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“STUDY ON THE IMPACT OF GOODS AND SERVICES TAX ON RETAILERS WITH SPECIAL REFERENCE TO TIRURANGADI MUNICIPALITY”

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Abstract

The Goods and Services Tax (GST) is a value added tax to be implemented in India, GST is considered to be a game changer in Indian Economy. (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. This research paper uses primary sources of data such as survey and analysis of the data collected. The secondary sources such as books, journals and articles are also referred for this research. The implementation of GST made a huge change in the commerce field and the overalleconomy of the country. The implementation of GST made many problems than benefits. So this study aims to find out the problems faced by dealers on GST implementation.

KEYWORDS: GST, VALUE ADDED TAX (VAT), INDIRECT TAX

Introduction

Goods and Services Tax is considered as an indirect tax for the whole nation that would make India one unified common market. It is a tax which is imposed on the sale, manufacturing and the usage of the goods and services. It is a single tax that is imposed on the supply of the goods and services, right from the manufacturer to the customer. The one of the important Purpose for implementing GST is to replace a number of indirect taxes being levied by Union and state Government. GST is also intended to remove TAX on Tax Effect and provides to common national market for goods and Services.

GST one of the tax reforms since independence. GST will subsume all most all the indirect taxes levied by state and Central Government and will make significant impact across industries. It is charged at the national and state level at similar rates for the same products and it also replaces almost all the current indirect taxes that are imposed separately by the Centre and the States. GST is a destination based tax which means that tax is paid at the place of supply.

Statement of the problem

As the implementation of GST took place on 1st July 2017, due to mid-year launch, the business dealers may face many problems. As GST replaces the Value Added Tax and Service Tax, the business dealers faced a lot of problems. So this study aims to find out the problems faced by dealers on GST implementation.

Scope of the study

The study on problems faced by business dealers on the implementation of GST is covered in Tiruranghadi Municipality (Malappuram Dis).

Relevance of the study

The implementation of GST made a huge change in the commerce field and the overall economy of the country. The implementation of GST made many problems than benefits. So the study on problems faced by the dealers on GST implementation is relevant.

Objectives of the study

- To analyses the problems faced by the dealers after implementation of GST.
- To check whether government authorities gave adequate support to the dealers for familiarizing new tax system.
- To examine whether the dealers are aware about new tax system.
- To identify whether the business is benefited from GST implementation

Literature Review

Eva, (2008) The author in his paper has examined the cost of complying with the indirect tax laws in the Slovak Republic by doing research of small, medium and large businesses through a questionnaire and concludes that businesses especially the small ones are not able to and do not make efforts to quantify the cost of compliance which is quite high due to the complex laws.

Crossley, (2009) In 2009, the United Kingdom Government decided to reduce the VAT rate by a marginal amount in order to boost the consumer spending. The authors have studied the said relation in his paper and concluded that if the VAT rate is reduced, the spending by general consumers increases resulting in overall buoyancy in the economy.

Eugen, (2011) The authors have examined the various methods adopted by assesses to evade VAT especially in intra country transactions in Romania. The authors have also recommended the documentation and returns which could be relied upon by both the authorities and the assesses to ensure that there is no tax evasion.

Brew, (2012) The authors have studied the relation between the mode of collection of VAT revenues with the target of VAT collection for the municipality of Tarkwa – Nsuaem in West Ghana. The authors have used questionnaires and interviews to collect the data and then analysed it using the regression analysis and established that the method of VAT collection in the said municipality was above average. The study is important because VAT is one of the primary revenue generators for any Government.

Borec, (2013) The authors have discussed how assessee may comply with the VAT laws given that the GST is a destination based tax. The authors mainly deal with B2C cases where the VAT compliances would need to be done in the state where the customer is located. The authors have discussed the difficulties in this compliance especially in the e commerce transactions.

THEORITICAL FRAMEWORK

Goods and Services Tax (GST)

GST is an indirect tax used in India on the supply of goods and services. It is a comprehensive, multi-stage, destination-based tax: comprehensive because it has subsumed almost all the indirect taxes except a few state taxes. Multi-staged as it is, the GST is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer and as a destination-based tax, it is collected from point of consumption and not point of origin like previous taxes.

Types Of GST

The Central Goods and Services Tax (CGST)

The State Goods and Services Tax (SGST)

The Union Territory Goods and Services Tax (UTGST)

The Integrated Goods and Services Tax (IGST)

History of GST in India

2000: In India, the idea of adopting GST was first suggested by the Atal Bihari Vajpayee Government in 2000. The state finance ministers formed an Empowered Committee (EC) to create a structure for GST, based on their experience in designing State VAT. Representatives from the Centre and states were requested to examine various aspects of the GST proposal and create reports on the thresholds, exemptions, taxation of inter-state supplies, and taxation of services. The committee was headed by Asim Dasgupta, the financeminister of West Bengal. Dasgupta chaired the committee till 2011.

2004: A task force that was headed by Vijay L. Kelkar the advisor to the finance ministry, indicated that the existing tax structure had many issues that would be mitigated by the GSTsystem.

February 2005: The finance minister, P. Chidambaram, said that the medium-to-long termgoal of the government was to implement a uniform GST structure across the country covering the whole production-distribution chain. This was discussed in the budget sessionfor the financial year 2005-06.

February 2006: The finance minister set 1 April 2010 as the GST introduction date.

November 2006: Parthasarthy Shome, the advisor to P. Chidambaram, mentioned that states will have to prepare and make reforms for the upcoming GST regime.

February 2007: The 1 April 2010 deadline for GST implementation was retained in theunion budget for 2007-08.

February 2008: At the union budget session for 2008-09, the finance minister confirmed thatconsiderable progress was being made in the preparation of the roadmap for GST. The targeted timeline for the implementation was confirmed to be 1 April 2010.

July 2009: Pranab Mukherjee, the new finance minister of India, announced the basic skeleton of the GST system. The 1 April 2010 deadline was being followed then as well.

November 2009: The EC that was headed by Asim Dasgupta put forth the First Discussion Paper (FDP) , describing the proposed GST regime. The paper was expected to start a debatethat would generate further inputs from stakeholders.

February 2010: The government introduced the mission-mode project that laid the foundation for GST. This project, with a budgetary outlay of Rs.1,133 crore, computerisedcommercial taxes in states. Following this, the implementation of GST was pushed by oneyear.

March 2011: The government led by the Congress party puts forth the Constitution (115th Amendment) Bill for the introduction of GST. Following protest by the opposition party, theBill was sent to a standing committee for a detailed examination.

June 2012: The standing committee starts discussion on the Bill. Opposition parties raiseconcerns over the 279B clause that offers additional powers to the Centre over the GST dispute authority.

November 2012: P. Chidambaram and the finance ministers of states hold meetings and set the deadline for resolution of issues as 31 December 2012.

February 2013: The finance minister, during the budget session, announces that the government will provide Rs.9,000 crore as compensation to states. He also appeals to the state finance ministers to work in association with the government for the implementation of the indirect tax reform.

August 2013: The report created by the standing committee is submitted to the parliament. The panel approves the regulation with few amendments to the provisions for the tax structure and the mechanism of resolution.

October 2013: The state of Gujarat opposes the Bill, as it would have to bear a loss of Rs.14,000 crore per annum, owing to the destination-based taxation rule.

May 2014: The Constitution Amendment Bill lapses. This is the same year that Narendra Modi was voted into power at the Centre.

December 2014: India's new finance minister, Arun Jaitley, submits the Constitution (122nd Amendment) Bill, 2014 in the parliament. The opposition demanded that the Bill be sent for discussion to the standing committee.

February 2015: Jaitley, in his budget speech, indicated that the government is looking to implement the GST system by 1 April 2016.

May 2015: The Lok Sabha passes the Constitution Amendment Bill. Jaitley also announced that petroleum would be kept out of the ambit of GST for the time being.

August 2015: The Bill is not passed in the Rajya Sabha. Jaitley mentions that the disruption had no specific cause.

March 2016: Jaitley says that he is in agreement with the Congress's demand for the GST rate not to be set above 18%. But he is not inclined to fix the rate at 18%. In the future if the Government, in an unforeseen emergency, is required to raise the tax rate, it would have to take the permission of the parliament. So, a fixed rate of tax is ruled out.

June 2016: The Ministry of Finance releases the draft model law on GST to the public, expecting suggestions and views.

August 2016: The Congress-led opposition finally agrees to the Government's proposal on the four broad amendments to the Bill. The Bill was passed in the Rajya Sabha.

September 2016: The Honourable President of India gives his consent for the Constitution Amendment Bill to become an Act.

2017: Four Bills related to GST become Act, following approval in the parliament and the President's assent:

Central GST Bill

Integrated GST Bill

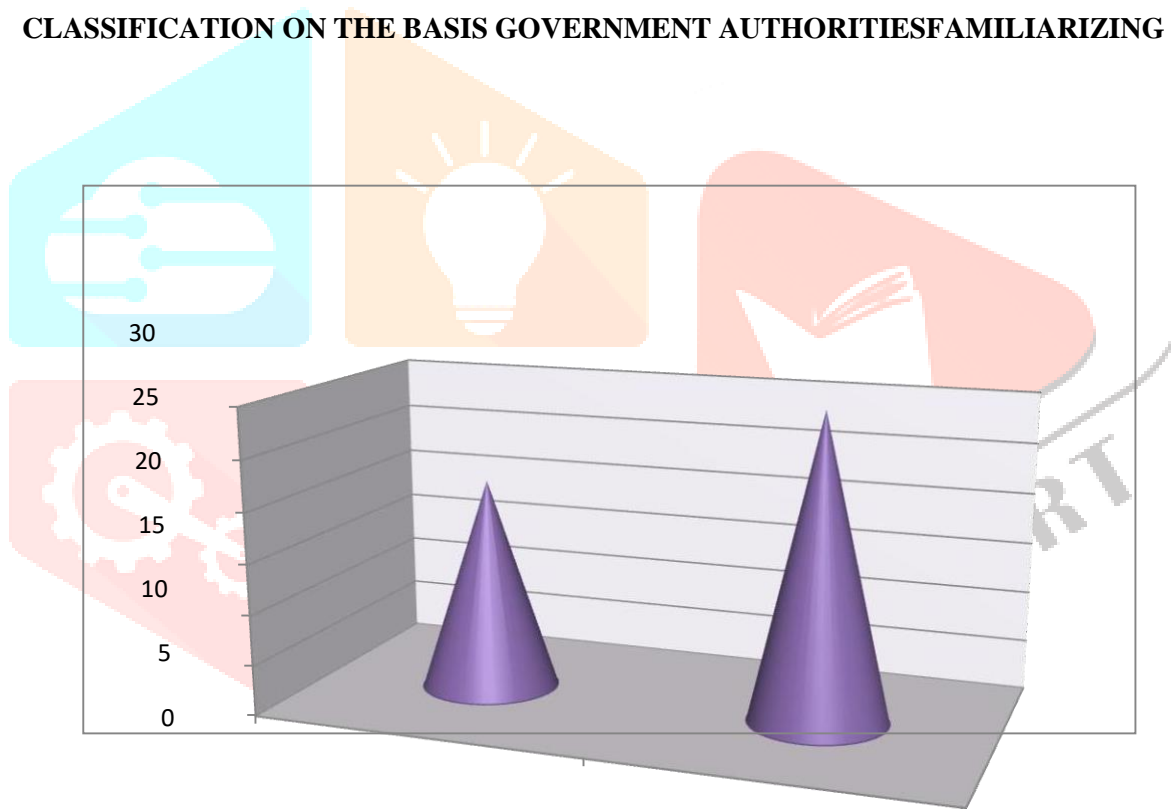
Union Territory GST Bill

GST (Compensation to States) Bill

The GST Council also finalised on the GST rates and GST rules. The Government declares that the GST Bill will be applicable from 1 July 2017, following a short delay that is attributed to legal issues

Sl.no	Option	No of responses	Percentage
1	Yes	21	41
2	No	30	59
Total		51	100

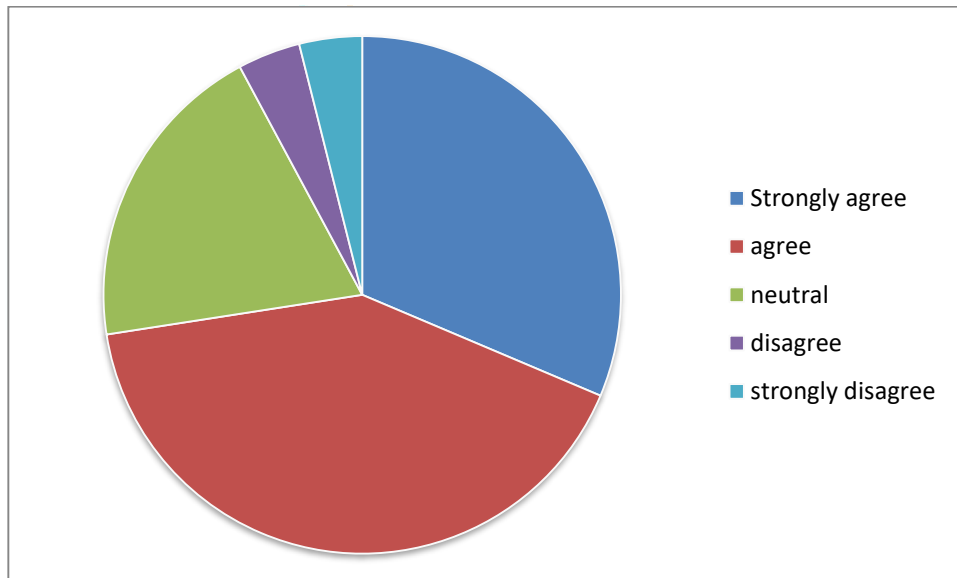
CLASSIFICATION ON THE BASIS GOVERNMENT AUTHORITIES FAMILIARIZING GST



Above graph says that about 59% respondents are agreeing with the government authority's gave adequate support

PERCEPTION REGARDING GST INCREASED LEGAL FORMALITIES

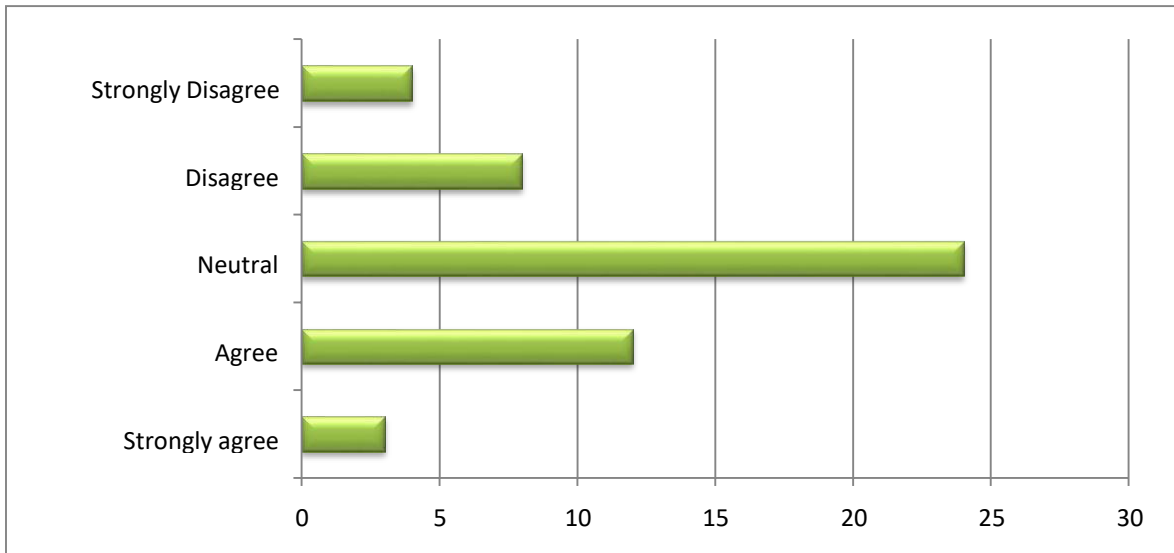
Sl.no	Option	No of responses	Percentage
1	Strongly agree	16	31
2	Agree	21	41
3	Neutral	10	20
4	Disagree	2	4
5	Strongly Disagree	2	4
Total		51	100



Majority respondents are saying that legal formalities has increased because of implementation of GST

PERCEPTION REGARDING ACCOUNTING PROBLEM

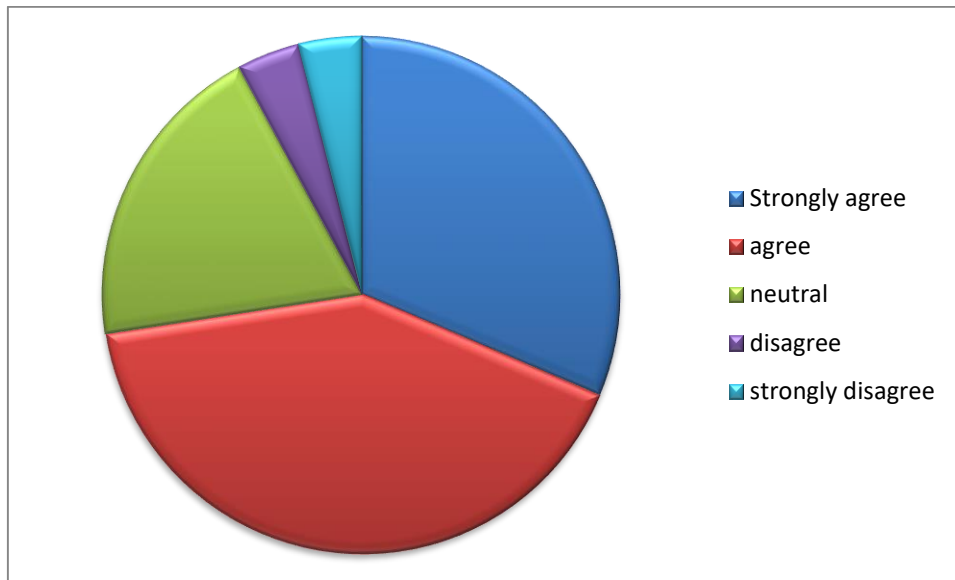
Sl.no	Option	No of responses	Percentage
1	Stronglyagree	3	6
2	Agree	12	23
3	Neutral	24	47
4	Disagree	8	16
5	Strongly Disagree	4	8
TOTAL		51	100



A lion share of respondents selected neutral option regarding this statement

GST INCREASED TAX BURDEN

Sl.no	Option	No of Responces	Percentage
1	Stronglyagree	7	14
2	Agree	6	12
3	Neutral	15	29
4	Disagree	15	29
5	Strongly Disagree	8	16
TOTAL		51	100



The graph shows that 15% respondents neutral and 15% respondents disagree with this statement which is the implementation of GST has increased the tax burden.

Findings of the study

- The majority of retailers got benefits from the implementation of the GST.
- Some types of business got benefits and other once led to stoppage by the implementation of GST.
- Most retailers have knowledge about the GST .But government authority's failed on familiarizing GST.
- The implementation of GST is not in proper way.
- The more respondents of the study saying GST implementation made business better.
- Retailer are satisfied by the current GST , but they have some problems.
- GST in increased many formalities in Accounts, Billing, Invoices .
- GST implementation reduces many corruption and malpractice. And it helps government to collect taxes easily.
- GST increased the tax calculations for government.
- The most of the retailers respondents are the application of GST is very expensive
- Filing of GST is very difficult.
- The GST mostly affects the customer purchase power. The tax will affect the end price of the product.

Suggestions of the study

Government wants to provide adequate support to the retailers.

Make updated application or software to retailers for the smooth working of GST calculations.

Provide proper knowledge to retailer and customer about the GST.

Conclusion of the study

Implementation of Gross and Service Tax is one of the best decisions taken by the Indian government. But the way of implementation want some changes. The implementation of Gross and Service Tax affected retailers both negatively and positively. In this study, retailers got more benefits from Gross and Service Tax than the Sales and Service Tax. The main problem faced by retailers is accounting and book keeping problems.