to simplify VAT reporting for businesses that supply digital services across EU borders. MOSS allows businesses to file a single VAT return covering all EU member states.

While the EU's VAT system allows for some level of simplification, the complexity of filing for businesses engaged in cross-border trade across multiple member states cannot be ignored. Additional administrative burden is imposed on businesses due to local rules on invoicing, VAT rates, and reporting requirements¹⁷.

1.5.4 Audits and Compliance

Australia's GST Audit System

Australia's ATO conducts audits regularly, but the country's tax administration system is designed to make audits as transparent and non-intrusive as possible. Businesses are required to keep accurate and timely records, and the ATO's online portal allows for easy submission of these records when requested. The ATO has also implemented risk-based auditing techniques, which prioritize audits of businesses with a history of non-compliance or inconsistencies in reporting.

Australia's focus on voluntary compliance has proven to be effective, as the ATO offers numerous channels for taxpayers to ask questions and resolve issues before they escalate into formal audits. Furthermore, the ATO's emphasis on pre-filing assistance helps businesses understand and correct potential mistakes before filing.

Canada's GST/HST Auditing and Enforcement

In Canada, the CRA also conducts audits, but the process can be more burdensome for businesses that operate in multiple provinces. The dual GST/HST framework means that audits often require businesses

¹⁵ Australian Taxation Office (ATO), *Registering for GST*

¹⁶ Canada Revenue Agency, *Filing GST/HST Returns*

¹⁷ European Commission, *VAT Information Exchange System (VIES)*.

to provide detailed reports on both federal and provincial sales taxes. The CRA uses a risk-based approach to audit selection but also conducts regular reviews to ensure compliance.

Businesses may face additional scrutiny in provinces with non-harmonized sales taxes, as they have to manage two separate audits. Despite this, the CRA provides businesses with access to online tools and resources to improve their understanding of tax obligations and reduce the likelihood of errors during audits.

EU VAT Audits and Compliance Enforcement

In the EU, VAT compliance is enforced at the national level, but cross-border VAT audits are coordinated to prevent fraud. The EU's VAT Information Exchange System (VIES) allows tax authorities in different member states to share information about cross-border transactions, making it easier to detect discrepancies and potential tax evasion. The European Commission has also created a system for auditing and investigating VAT fraud within the EU market, focusing on high-risk sectors like e-commerce.

However, businesses that trade in multiple EU member states often face challenges due to varying reporting requirements, making audits more complex. The complexity is amplified for businesses involved in intra-community trade, where VAT must be handled across different jurisdictions¹⁸.

1.5.5 Taxpayer Services and Support

Australia's Taxpayer Services

Australia's ATO offers an extensive range of services aimed at improving taxpayer experience, including online tools, a helpline, and dedicated business support services. The ATO provides taxpayers with an online portal, detailed guides, and a comprehensive help centre to resolve any queries. It also offers a "Self-Assessment" system, where businesses can review their own compliance and make adjustments before formal audits are initiated¹⁹.

Canada's Taxpayer Services

The CRA offers taxpayer services similar to those of Australia's ATO, including an online portal for filing and inquiries. The CRA also provides information and support to businesses on issues like GST/HST registration, filing, and compliance. However, the challenge for Canadian businesses is navigating the complexity of dual taxation in some provinces, which may lead to confusion for businesses that are required to comply with multiple jurisdictions²⁰.

EU's VAT Taxpayer Support

The EU offers extensive online resources for businesses engaged in cross-border trade, including the European Commission's VAT helpdesk. Each member state provides localized support, and businesses can contact local tax authorities for guidance. However, the complexity of operating across multiple EU jurisdictions means that businesses often need to consult with tax professionals to navigate the intricacies of VAT law across different countries.

The taxpayer experience and administrative burden vary significantly across Australia, Canada, and the EU, influenced by factors such as federalism, diversity in tax rates, and the complexity of cross-border trade. Australia's streamlined system for registration, filing, and audit processes offers the least administrative burden, aided by its digital infrastructure and centralized approach. Canada's dual GST/HST model introduces complexity for businesses, particularly those in provinces with non-

¹⁸ European Commission, *VAT Helpdesk Services*

¹⁹ Australian Taxation Office (ATO), *Taxpayer Support Services*

²⁰ Canada Revenue Agency (CRA), *GST/HST Registration Services*

harmonized sales taxes, while the EU's diverse VAT system can be a challenge for businesses operating across multiple member states. However, all three jurisdictions have taken steps to improve taxpayer services and reduce compliance costs, using digital tools and simplified filing processes. Despite differences, there are common lessons to be learned, especially in the areas of digital transformation and risk-based auditing techniques, which could help further enhance the taxpayer experience in these jurisdictions.

1.6 Lessons and Proposed Solutions for India

The implementation of Goods and Services Tax (GST) in India marked a pivotal shift towards fiscal consolidation and cooperative federalism. However, the Indian GST framework remains laden with challenges such as rate multiplicity, classification disputes, compliance burdens, and federal revenue-sharing conflicts. Drawing on the experiences of Australia, Canada, and the European Union (EU), this section outlines key lessons and proposes targeted solutions for reforming India's GST structure to enhance efficiency, equity, and taxpayer satisfaction.

1. Simplification through a Single-Rate or Fewer-Tier Structure

Lesson from Australia:

Australia's GST system operates on a single uniform rate of 10% with minimal exemptions. This design eliminates classification disputes and fosters greater clarity and predictability in tax administration.

Proposed Solution for India:

India should consider rationalizing its GST rate structure by gradually converging toward fewer tax slabs, ultimately aiming for a single or dual-rate regime. Reducing the reliance on exemptions and aligning tax rates with economic merit rather than political considerations would lower compliance costs and litigation.

2. Strengthening Digital Compliance Mechanisms

Lesson from Australia and the EU:

Both Australia and the EU have leveraged digital tools to facilitate compliance. Australia's Business Activity Statement (BAS) and the EU's One Stop Shop (OSS) have improved return filing, cross-border tracking, and data transparency.

Proposed Solution for India:

India should enhance the integration and automation of its GSTN (Goods and Services Tax Network) by implementing real-time invoice matching, automated return reconciliation, and improved artificial intelligence (AI)-based anomaly detection systems. Ensuring that all compliance processes—returns, refunds, audits—are seamlessly digital will boost efficiency and reduce manual errors.

3. Transparent and Equitable Revenue Distribution Model

Lesson from Canada:

Canada's GST/HST system illustrates how fiscal autonomy can coexist with coordinated tax administration. The revenue distribution process, facilitated through intergovernmental agreements, helps prevent conflict between central and provincial governments.

Proposed Solution for India:

India can institutionalize a more transparent revenue-sharing formula within the GST Council framework, possibly guided by a neutral fiscal body similar to Canada's Council of the Federation or Australia's Commonwealth Grants Commission. Introducing objective metrics such as consumption levels, population, and fiscal need can ensure fairer distribution and reduce disputes.

4. Enhancing Inter-Jurisdictional Coordination

Lesson from the EU:

The EU, despite not being a federal structure, manages intra-jurisdictional VAT through harmonized rules and destination-based taxation. Tools like the VAT Information Exchange System (VIES) enable transparency in cross-border transactions.

Proposed Solution for India:

India should establish a robust inter-state GST coordination mechanism that tracks the movement of goods and services across state lines and ensures appropriate revenue allocation. Adopting a national-level portal for place-of-supply tracking and dispute resolution, inspired by the EU's VIES, could improve consistency and reduce fraud.

5. Taxpayer-Centric Administration and Dispute Resolution

Lesson from Australia:

Australia's ATO emphasizes voluntary compliance by offering user-friendly digital tools, timely taxpayer education, and transparent audit mechanisms.

Proposed Solution for India:

India must institutionalize a taxpayer-focused approach by simplifying refund procedures, ensuring timely grievance redressal, and standardizing audit practices. Establishing dedicated taxpayer support centers and expanding helpdesk capabilities would foster trust and encourage voluntary compliance. Moreover, introducing an independent GST Ombudsman could enhance dispute resolution and accountability.

6. Political Will for Sustained Reform

Lesson from All Jurisdictions:

Whether it was Australia's adoption of GST after a national debate, Canada's phased provincial harmonization, or the EU's continuous reform of VAT laws, each jurisdiction benefited from sustained political commitment to tax reform.

Proposed Solution for India:

Reforming India's GST system demands long-term political vision and intergovernmental cooperation. Regular performance audits, stakeholder consultations, and feedback mechanisms should be institutionalized to make the GST Council more responsive and adaptive. Reforms must be guided by evidence-based policymaking rather than short-term fiscal goals.

1.7 Conclusion

The comparative study of the Goods and Services Tax (GST) systems in Australia, Canada, and the European Union (EU) reveals critical insights for enhancing India's evolving indirect tax regime. While India's GST was a historic step toward tax unification and federal fiscal cooperation, its current structure remains complex, multi-tiered, and administratively demanding. In contrast, the experiences of other jurisdictions offer practical approaches to simplifying tax architecture, improving compliance, and resolving intergovernmental tensions.

Australia's GST system demonstrates the effectiveness of a single-rate structure backed by a strong digital infrastructure. The uniform rate reduces classification disputes and litigation, while the digital-first approach of the Australian Taxation Office (ATO) ensures streamlined filing, real-time monitoring, and improved taxpayer services. These elements foster voluntary compliance and ease of doing business—key objectives that remain partially unfulfilled under India's multi-rate GST.

Canada's dual-level GST/HST system reflects the nuances of cooperative federalism. Despite its inherent complexity, the harmonized sales tax (HST) model adopted in several provinces showcases how coordinated tax administration can reduce compliance costs and administrative redundancies. However, Canada's challenges in managing tax coordination between federal and provincial levels mirror some of the issues India faces in Centre-State revenue sharing. The use of intergovernmental agreements and reciprocal taxation arrangements in Canada can serve as models for more structured fiscal cooperation in India.

The European Union's VAT system, built on the principles of harmonization and destination-based taxation, underscores the importance of standardized rules across jurisdictions for facilitating cross-border trade. Mechanisms such as the VAT Information Exchange System (VIES) and One Stop Shop (OSS) portal exemplify how digital tools can aid in managing intra-jurisdictional transactions efficiently. Though the EU is not a federal state, its experience in aligning national tax systems under a shared directive provides a useful template for India to strengthen intra-state trade consistency and compliance monitoring.

Across all three jurisdictions, certain common threads emerge—namely, the need for digitalization, legal clarity, taxpayer-centric administration, and equitable revenue distribution. These pillars contribute to a tax environment that balances efficiency with fairness. For India, adopting a simplified rate structure, investing further in end-to-end digital compliance systems, and institutionalizing transparent fiscal mechanisms between the Centre and States can significantly strengthen the GST framework. Furthermore, enhancing taxpayer education, dispute resolution, and audit processes will foster trust and participation in the system.

Ultimately, this research concludes that India's GST can benefit substantially from international best practices, provided they are adapted to its unique federal structure and socio-economic conditions. By learning from the successes and shortcomings of Australia, Canada, and the EU, India can move towards a more stable, efficient, and equitable indirect taxation system that supports economic growth and fiscal sustainability.