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A Study On Gst Council's Recommendations On Gst Rates And Slabs For Small Scale Industries And Ssi's Views On Rates And Slabs

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Abstract: Goods and Services Tax (GST) kicked off in India on July 1, 2017 and fundamentally changed the indirect taxation system by ditching many different forms of taxes and replacing them with a singular model. While the intention was to make the tax system simpler, the impact of GST on Small Scale Industries (SSIs) are varied in nature. The present study highlights the recommendations of the GST Council concerning respect to GST rates or slabs and discusses the effect of them and their nature (positive, neutral or negative) especially upon SSIs, alongside the responses from SSIs to the changes in the indirect taxation system. Primary data was collected from SSIs in Coimbatore, a cosmopolitan industrial town with rich manufacturing background mushroomed immensely over the years. The aim of collecting primary data was to reflect the information about GST compliance, tax rate structures, financial burden and operational issues that SSIs may encounter. It was found that while GST brought several of improvements in tax compliance process through a unified tax regime, and input tax credits, many SSIs are encountering issues with compliance, liquidity issues and unstableness from the constant adjustment of tax rates. This study uses statistical techniques and test for data processing or analysis, including chi-square, t-test and ANOVA to identify different strategic areas of policy improvement. Areas of suggestion are documented for reducing the burden of compliance, strands of capability to suggest stabilization of the tax policies and improving the resilience of SSIs to greater contribution towards sustainable Growth using GST.

Index Terms – GST Council, Tax rate, Tax structure, Indirect taxation, Compliance burden.

INTRODUCTION:

The Goods and Services Tax (GST) was introduced in India to consolidate the indirect taxation system into a single framework that focuses on transparency and efficiency of the economy. The GST has substituted many other indirect taxes i.e. levies such Value Added Tax (VAT), Excise Tax and Service Tax. The entry into GST has an impact on Small Scale Industries (SSIs), which are vital for job creation and contribution to GDP. This research study will discuss the effects of GST specifically examining the recommendations of the GST Council and the various slab settings, and also examine the perceptions of recommendations and slab settings combined effect on Small Scale Industries (SSIs) in Coimbatore city - an important industrial and commercial centre in Tamil Nadu state.

STATEMENT OF THE PROBLEM:

GST has first and foremost, certainly brought about a lot of benefits and is on record as being an important tax reform for the country, however, it has equally brought about a lot of challenges, especially for SSIs like higher compliance costs, digital system understanding challenges and ambiguity of tax obligations of SSIs caused by the amendments to GST etc. which has probably brought about huge operational and financial stress for SSIs. The problem however is whether GST has benefited or hindered the sustainability and growth of SSIs in general and in the Coimbatore region in particular

OBJECTIVES OF THE STUDY:

1. To analyze the GST Council's recommendations on tax rates and slabs for SSIs.
2. To evaluate the impact of GST on the financial performance and efficiency of SSIs.
3. To study the opinions of SSIs in Coimbatore regarding GST rates and compliance.

SCOPE OF THE STUDY:

The research is limited to SSIs in the city of Coimbatore. It captures insights from manufacturing, service, trading, and agricultural SSIs on how GST rates, compliance and overall operation has affected them. The research assesses how working capital, cost structure and ability to plan has been affected by the introduction of GST.

RESEARCH METHODOLOGY:

- **Design:** Descriptive and analytical.
- **Data Sources:**
 - *Primary:* Structured questionnaires and interviews with SSI owners and managers.
 - *Secondary:* GST Council notifications, government reports, academic journals.
- **Sampling Technique:** Purposive sampling focusing on Coimbatore-based SSIs.
- **Tools Used:** Percentage analysis, Chi-square, ANOVA, and t-test for interpretation.

PERIOD OF STUDY:

- The study is conducted during December 2024 to March 2025.

LIMITATIONS OF THE STUDY:

- Findings are localized to Coimbatore and may not represent SSIs nationwide.
- Relies on self-reported data, subject to respondent bias.
- Rapid GST policy changes may make the findings time-sensitive.
- The study emphasizes financial and operational impacts without considering broader macroeconomic variables

LITERATURE REVIEW:

Chopra, A., & Modi, R. K. (2025). "The Effects of GST Implementation on Small and Medium Sized Businesses (SMEs) in Rajasthan": An Accounting Perspective. This article looks at the implications for SMEs in Rajasthan from GST, specifically compliance responsibilities as well as financial or accounting records and tax obligations. They found GST had not been as cumbersome in terms of tax structures, it has created improved transparency and made tax payment easier; nevertheless, it has created additional compliance costs, technical challenges, digital accounting systems for SMEs, as well as frequent changes in regulations. They suggest that better policy interventions, training, or technology assistance would assist SMEs in the transition.

Gawande, A., Kolhe, A., Shekatkar, T., Shrivastava, S. & Khandelwal, T. (2024) "GST Implementation and Compliance Challenges for MSMEs: A Post-Reform Analysis." This research examines the problems regarding compliance in GST implementation by MSMEs faced in practice. The research surveyed 120 MSME traders in Pune city noting the challenges comprising high compliance costs, a lack of supporting IT infrastructure for GST compliance, procedural inefficiencies, and a lack of trained human resources. The results show that a considerable

number of people (84% in total) agreed that these challenges were inhibiting MSME compliance under GST implementation. A t-test provided statistics to confirm the significant level of the challenges associated with GST providing suggestions for government action. Several recommendations were proposed to improve compliance including: improving IT infrastructure, procedures for compliance and hopefully provide financial assistance for importation of goods, so that MSMEs can comply with GST.

Singh, N. (2024) "Investigating The Relationship Between Tax Incentives And Small Business Growth,": The author analyzed how tax incentive types support small business growth. Accessibility, policy design, and economic aspects were considered in the analysis. The study concluded that tax incentives (deduct, credit, exemptions, etc.) allow businesses to reinvest in their businesses, generate jobs, and promote innovation. However, tax incentives may be irrelevant if an incentive is included in a complex tax structure. The econometric analysis, in the past, showed that tax incentives, at nominally, seemed to assist business expansion at this level. The effectiveness depended on certain key factors, particularly policy transparency, and access to support from infrastructure support services. Singh stated policymakers should ensure that tax incentive provisions are designed (included) in conjunction with broader economic policies, in a way that diminishes the benefit small businesses could obtain, also creates the capacity for further business growth.

Umakanth, S., Homavazir, Z., Gupta, A., & Shrivastava, V. K. (2024) "Indirect Taxes and Small Businesses in the GST Framework, A Study of India's MSMEs.": This research examined activity with GST and its effects on MSMEs in India, then considered aspects of taxation efficiencies, compliance burdens and operations. It surveyed 400 MSMEs that were registered, then examined circumstances using partial least squares structural equation modeling (PLS-SEM) to ascertain the truer impact of GST. They found that GST improved efficiencies and transparency in business operations, but it also imposed more compliance costs and complexities. The research revealed an opportunity for technology advancements and public programming for tax awareness complementing the dynamic change and helping MSMEs to respond to for compliance with GST.

DATA ANALYSIS:

- MEAN RANK ANALYSIS**

Mean rank analysis of factors based on their impact on SSIs

Table

Factors	Mean rank	Actual rank
Compliance Burden (Filing process)	3.12	3
Tax Burden	3.20	4
Change in production cost & price	3.30	5
Competitive advantage/disadvantage in market	2.90	2
Effect on demand and sales	2.48	1

INTERPRETATION:

The mean rank analysis indicates the relative impact of various factors on Small Scale Industries (SSIs). "Effect on demand & sales" ranks the highest (mean rank: 2.48), indicating it has the most significant impact on SSIs. This is followed by "Competitive advantage/disadvantage in the market" (mean rank: 2.90). "Compliance burden (filing process)" and "Tax burden" have moderate impacts, with mean ranks of 3.12 and 3.20, respectively. "Change in production cost & price" has the least impact, with the highest mean rank of 3.30.

- ANOVA**

Relationship between difficulty in complying with GST regulations and number of years of operation of the enterprise.

Hypothesis

There is no significant difference between satisfaction towards difficulty in complying with GST regulations and number of years of operation.

ANOVA TEST

Variables	Group	Mean	SD	No	t-value	F-Value	Table Value	Sig
Number of Years of Operation	Less than 5 years	3.27	1.039	33	-	2.429	2.47	**
	5-10 years	3.06	1.013	34				
	11-20 years	3.05	1.244	21				
	21-30 years	2.18	.874	11				
	More than 30 years	2.00	.	1				

INTERPRETATION:

The ANOVA test examining difficulty in complying with GST regulations based on years of operation resulted in an F-value of 2.429 and a p-value of 0.045. Since the p-value is less than 0.05, we conclude that years of operation have a significant impact on GST compliance difficulty.

FINDINGS:

- MEAN RANK ANALYSIS:**

The highest rank is for Effect on Demand and Sales, with a mean score of 2.48.

- ANOVA:**

There is significant difference in satisfaction towards difficulty in complying with GST regulations and number of years of operation.

SUGGESTIONS :

There are simplifications required in policy to remove the GST compliance burden on Small Scale Industries (SSIs). Frequent, even daily changes in GST rates and slabs create doubt surrounding planning their production and subsequently pricing. A more stable and predictable tax structure would allow SSIs to make a more confident financial and operational decision. Furthermore, many small businesses do not have the technical setup and technical literacy to comply with GST in the first place. The Government should also, as a priority, either subsidize or offer free training programs and workshops for SSI owners and employees to help with the adoption of online return filing, input tax credit claims and digital invoicing.

CONCLUSION:

The survey provides a broad understanding of how SSIs perceive GST and the impact GST has on their business activity. The Simple Percentage Analysis: revealed that SSIs mainly engage in trading and service, have turnover in the ₹10lakh to ₹1 crore range, and are mostly located in urban and semi-urban areas. The Rank Analysis section has been critical in identifying that the most important Issues to SSIs regarding GST are the following: impact on demand and sales, market competitiveness, compliance burden and ease of understanding the new law. The ANOVA and t-test statistical techniques have indicated that the main business activity or type had a significant impact on GST satisfaction for SSIs. The number of years in business significantly influenced compliance difficulty for SSIs however, the other demographic variables turnover, number of employees, location, rate of GST and whether the SSI attended a GST workshop had no significant effect on the SSI GST satisfaction, compliance or impact on sales. The Chi-Square Analysis confirmed that of the demographic factors examined, business type is the only factor that had a significant effect on the SSI perception of GST and sales, while all the other demographic factors did not show significant findings or relationships.

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