

A Study of the Impact of Goods & Services Tax on ICT with respect to Retail Stores in Mumbai Region

Siddhi Shelar

Saharsh Bharadwaj

(Student)

M.L. Dahanukar College of Commerce

Vile Parle (E), Mumbai- 400057

Abstract

In a society which did not conventionally mind being a non – tax compliant one, people are realizing the virtues of compliance, keeping this thought NDA government launched Goods and Services Tax on 1st July 2016. It was one of the biggest tax reforms in the Indian history which had significant impact on business and consumers. Technology has affected the whole world. We are online, in one way or another, all day long. Today a lot of business transactions happen through internet and hence called e-commerce because of which it is difficult to think of any event in our daily life that is not using Information and Communication Technology. It facilitates marketing, customer visit, product browsing, shopping basket checkout, tax and shopping, receipt and process order. Both Central and State Governments are actively encouraging e-governance practices. Digital India initiative of Government of India is the best example. The objective of this paper is to study the impact of GST on Information Technology. The emphasis is on estimating the impact of GST on the IT structure of retail stores in Mumbai region. The study is based on primary as well as secondary data. This study will prove to be beneficial for research scholars, IT companies, academicians and economists. The Research will also help retail outlets in adapting to the requirements of the GST norms.

Keywords: GST, ICT, impact on retail stores, GST norms.

Introduction

“GST is transparent and fair system that prevents black money and corruption and promotes new governance culture” – Narendra Modi, Honorable Prime minister, India

Goods and Services Tax (GST) is a reform as per which the supply of goods and services will be taxed only once at a uniform tax rate. Due to increase in corruption and various scams our economy was lacking behind therefore, there was a need of a fair and a transparent taxation system which is easy to administer. The main reason behind implementing the GST was first, a reasonable taxation system and secondly, it should be non – discriminatory with respect to direct taxes so that more and more number of individuals and corporations become tax compliant which will aid the government for implementing various development initiative.

ICT means "Information and Communication Technologies". It is similar to Information Technology but majorly focusses on communication technologies which includes Internet, wireless networks, cell phones etc. In the recent past ICT has provided new communication capabilities to the society. Modern ICT has created a global village where people can communicate across the globe social networking websites like Facebook is a classic example which allow users to communicate and be in contact on a regular basis.

The GST is accompanied by number of other reforms to strengthen the manufacturing bone of India. The Goods and Services Tax Network (GSTN) is being set up with the objective of providing the requisite IT infrastructure for smooth roll – out of the new tax regime. It will significantly affect the way in which a business function. Taking about the consultancy services, they were governed by service tax law till July 1 2017 after which it will be governed by the new GST law. It is essential to undertake place of supply guidelines because if it happens within state Central GST (CGST) will be charged along with State GST (SGST). If the supply happens outside state Integrated GST (IGST) will be charged. This is a change from the existing manner of charging taxes. As per GST law, the service provider would be required to levy 3 types of taxes on the basis of location of the consumer.

Literature Review

Dani S (2016), studied the "Impact of Goods and Service Tax (GST) on Indian Economy" and concluded GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

Sankar (2017) in the research paper, "GST: Impact and Implications on various Industries in Indian Economy" concluded that when it comes to sectorial-wise classification, the GST system of indirect taxation on IT industry has made the duty on the manufacturing goods from 14% to 18-20%. As a result, the prices of the software products will be at high which will give either a neutral or slightly negative impact on the Technology Sector as a whole. But they will be benefited through the reduction of tax and benefits of other industries and can somewhat mitigate it. Shome (2017) in the research paper titled, "Goods and Services Tax (GST)" concluded that ICT framework - The shared IT network between the Centre and States is a good feature of GST. First, the Centre and States are sharing the same platform. Second, the public and private sectors are sharing the responsibility to deliver efficient processes. In the income tax area, a shared network already exists, for example at the Centralized Processing Centre (CPC) for income tax returns. These Programmes have performed well. The challenge in the case of GSTN Network (GSTN) is, of course, deeper since both the states and the Centre are involved and revenue intake has to be correctly released to all of them. Further, all the administrative procedures that are mentioned in this question have to be

successfully completed. Preparations have gone well because the government has observed and tested the private sector with an eagle eye.

Mansora, Mohameda, Linga, and Kasima (2015) in the research paper titled, "Information Technology Sophistication and Goods and Services Tax in Malaysia" concluded that although GST has been adopted by over 100 countries in the world, the scope of GST implementation greatly varies from one country to another. However, despite these differences, almost all countries have streamlined the IT aspects; IT use and IT management in smoothing the GST operation. In the context it is found that rules and regulations, budget provision and financial assistance, computerized system development, and vendor participation are strategies employed by the government in strengthening IT sophistication of businesses.

Objectives

- To study the impact of GST on Information Technology.
- Estimating the impact of GST on the IT structure of retail stores in Mumbai region

Research Methodology

This paper is based on primary data, to Estimating the impact of GST on the IT structure of retail stores, in which a survey was conducted in the form of questionnaire the analysis of which is presented in the paper. Since the subject is new and nascent, secondary data is also used and the information is collected from Research Papers, Journals, Articles, magazines and various websites and presented in various forms for clear understanding of the subject matter.

Limitation of the study

The study was confined to Mumbai Suburban region and restricted to retail stores. Since, it is a micro level subject sufficient secondary data was not available for research.

Hypotheses

a) H_0 - GST implementation has affected the IT structure of Retail stores in Mumbai

H_1 - GST implementation has not affected the IT structure of Retail stores in Mumbai

b) H_0 - According to retailers, GST being in the digitized format, has made tax payments system more transparent.

H_1 - According to retailers, GST being in the digitized format, has not made tax payments system more transparent.

Impact of GST on Information Technology

The proposed Goods and Service Tax (GST) law will impact on companies in the fields of Information Technology (IT). Before, the implementation of Goods and Service Tax (GST) there was VAT and Service Tax applicable on various goods and services which was complicated to understand due to multiple taxes, tax cascading effect and compliances to follow. But after the implementation of GST the tax payment system has significantly affected the manner in which businesses operate in the IT sector.

Implementation of GST has also changed the methods/manners of the IT businesses in maintaining the records than the previous ways of maintaining records of all the business transactions. After the GST tax regime, the IT businesses have undergone many technological changes, taxation system w.r.t to the current GST tax which will help the businesses to grow in near years to compete in the growing economy. GST would also help the businesses to maintain a fair taxation and accounting system keeping in mind the Input & Output Tax Credit system.

Data Analysis and Interpretation

Analysis particularly in case of surveys involves estimating the values of unknown parameters of the population and testing of hypothesis for drawing inferences.

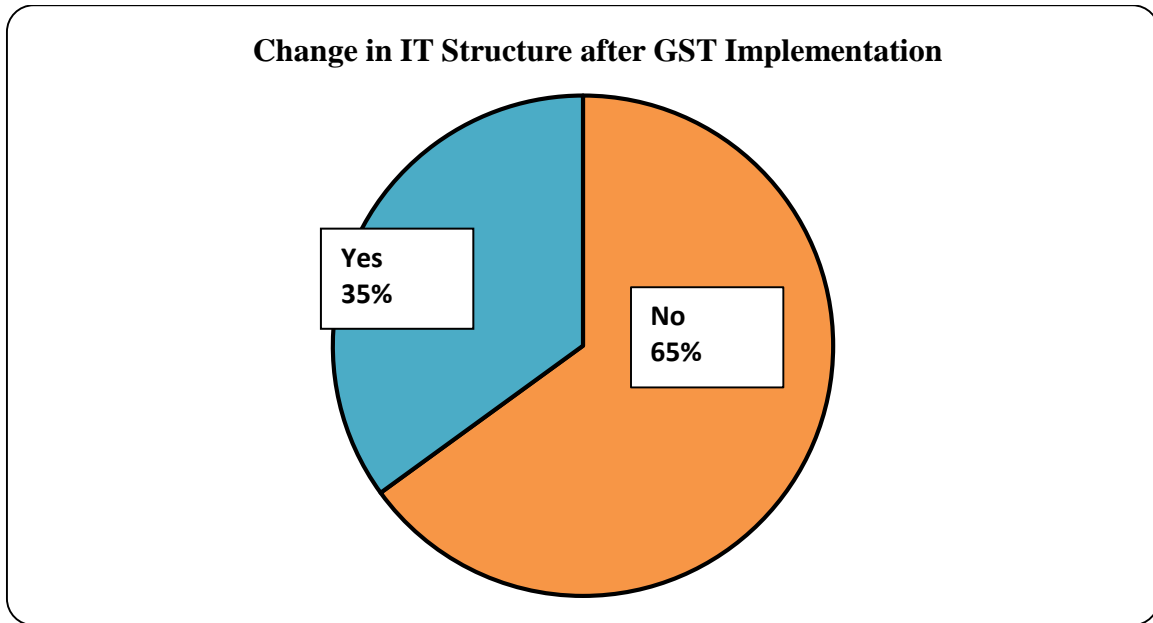
Sample Profile

The samples were collected through random sampling method. For this study, various retail outlets in Mumbai region have been approached for the collection of data. This data was further used for drawing findings and conclusions based on the objectives and hypothesis of the study.

Data Interpretation

To estimate the impact of GST on the IT structure of retail stores, the respondents were given a questionnaire. Following is the analysis of the results which is presented in the form of charts and diagrams with description:

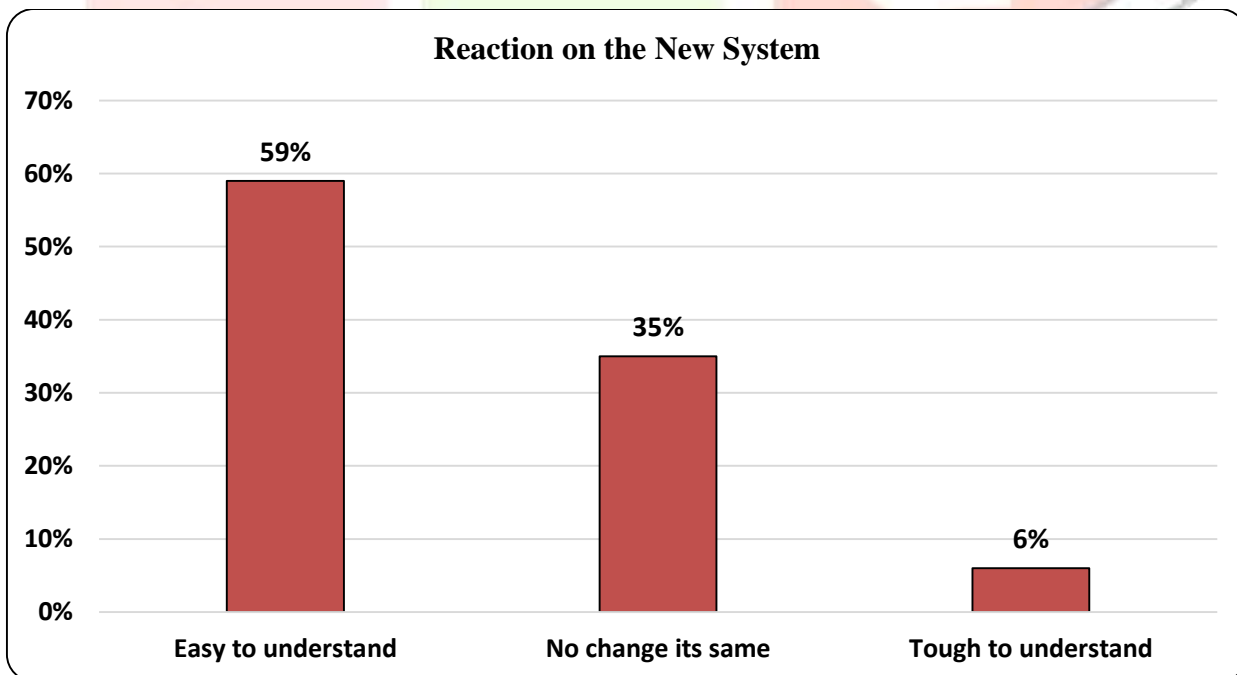
Figure 1



Source: Primary Data

There are various software which is used by retail outlets for the generation of bills such as Tally, SAP, Oracle, Planogramming etc. So the respondents were asked that were there any structural changes that were made to the previously used software, to which 65% (Fig. 1) responded that there were no change in their software whereas on the other side 35% (Fig. 1) of them said that they have to undergo some changes.

Figure 2

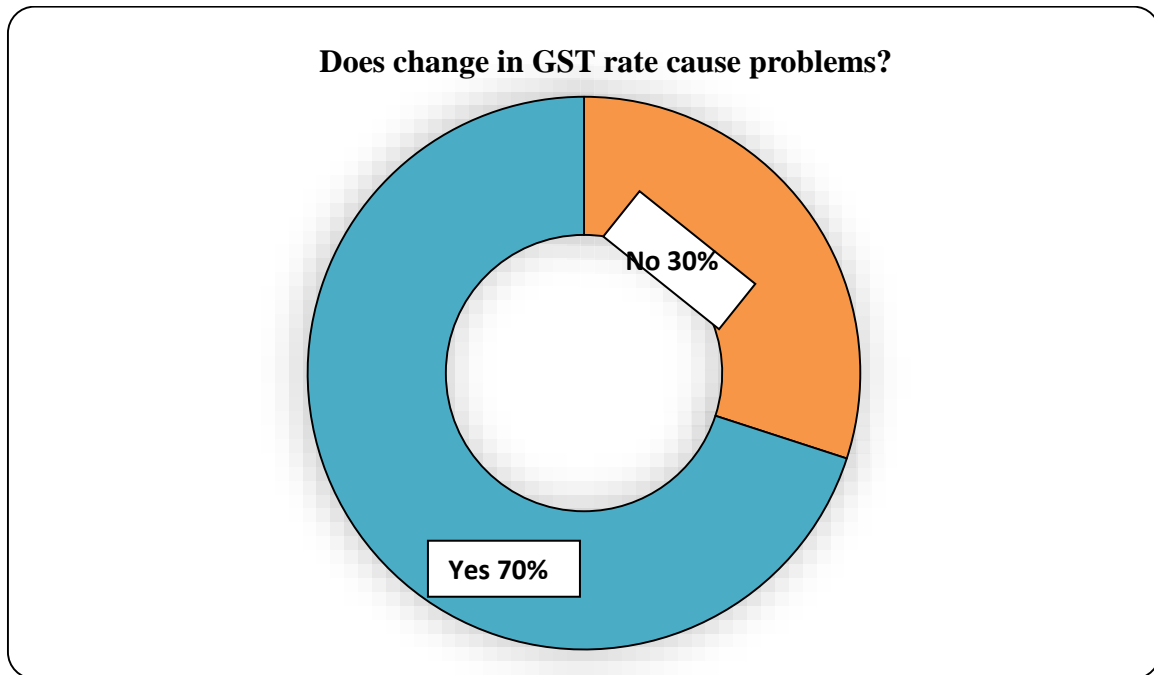


Source: Primary Data

Figure 2 depicts the result of the second question asked to the respondents to check their understanding and reaction on the new software of GST. 59% of the respondents said that the new system is quite easy to understand, 35% felt no change it is same as service tax and VAT, but 6% found it difficult to understand

and adapt to the new system.

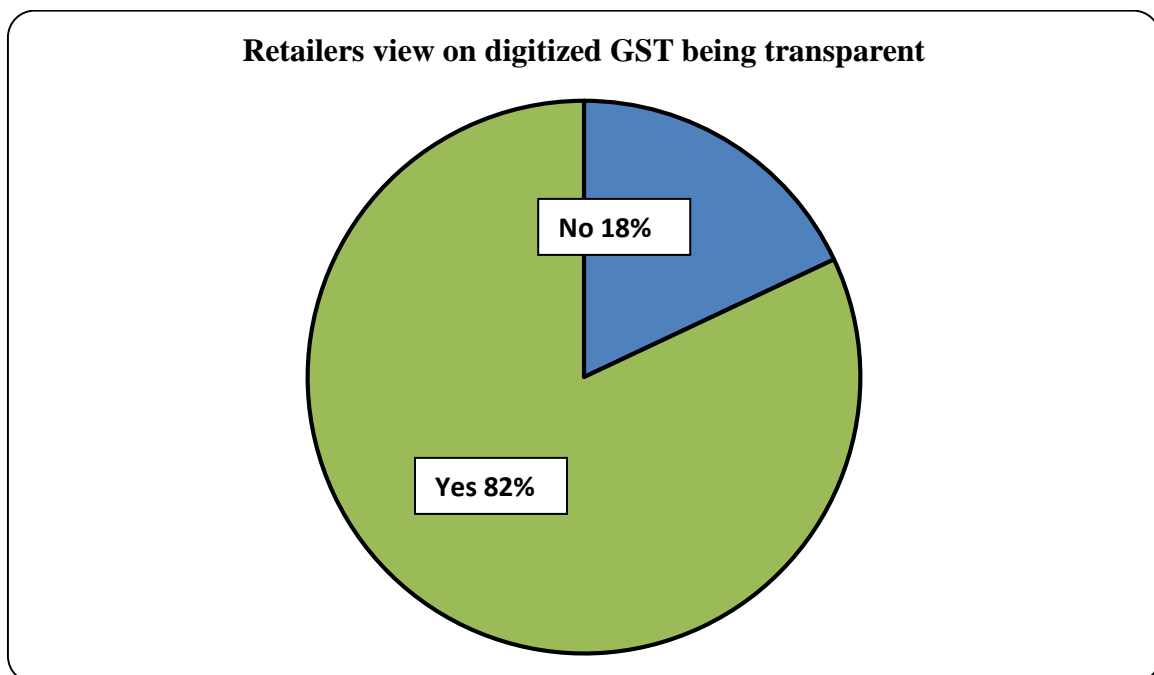
Figure 3



Source: Primary Data

After the implementation of GST, the finance ministry had changed rates many times, so the retailers were asked that do they faced problems, 30% of the respondents faced no problem with the change in rates, whereas 70% respondents had to face problems while updating the software. From the study, it was also concluded that these outlets were having a separate department for updating the rates, so only one server was needed to be updated.

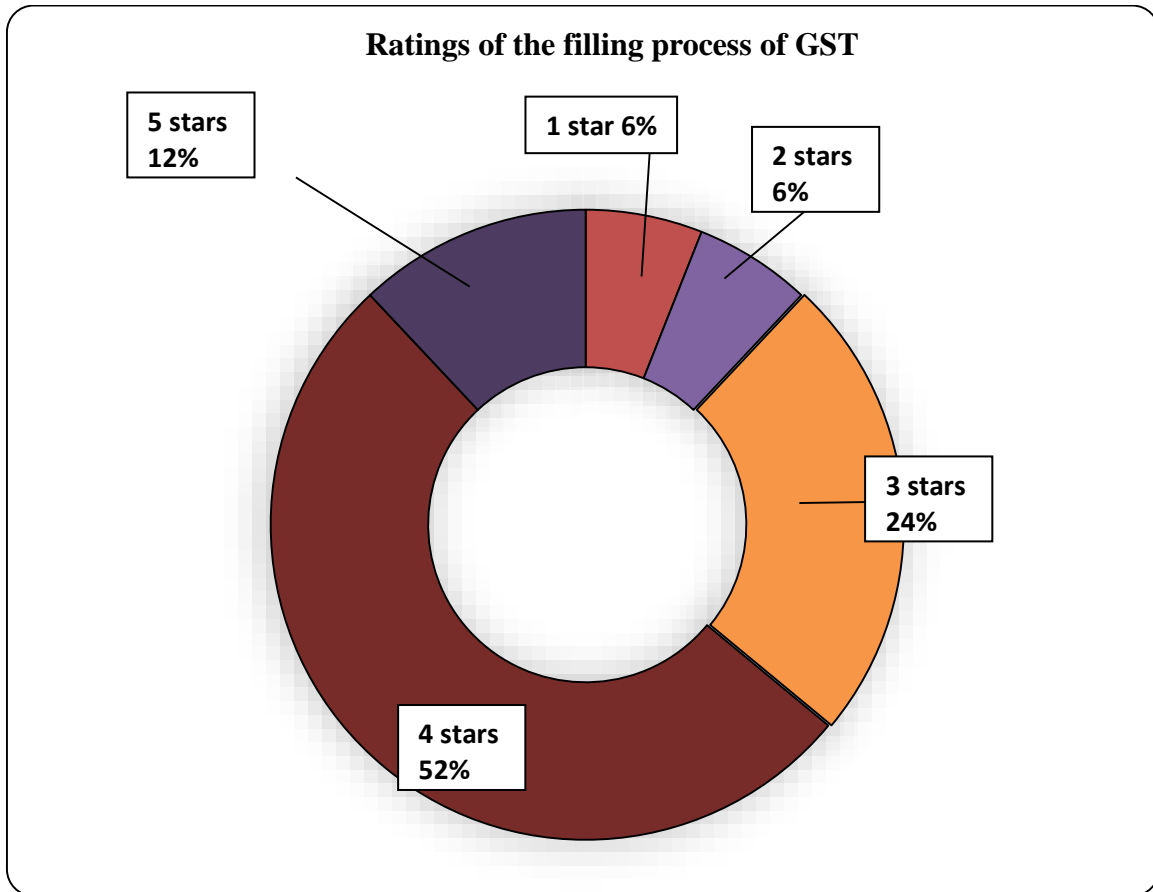
Figure 4



Source: Primary Data

The Modi Government’s focus on Digital India led to Introduction of GST in digitized format, so during the study, the retailers views regarding the transparency of Digitized GST was taken into consideration and it was found that 82%(Fig. 3) of the respondents retailers were of the view that this digitized GST has made Indirect tax payments systems more transparent, whereas 18% (Fig.3)felt that it has not brought any transparency.

Figure 5



Source: Primary Data

At last, the retailers were asked to rate the filling process of GST from 1 to 5, 52% of them rated 4 stars, 24% rated 3 stars, 12% rated 5 stars and 6% rated 1 and 2 stars respectively.

Hypothesis Testing

- H₀- GST implementation has affected the IT structure of Retail stores in Mumbai.
- H₁ - GST implementation has not affected the IT structure of Retail stores in Mumbai.

From the data analyzed it was found that GST implementation has affected the IT structure of the retail stores in Mumbai therefore, the alternative hypothesis gets rejected and the null hypothesis gets accepted i.e.GST implementation has affected the IT structure of Retail stores in Mumbai.

- H₀- According to retailers, GST being in the digitized format, has made tax payments system more

transparent.

- H_1 - According to retailers, GST being in the digitized format, has not made tax payments system more transparent.

From Figure 3 above it was found that according to retailers digitized GST has made the tax payments system more transparent. Therefore the alternative hypothesis gets rejected and the null hypothesis gets accepted i.e. According to retailers, GST being in the digitized format, has made tax payments system more transparent.

Conclusion

After the study it can be concluded that GST implementation has affected the IT structure of the retail stores in Mumbai. Also, retail outlets were of the view that during the initial phase they were facing problems majorly with the customers as well as adjusting to the new software changes. Customers were getting confused with the changes in the rate and these stores were finding it difficult to make consumers understand that they are not charged twice, but with the span of time this problem was solved as they started including the GST in their MRP itself and showing the breakdown of GST in the bills separately. The study also found that according to retailers, digitized GST has made the tax payments system more transparent, and that was the reason the complete filling process of GST was rated 4 stars by 52% of the respondents which is quite commendable.

References:

1. Dani (2017), "Impact of Goods and Services Tax on Indian Economy". <https://www.omicsonline.org/open-access/a-research-paper-on-an-impact-of-goods-and-service-tax-gst-on-indianeconomy-2151-6219-1000264.php?aid=82626>
2. Sankar (2017), "GST: Impact and Implications on various Industries in Indian Economy". <http://www.icommercentral.com/open-access/gst-impact-and-implications-on-various-industries-in-indian-economy.pdf>
3. Shome (2017), "Goods and Services Tax (GST)". http://www.mids.ac.in/WP_227.pdf
4. Mansora, Mohameda, Linga, and Kasima (2015) "Information Technology Sophistication and Goods and Services Tax in Malaysia". https://ac.els-cdn.com/S2212567116000034/1-s2.0-S2212567116000034-main.pdf?tid=aae8dcb2-0110-11e8-9bcd-0000aacb35f&acdnat=1516803353_9e98b91331b2fce82c731df39b5e0d53
5. http://www.riemysore.ac.in/ict/unit_1_information_and_communication_technology.html
6. <https://techterms.com/definition/ict>
7. <http://indianexpress.com/article/india/goods-and-services-tax-rollout-narendra-modi-arun-jaitley->

[pranab-mukherjee-parliament-4729802/](#)

8. <https://www.lawctopus.com/gst-essay/>

9. <https://quickbooks.intuit.com/in/resources/gst-center/gst-impact-information-technology/>

