

Goods and Service Tax: Impact on Traders

¹H.R. Manjunatha, ²Girish H.T

¹Assistant Professor, ²Principal
Department of Commerce
Akshara Institute of Management Studies
Savalanga Road, Shivamogga, Karnataka, India

Abstract: The present study explores the Impact of Goods and Service Taxes on Traders. Tax policies play a vital role in the economy through their impact on both efficiencies, equity. An advanced tax system should keep in view issues of income distribution Endeavour to generate tax revenues for the government expenditure on public services and infrastructure development. Cascading tax revenues have differential impacts on firms in the economy with the relatively high burden on those not getting full offsets. The Goods and Service Tax replace the state Value added tax, service tax and Central Excise, and other indirect taxes will be a single, broad-based, comprehensive tax levied on goods and services. GST is based on an end user taxation system, where tax is levied on final consumption. It is expected to reduce compliance costs, broaden the tax base, foster a common market across the country and promote exports. The GST demands a well-designed and robust Income Tax system for realising its potential in reforming the indirect tax system in India. The income tax system of GST would be a unique system. Which will integrate the central and state tax administration, one country and one tax system which makes a drastic change in the country and even on the Traders people. It removes several roadblocks like cascading, double taxation and complexity.

Keywords: Goods and service Tax, Information Technology, country, Traders.

1. Introduction

In the current system, there exist multiple taxes i.e. Excise, VAT, CST, Entry Tax have the cascading effect of taxes. Therefore, we end up in paying tax on tax. Current taxes will be replaced by GST; the introduction of GST is expected to rationalise it. Several areas of services are untaxed. Once the GST is introduced, they will get covered as well. The GST aid in the development of a common national market and will aid in avoiding distortions caused by the comprehensive and complex tax structure which is in existence today. Credit will be available on interstate purchases, and there will be a reduction in compliance requirements because of GST.

GST will aid in avoiding the adverse phenomenon of double taxation to some extent. The implementation of GST shall ensure that India provides a tax regime that is almost comparable to the rest of industrialized world. Introducing GST will do much more than just allocating the tax burden from one sector or group in the economy to another. GST would aid in providing unbiased tax structure that is neutral to business processes and geographical location.

GST will help in achieving, uniformity of taxes across the territory, despite place of manufacture or distribution. International cost competitiveness of domestic Goods and Services are ensured. It will provide greater attention and transparency of taxes as well as ensure tax compliance across the country with precise accuracy. If the GST is implemented in the true spirit, it will have many positives for the stakeholders and will lead to a better tax environment.

Comparison table between current Tax Regime and GST regime

Under current Tax Regime

PARTICULARS	Dealer A	Dealer B	Dealer C	Dealer D	TOTAL
Selling price	5000	7000	9000	13000	
Excise Duty @ 12.5%	625	NA	NA	NA	
CST @ 2%	112.5	NA	180	NA	
VAT @ 5.5%	NA	385	NA	715	
SELLING PRICE Including Tax	5737.5	7835	9000	13715	
Credit availability	0	0	385	0	
TOTAL TAX PAID	737.5	385	0	715	1837.5

PARTICULARS	Dealer A	Dealer B	Dealer C	Dealer D	TOTAL
SELLING PRICE	5000	7000	9000	13000	
GST @ 12%	600	840	1080	1560	
SELLING PRICE Including Tax	5600	7840	10080	14560	
Credit availability	0	600	840	1080	
TOTAL TAX PAID	600	240	240	480	1560

Under GST Regime

Now if you notices in above example, there is a cascading effect of tax right after the manufacturing Wherein GST is levied on an amount inclusive of Excise Duty. Further, all subsequent levies include some amount of tax. Thus effective rate of tax under current regime turns out to be 14.5%, while under GST it will be 12% and illustrate figure.

Review of Literature

AgogoMawuli [2014] studied that, the main impacts and emphasises the adverse impacts on disadvantaged payers. It puts forward suggestions for reforming the GST and minimising the significant negative impacts. Low-income countries are not suitable for GST system, and the poor countries may don't have a growth by this GST system. If these countries still want to implement the GST for growth, then the rates of GST should be lesser than 10%.

Akankshakurana and AasthaSharma[2016] deliberated that, the GST is the biggest and substantial indirect tax reforms since 1947. The main aim of GST is to change present taxes like a value-added tax, excise duty, service tax and sales tax. Goods and service tax is expected to identify the cascading effect of the existing tax structure and result in uniting the country economically. It will provide relief to producers and consumers by providing wide coverage of input tax credit set-off, sales set-off, and subsume the several taxes. Effective information of GST will lead to resource and revenue gain for both central and state government. It will be charged on the utilization of goods and services and manufacturing sale. The GST has a favourable impact on various sectors and industry.

PankajKumar[2016] examined that, Finance Minister ArunJaitley has been ratified that India will implement GST from 1st April 2016. It can be seen as escaping needless complications in taxes and elucidation of taxes in the country. It is found that GST will be a turning point in the development of taxation in India. From the management and analysis point of view, the GST system is more advantage for the government as well as a stake holder. CGST must have the authority to collecting tax and SGST should be given the power to take the decision regarding tax rate. Any changes in the tax rate should be decided through democratic consent so that there are minimum chances of political interference and concluded that delaying in implementation has a negative impact on the economy only, so it should be implementation as soon as possible.

Unni Krishnan and Jeanette Rodrigues[2016] concluded that the GST would go a long way towards fulfilling Prime Minister of Indiamodi's pledge to make it easier to do business in the world's seventh-largest economy. The single tax [GST] will help encouraging revenue in public infrastructure, including schools and roads. The government is seeking to implement the tax in the fiscal year beginning April 1, 2017, but many information still needs to be worked out. Here some questions businesses may have about the new levy, What's so good about a new tax?, What gets taxed, and at what rate?

OBJECTIVES OF THE STUDY:

1. To evaluate the progress of GST in India.
2. To elicit the opinion of Traders regarding GST.
3. To study the effectiveness of GST on Traders.

SCOPE OF THE STUDY:

The study was conducted to analyse the efficiency of GST and how the traders perceive it too. Know the concept of GST and the working mechanism. It covered the opinions of traders. This study was conducted about the district of Shivamogga which includes Shivamogga city only.

FRAMING OF HYPOTHESIS:

H1: Traders perception on GST is favourable.

H2: GST is a prosperous tax system for traders.

METHODOLOGY:

The sampling frame includes all the business traders or business taxpayers who are running their business in respect of the 2017 financial year. The selection of samples was based on business size categories like small entities, medium entities. And samples were selected for the purpose of the analysis of this study. However, I have taken 75 samples from Shivamogga city using the Convenience sampling technique for selection of units from the total population.

SOURCE OF DATA:

The required data for the present study are obtained from Primary data and Secondary data. The primary data is collected through the structured questionnaire given to the respondents, and secondary data has been collected from the various published websites, journals, Newspapers and textbooks for the purpose of the analysis.

LIMITATIONS OF THE STUDY:

1. The samples and the data collection restricted to Shivamogga city only.
2. The result of the study is fully based on the (response) perception of the respondents.
3. The data is collected only from the small retailers, but not from the other people.
4. Data has only been collected in Shivamogga city. The retailers in other districts of Karnataka have not been covered.

DATA ANALYSIS AND INTERPRETATION:

GST rate is favourable i.e. 16% to 28% * Awareness of GST Cross tabulation

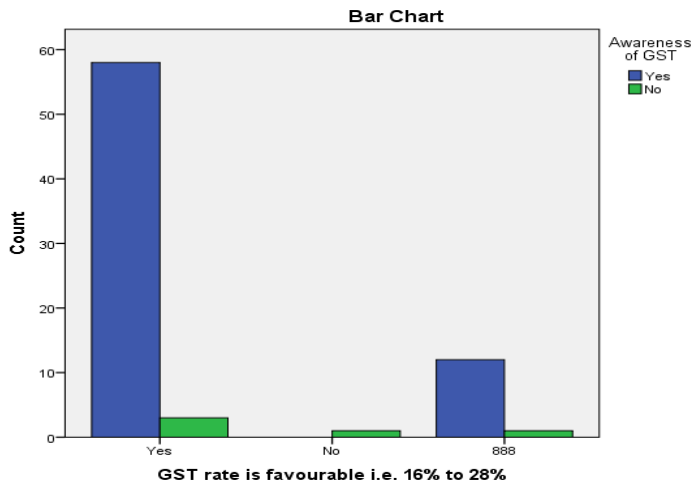
		Awareness of GST		Total
		Yes	No	
GST rate is favourable i.e. 16% to 28%	Yes	58	3	61
	No	0	1	1
	888	12	1	13
Total		70	5	75

(Source: Primary data)

Hp1: Traders perception on GST is favourable**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.322 ^a	2	.001
Likelihood Ratio	5.765	2	.056
Linear-by-Linear Association	.027	1	.870
N of Valid Cases	75		

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .07.

GST rate is favourable i.e. 16% to 28% * Awareness of GST Cross tabulation

The above table is showing the cross tabulation in between GST rate and awareness of GST among respondents. In this cross tabulation, it is clear that out of 75 respondents 70 respondents have aware of GST, and remaining 5 respondents have not aware of GST. Here, out of 70 aware respondents, 58 respondents have believed that the GST rate is favourable but remaining 12 respondents have not commented about the GST rate. And out of 5 unaware respondents, 3 respondents are favourable for GST rates, but remaining 2 are not favorable for GST rates.

Inference: From the above study it is understandable that, most of the respondents were aware of GST and along with that most of the aware and unaware respondents have opined the GST has favourable rates. This cross tabulation in between awareness of GST among respondents and GST rates has been tested by using chi-square test, and it is high significantly proved that the H_{p1} i.e. "Traders perception on GST is favourable".

GST is simple, transparent and easy * Supporting GST Cross tabulation

		Supporting implementation of GST		Total
		Yes	No	
GST is simple, transparent and easy	Disagree	15	3	18
	Agree	45	0	45
	Strongly agree	12	0	12
Total		72	3	75

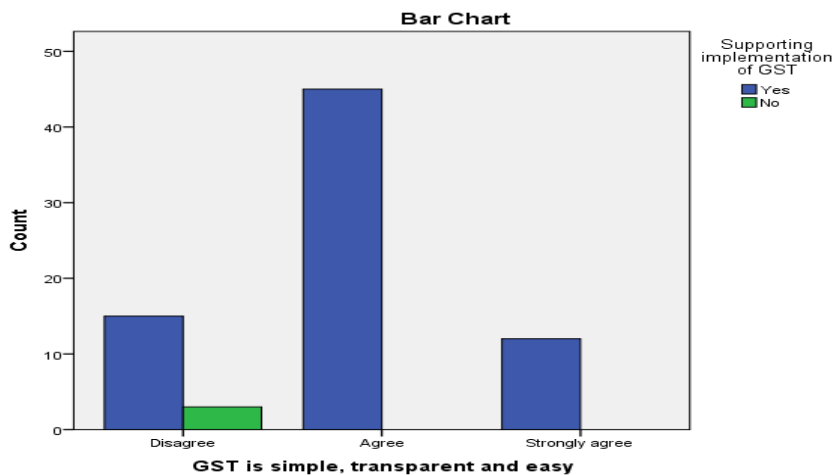
(Source: Primary data)

H_{p1}: Traders perception on GST is favourable**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.896 ^a	2	.007
Likelihood Ratio	8.971	2	.011
Linear-by-Linear Association	6.630	1	.010
N of Valid Cases	75		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .48.

GST is simple, transparent and easy * Supporting GST Cross tabulation



The above table showing the cross tabulation in between GST is simple, transparent and easy and supporting the implementation of GST. Here, 72 respondents were supporting the GST out of 75 respondents and remaining 3 negative wish towards GST. The 62 respondent have opined by merging all levies on goods and services into one GST will be a transparent, simple and easy tax structure but remaining 3 respondents have not agreed with this.

Inference: From the above cross tabulation it is clear that by merging all levies on goods and services into one GST will be simple, transparent and easy tax structure. Because of easy, transparent tax system, most of the respondents are supporting GST. And this has been significantly proved the H_0 i.e. "Traders perception on GST is favourable" through cross tabulation by using chi-square test.

More beneficial to the traders * Supporting of GST Cross tabulation

		Supporting of GST		Total
		Yes	No	
More beneficial to the traders	GST	61	0	61
	VAT	11	3	14
Total		72	3	75

(Source: Primary data)

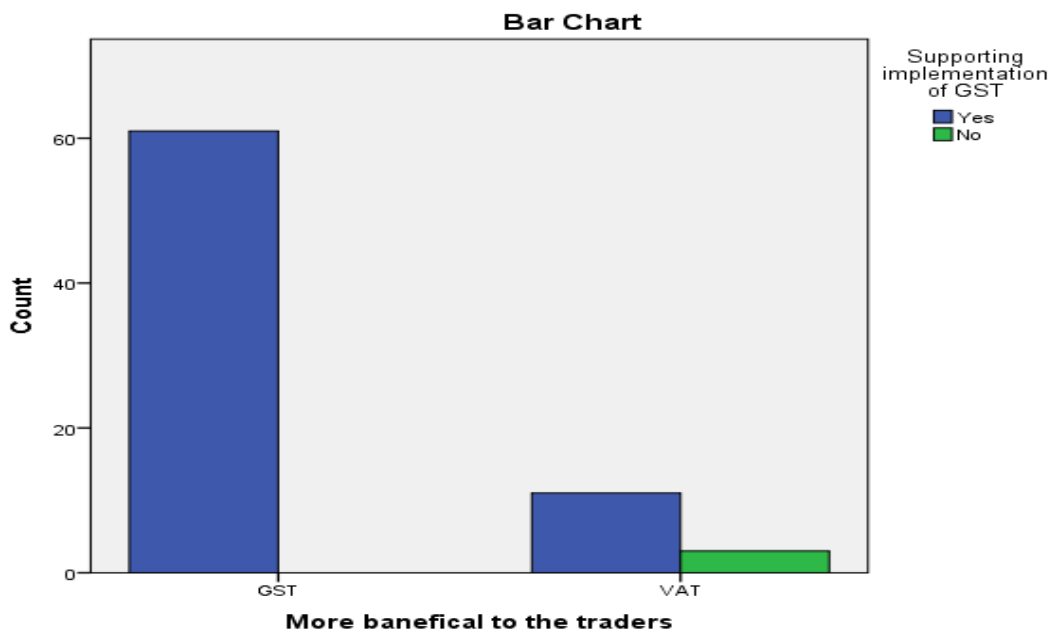
H_0 : Traders perception on GST is favourable

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	13.616 ^a	1	.000		
Continuity Correction	8.607	1	.003		
Likelihood Ratio	10.643	1	.001		
Fisher's Exact Test				.005	.005
Linear-by-Linear Association	13.435	1	.000		
N of Valid Cases	75				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .56.

b. Computed only for a 2x2 table

More beneficial to the traders * Supporting of GST Cross tabulation

The above table is showing the cross tabulation between supporting GST and more beneficial tax system to the traders. Here out of 75 respondents, 72 respondents were supporting the of GST and remaining 3 respondents were not supporting the GST. 65 supporting respondents have opined that the GST tax system is more beneficial to the traders when compared with the VAT system but remaining 11 supporting respondents believed that the GST is more beneficial system than VAT.

Inference: From the above cross tabulation it is clear that most of the respondents are supporting GST and along with that most of the respondents have assumed that the GST is more beneficial tax system when compared with the VAT tax system. And this cross tabulation has proved the Hp1 i.e. Traders perception on GST is favourable through chi-square test.

More beneficial to the traders * Awareness of GST Cross tabulation

		Awareness of GST		Total
		Yes	No	
More beneficial to the traders	GST	60	1	61
	VAT	10	4	14
Total		70	5	75

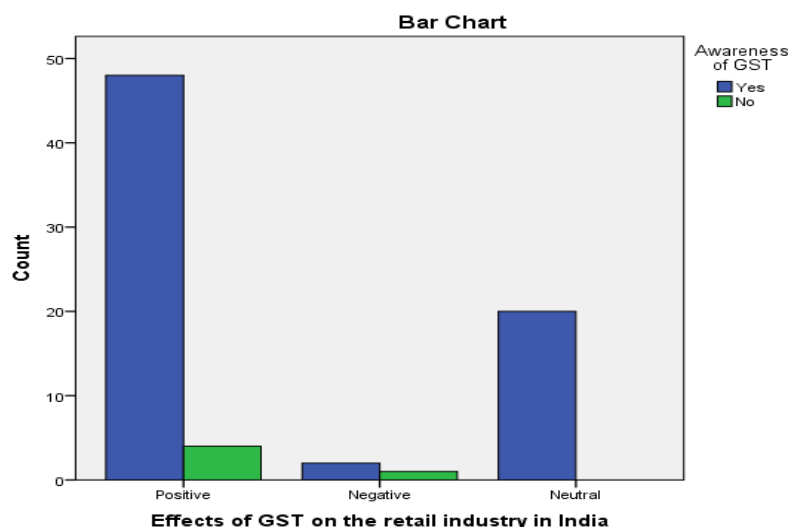
(Source: Primary data)

Hp2: GST impact on prosperous tax system for traders**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	13.274 ^a	1	.000		
Continuity Correction	9.298	1	.002		
Likelihood Ratio	9.783	1	.002		
Fisher's Exact Test				.004	.004
Linear-by-Linear Association	13.097	1	.000		
N of Valid Cases	75				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is .93.

b. Computed only for a 2x2 table

More beneficial to the traders * Awareness of GST Cross tabulation

The above table is showing the cross tabulation in between awareness of GST and more beneficial tax system. In this cross tabulation it is clear that, out of 75 respondents 70 respondents have aware of GST, and remaining 5 respondents have not aware of GST. Here, out of 70 aware respondents, 60 respondents have believed that the GST tax system is more beneficial when compared to the VAT tax system but remaining 10 respondents have declared that GST is not beneficial when compare with the VAT tax system. And out of 5 unaware respondents, 4 respondents have not believed that the GST is more beneficial but remaining 1 respondents were believed as the GST tax system will be more beneficial when compare with the current tax system.

Inference: From the above analysis it is clear that most of the respondents were aware of GST and along with that on the whole of aware and unaware respondents have opined the GST is more beneficial than the current tax system (VAT). This cross tabulation in between awareness of GST among respondents and more beneficial tax system has been tested by using chi-square test. And this cross tabulation has been proved the H_{p2} i.e. "GST impact on prosperous tax system for traders" as highly significant through this test.

Rating will be given for GST from 1 to 10 * Supporting GST Cross tabulation

		Supporting GST		Total
		Yes	No	
Rating will be given for GST from 1 to 10	4	0	1	1
	5	7	1	8
	6	11	1	12
	7	21	0	21
	8	4	0	4
	8	23	0	23
	9	6	0	6
	Total	72	3	75

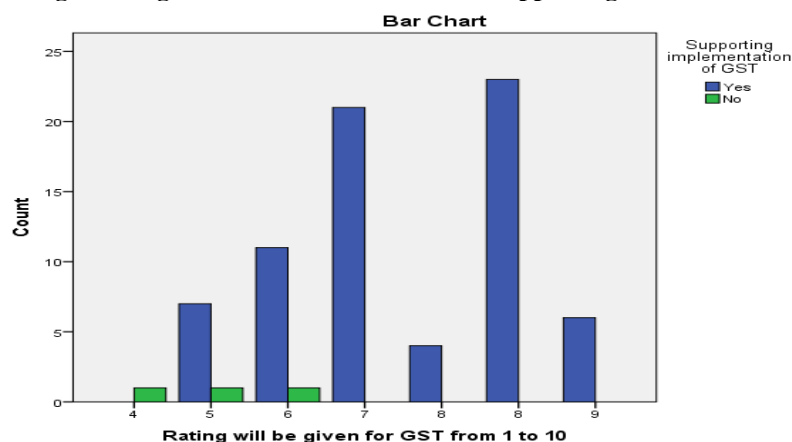
(Source: Primary data)

Hp2: GST impact on prosperous tax system for tradersbChi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.342 ^a	6	.000
Likelihood Ratio	12.279	6	.056
Linear-by-Linear Association	9.953	1	.002
N of Valid Cases	75		

a. 9 cells (64.3%) have expected count less than 5. The minimum expected count is .04.

Rating will be given for GST from 1 to 10 * Supporting GST Cross tabulation



The above table is showing the cross tabulation in between rating given by the respondents and supporting GST by respondents. Out of 75 respondents, 72 respondents were supporting GST but the remaining 3 respondents are not supporting GST. Here most of the respondents have given 7th and 8th rank for GST but the respondents those who are not supporting the GST have given the ranks from 4th to 6th.

Inference: From the above analysis it is highly significantly proved the H_0 i.e. "GST impact on prosperous tax system for traders" because out of 10, most of the respondents have given 7th and 8th ranks and this has been tested with a cross tabulation by using chi-square test.

FINDINGS:

- Most of the retailers are aware of Goods and Services Tax.
- Goods and Service Tax is more beneficial tax system when compare with the current tax system, because of this reason many of the retailers are supporting GST in India.
- The tax rates under Goods and Service Tax, i.e., 16% to 28% is encouraging by the traders.
- Goods and Service Tax have got the highest rank by the traders who are supporting GST.
- Most of the Traders perceive positively in the exertion of Good and Service Tax.
- Most of them are not aware of threshold exemption limit under GST.
- Only the reason for beneficial tax system of GST are not affected on traders, but there are some other reasons which affect the perception of traders, like
 - Simple
 - Transparent
 - Easy and
 - Merging all levies on goods and services into one.

SUGGESTIONS:

- Least number of retailers is still not yet aware of GST. Therefore, it is suggested that government should take some remedial measures to bring awareness to retailers.
- It is suggested that the government should concentrate on tax rates under GST which will be more favourable to the taxpayers.
- It is advised that GST needs to be much more clear and easy while merging all goods and services into one GST.
- It is advised that the knowledge about threshold exemption limit need to be brought among retailers because many of them have not commented on threshold exemption limit which means that they are not aware of threshold exemption.

CONCLUSION:

Goods and Service tax system are more beneficial for the retailers. GST also improves the India's economy in the long run, and it will be also helpful in tax burden. GST will have a positive effect on the retail industry in India and also it will results in an increase the revenue for both central and state government. GST will provide relief to retailers by subsuming the several indirect taxes in India. It minimises the cost of goods and services to some extent and creates a supportive environment to the taxpayers. All this is true if GST tax system is made happened in an ideal manner with one single rate and covers all goods and services with the minimum exemption.

The GST is directly or indirectly adds wealth to the retailers. The introduction of Goods and Service tax will certainly change the system of governance in our country in which states also have the right to collect taxes on goods.

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