

## Repercussion of GST on Entrepreneurs and Small Venders

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### Introduction

Goods and service tax is an indirect tax imposed on most goods and services, its objective is to eliminate taxes levied separately on goods and services and to consolidate under a single domain for both goods and services. It's a Value Added Tax payable at the final point of consumption. The Goods and Services Tax is a considerable step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumer's perspective, the greatest advantage would be in terms of shortage in the gross tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy. The government proposes to introduce GST with effect from 1st July 2017. GST will combine Central excise, Additional excise, Service tax, State VAT and entrainment tax all under one banner.

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**Table 1: Rates of GST**

Country	Rate of GST
Australia	10 %
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
Sweden	25%
New Zealand	15%

In India the government proposed the highest GST rate at 27% which is well above the global average of 16.4% for similar taxes. At present, 10% is levied on services and the indirect tax on most goods is around 20%. Items such as alcohol, tobacco, petroleum products are not included under GST.

**Table 2: GST Replaced Most Indirect Taxes**

Central Taxes	State Taxes
Central Excise Duty [including additional excise duties, excise duty under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955]	Value Added Tax
Service tax	Octroi and Entry Tax
Additional Customs Duty (CVD)	Purchase Tax
Special Additional Duty of Customs (SAD)	Luxury Tax
Central surcharges and cesses	Taxes on lottery, betting & gambling
	State cesses and surcharges
	Entertainment tax (other than the tax levied by the local bodies)

Source: [icaitv.com/live/cpe070813/GSTinIndia.pptx](http://icaitv.com/live/cpe070813/GSTinIndia.pptx)

### Review of Literature

**Desai Rajesh R. et al (2015)** considering both the aspects of fiscal federalism as well as State revenue implications, a single rate is not feasible in the country of India. There are vertical inequalities of State Governments relative to the Central Government and horizontal inequality among State Governments in India, a single rate of GST is highly complicated to implement in the absence of compensation for States in India. Finally, it is said that government have both the side of the coin like opportunity and challenge. But, it is not easy for the government to take opportunities, without facing challenges.

**Poonam (2015)** The taxation of goods and services in India has, higher to been characterized as a cascading tax or production resulting in mis-allocation of resources and lower productivity and economic growth it also inhibits voluntary compliance it is well recognized that this problem can be effectively addressed by shifting the tax burden from production and trade to final consumption.

**Ravidarshini CMA. Et al (2015)** paper aims at studying the inclusion of Petroleum under GST Bill in India. The paper begins with introduction and tries to highlight the objectives of the study. After a brief introduction on GST there will be a study on analysis of GST rates on petroleum product of the two countries, Australia and Canada. The third section broaches as to why GST should be levied on petroleum in India. Section four concludes the paper with a short summary. The secondary data collected is from year 2000 and the outcome of the paper is to include Petroleum in GST bill. The paper focuses on scholarly articles and current research so as to keep theory as close as possible to reality.

**Mukhopabhyay, (2015)** How GST will benefit manufactures and traders' GST will benefit the manufactures the most as they will have no entry tax, there will have a common market and central excise tariff will disappear. The abolition of entry tax will be a great boon for the movement of goods transport, giving relief to input duty will be more comprehensive when GST is implemented this is termed as zero rating. The GST regime will make it one uniform tax which will make rate of duties same all over India.

**Rumani Saikia Phukan, (2015)**, what is GST: How will in change India GST would no doubt do well for the economy in various ways one of the major ones being a reduction of the tax burdens for manufactures and various other sectors in the economy. GST will help build a corruption free tax administration and will avoid many hidden tax issues. Tax will be levied and collected once and for all rather than at different points of manufacturing to consumption, consumers will see a fall in prices and lower prices will mean more consumption and more production.

### **Statement of Problem**

The introduction of a new regime into the tax structure of the Indian subcontinent has a huge impact on the small entrepreneurs and small traders who are a major part of the society of this developing country. This research paper studies the impact of such a change on the small entrepreneurs and small traders of India. The inception of this reform, its benefits and a brief comparison of its advantage over the indirect tax structure helps in understanding the impact it has on small entrepreneurs.

### **Why GST?**

- Uniformity, the main aim of GST is to eliminate all other indirect taxes and to bring it under a single, unified market that will benefit both corporate and the economy.
- GST will be paid at the final point of consumption and not at every stage; this will promote a stronger economy and will bring about a common national market.
- If GST were to be implemented it can alter the tax administration

- GST is expected to increase economic growth between 0.9 to 1.7 per cent
- GST will reduce production costs hence making exporters more competitive.

### **Scope of the Study**

This study is restricted to the impact of GST on small entrepreneurs and does not take into consideration the other industries of the economy and its impact on their economic enforcement.

### **Objectives of the Study**

- To study the benefits of GST to small traders and entrepreneurs.
- To identify the governments initiative towards bringing harmony.
- To study the impact GST on medium and small trader and entrepreneurs.

### **Research Design of Present Study**

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose. The following three methods will be adopted in the context of research design- the survey of concerning literature and statement, experiencing and framing of literature, analysis of the collection data.

- **Collection of Data**

The study based on both primary and secondary data. The primary data collected through a structured questionnaire and by holding interview with various categories of convenience sample respondents. The secondary data collected from the published records of online companies, journals, books etc.

- **Tools of Analysis**

The collected data recorded, analyzed and interpreted in the significant manner with the help of excel sheet one sample t-test.

- **Sample Size**

For the purpose of study Udaipur district has selected. Total of 100 respondents were covered by the study but only 91 respondents have attempted all the statements and hence, the analysis was confined to these respondents only.

- **Period of Study**

April to June 2018 has selected and for analyzing each statement, the opinion of the trader have been elicited on Likert five point scales ranging from Strongly Agree-5, Agree-4, No Opinion-3, Disagree-2, and Strongly Disagree-1.

### **Data Analysis and Interpretation**

GST would be one of the most significant fiscal reforms of independent India. GST will result in major rationalization and simplification of the consumption tax structure at both Centre and State levels. Simplifying the present system by lowering

the rates will reduce the cost of doing business, giving way for a fundamental restructuring of the supply chains. It will affect how the companies operate their business, presenting significant opportunities for long-term revenue and margin improvement. GST is also expected to result in a reduction in inventory costs. Dealers would be able to claim credit input for the tax paid on their inventories, leading to improved cash flows.

**Table 3: One-Sample t-test Statistics**

Variables	N	Mean	Std. Deviation	Std. Error Mean
GST is a fair tax	91	3.6484	.95886	.10052
GST is a compliance tax	91	4.0659	1.13335	.11881
Rate the current GST administration?	91	3.4286	1.40746	.14754
Provisions to existing GST are clear	91	3.5275	1.33617	.14007
Current law is clear on the tax slab?	91	2.4505	1.45498	.15252
Procedural problems while file tax report	91	3.2527	1.20732	.12656
Legislation in relation to the GST satisfactory	91	4.0879	.90245	.09460
Amendment to existing GST structure	91	4.3407	.93357	.09786
GST regime Centralized registration	91	4.6044	4.28143	.44882
Action plan to cope with GST	91	3.1978	1.36805	.14341
Software system equipped to handle the GST	91	2.9780	1.26472	.13258
Exemption of crude oil, alcohol are justify under GST	91	2.2418	1.12882	.11833
External consultants for GST matters	91	3.7802	1.33168	.13960
Technical problems while file tax report?	91	2.6813	.99866	.10469

One sample "t" test results that GST is a fair tax, GST is a compliance tax, Provisions to existing GST are clear, Legislation in relation to the GST satisfactory, Amendment to existing GST structure, GST regime Centralized registration, External consultants for GST matters are very strongly accepted by respondent. The secured mean values from 3 to 4.6 exhibits that respondents are agreeable towards these factors.

**Table 4: One-Sample Test**

	Test Value = 3					
	t	df	Sig. 2-tailed	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
GST is a fair tax	6.450	90	.000	.64835	.4487	.8480
GST is a compliance tax	8.972	90	.000	1.0659	.8299	1.302
Rate the current GST administration	2.905	90	.005	.42857	.1355	.7217
Provisions to existing GST are clear	3.766	90	.000	.52747	.2492	.8057
Current law is clear on the tax slab	-3.602	90	.001	-.54945	-.8525	-.2464
Procedural problems while file tax report	1.997	90	.049	.25275	.0013	.5042

legislation in relation to the GST satisfactory	11.500	90	<b>.000</b>	1.0879	.9000	1.275
Amendment to existing GST structure	13.699	90	<b>.000</b>	1.3406	1.1462	1.531
GST regime Centralized registration	3.575	90	<b>.001</b>	1.6044	.7127	2.490
Action plan to cope with GST	1.379	90	.171	.19780	-.0871	.4827
Software system equipped to handle the GST	-.166	90	.869	-.02198	-.2854	.2414
Exemptions of crude oil, alcohol are justified under GST.	-6.408	90	<b>.000</b>	-.75824	-.9933	-.5232
External consultants for GST matters?	5.589	90	<b>.000</b>	.78022	.5029	1.056
Technical problems while file tax report	-3.044	90	<b>.003</b>	-.31868	-.5267	-.1107

The one-Sample 't' test analysis, revealed respondents strongly agree to the variables i.e. GST is a fair tax, GST is a compliance tax, Provisions to existing GST are clear, Legislation in relation to the GST satisfactory, Amendment to existing GST structure, GST regime Centralized registration, External consultants for GST matters. Remaining variables are least important as far the respondent view is concerned. GST is a fair tax, compliance tax, proper GST administration, clearness, tax slab, procedural problems while file tax report, legislation in relation to the GST satisfactory, amendment to existing GST structure, GST regime Centralized registration, Exemption of crude oil, alcohol are justify under GST, external consultants for GST matters, technical problems while file tax report are statistically significant because their p-value is less than 0.05 level. Whereas action plan to cope with GST, software system equipped to handle the GST are not very much significant.

### Benefits of GST to the Traders

GST is expected to help build a transparent and corruption-free tax administration. GST will be levied only at the destination point, and not at various points (from manufacturing to retail outlets). With the implementation of GST, exports will be promoted, raising employment and boosting growth. In the GST system, both central and state taxes will be collected at the point of sale. Both components (CGST, SGST and IGST) will be charged on the manufacturing cost. This will benefit individuals as prices are likely to come down. Lower prices will lead to more consumption, thereby helping small companies through increase in demand for their goods and services. Though there are common benefits in certain aspects to every trader from the GST, there are also a few different benefits in other aspects.

### Conclusion

GST is definitely a game changer fiscal reform in Indian economy. It will reduce the descending effect of tax on the goods and services. Its impact on various aspects likes tax structure, tax incidence, tax computation, credit utilization and

reporting, which will lead to a complete fixation or modernization of the current indirect tax system. GST will have a far-reaching impact on almost all aspects of business operations in a country, including pricing of products and services; supply chain optimization; IT, accounting and tax compliance systems.

GST is a fair tax, compliance tax, proper GST administration, clearness, tax slab, procedural problems while file tax report, legislation in relation to the GST satisfactory, amendment to existing GST structure, GST regime Centralized registration, Exemption of crude oil, alcohol are justify under GST, external consultants for GST matters, technical problems while file tax report are statistically significant because their p-value is less than 0.05 level. Whereas action plan to cope with GST, software system equipped to handle the GST are not very much significant. Keeping other things aside, the benefit of implementing the new reform will be enjoyable only after a period of time. The difference in the value of GST and indirect taxes though being marginal will be beneficial only after it meets the costs of implementing the structure into the system.

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