

GOODS AND SERVICE TAX: GOOD FOR WHOM? GOVERNMENT OR BUSINESS

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ABSTRACT

Probably Demonetization and Goods and Service Tax are the two major reforms ever taken in Indian economy, that too in just a short span of two years. Goods and Service Tax is an overall tax levied on production to service steps. The Goods and Service Tax has been imposed with the intention that Goods and Service Tax will transform India's tax structure, and will make the entire system taxation system, easy and transparent. In any developing country Small and medium traders are the real economic pillars of the economy and are the true Growth Drivers of developing economy. India too is a developing economy hence the rule is applicable without exception. Around three and half million small and medium enterprises carrying on the business in India along with generation of employment at vast level. Since it is contributing to Business, hence it is Tax Generator in two forms. One is for Indirect Tax and other one is for Direct Tax. Generation of Goods and Services attracts Indirect Tax and Generation of employment regimes Direct tax to government by putting Income Tax on salary. However the method of charging Indirect tax in slab system is always a matter of debate on different class of Goods and Services. Various studies have been conducted considering the above cited aspect and considering the various pros and cons of enforcing the Goods and Service Tax system. The above research has been undertaken with an evaluative study of impact of Goods and Service Tax on selected group of tax payers. The scholar has tried to find out whether the actual benefit of Goods and Service Tax has been obtained as it was claimed before introduction Goods and Service Tax to replace the existing Vat and Sales Tax System.

Keywords: *Goods and Service Tax, Employment, Taxation, Indirect Tax and Direct Taxes.*

Introduction

Probably in India, Retail sector is the main source of tax collection of Goods and Service Tax. For Developing countries like India, Retail sector is a fast growing industry which perhaps generates maximum earnings for the country. The retailers are not only the intermediary between manufacturer and consumer but also an intermediary between Consumer and tax authorities. Retail as one of the faster growing sector in India, Government also to facilitate the retail industry by foreign direct investment it become increase the growth of retail sector. If retail industry increase paying tax also increase and increase the wealth our country its benefit to our nation as well as people. Taxes are the mandatory financial charges or some other type of levy imposed upon a taxpayer by the government organization in order to fund various public expenditure. According to a report of the World Bank, India is the world's sixth largest economy (different authors and agencies claim differently in this respect) and soon will be the world's fifth largest economy in terms of Gross Domestic Production. Under Goods and Service tax Retailer or other business persons do not need to get registered if their aggregate turnover do not exceeds Rs. 40 lakhs in a financial year. Before introduction of Goods and Service tax they were following much more tax mechanism having cascading effect i.e. tax on tax mechanism. With introduction of Goods and Service tax almost all businesses are covered in Tax regime which was not covered earlier. They were escaping from tax structure of retailer chain which is Retailer to consumer.

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Objectives of Study

The study has been conducted with the object to find out the effect of Goods and service Tax on Business of both natures i.e. Retail as well as Wholesale. It is not at all can be said that benefit has been derived from implementation of Goods and Service Tax. The government has no doubt found more benefit compare to public at large due to the complexities involved in the governance and operation of Goods and Service tax. Hence the effect of the act has be analysed and evaluated in detail. With this object the many other objects also cited such as

- To evaluate and study the perception of various kinds of traders about Goods and Service Tax
- To evaluate and study the advantages obtained by various traders from Goods and Service Tax
- To evaluate and study about the Goods and Service Tax as effective measure for retailers.

Review of Literature

Dr. G. H. Barhate (May 2017) the Author has studied that the insight in Goods and Service Tax among trader of various rural areas that too of different categories considering their turnover, problems and challenges faced by them. They concluded that implement the Goods and Service Tax system is not a well decision specially in small towns or villages where still not a one location even has been implemented or even planned.

Haiderkhan S. Pathan (2017) In his research he has given analysis of the Goods and Service Tax system in India as well as in some other countries and to has tried to have an understanding of Harmonised System of Nomenclature and Harmonized Sales Tax. different types of code are used in India. The two countries have implemented the dual tax of GST and most of the countries are follow single unique tax code system. He says the history of GST implementation of India and briefly explain the cascading effect that is tax on tax.

Praveen Chakravarthy and Vivek Dehejia (2017) has claimed out that enforcement of Goods and Service Tax is not exacerbating the indirect tax system at all rather than it is ameliorate of "place-based" wrong economic system and policies.

Monika Sehrawat and Upasana Dhanda (2015) argued that proposed GST is most decisive tax reform in India and which had been long pending due to the political issues.

Sanjoy Roy (2016) stated that GST is one of the most important reform agenda which can provide a new input to economy and helps to attain inclusive growth. Further, the researcher has also recommended that the Central Government along with all other political parties shall come together to find out a common and acceptable solution to conclude the obstacles in implementation of GST.

Girish Garg (2014) discussed, seriously, the possible challenges and threats of GST implementation on Indian economy.

Ramesh R Kulkarni (2016) finds out the truth by conducting primary level study that the majority of the traders had awareness about the upcoming new tax reform but they have not prepared themselves to implement and execute the Goods and Service Tax in their Business.

Rational of Study

Although variety of the literature is available on the cited subject matter. However none of the literature is comparing the impact of Goods and service tax on different kinds of businesses according to their nature and at the same time no empirical study has been undertaken which is describing the complications arising in the implementation of Goods and service tax. Hence a study was required for evaluating the impact of Goods and service Tax with the comparison of the same at par. The Present study has been limited or restricted geographically to some specified areas selected for the purpose of the study. Since all the areas can not be the part of the study hence some of key areas has been selected. The study has undertaken for the evaluation of implementation of the Goods and Service Tax in the above selected areas. Hence, it is a specific study which contributes to the field of public economics at minute level.

Hypothesis for Study

H₀₁: Null Hypothesis: There is no Negative Impact of Goods and Service Tax on total Sales to be made by retailers.

H₀₁: Null Hypothesis: The government has not obtained benefit of increased Tax Collection due to implementation of Good and service Tax.

Research Methodology

Research Methodology is a process in which some scientific and statistical techniques are used to evaluate some problem which could be related to a specific subject or may be of general Nature. Use of Scientific techniques in well planned manner needs use of relevant and reliable Data.

Source of DATA

Here researcher has analyzed the research results based on discussion and interpretation of survey data and personal interview method data collection, which have gathered using well structured and planned interview schedules and questionnaire in the study region.

Sampling Technique

Personal Interview and Questionnaire techniques have been used for obtaining the data and random sampling techniques have been used.

Sampling Design

A sample of fifty respondents (of various natures in different Business segments) from different regions of the state has been chosen randomly for the primary level survey. Issues relating to the opinion about Goods and Service Tax implementation, their short term as well as long term impacts on businesses, People attitude for acceptance and other related questions were established to identify the opinion of businesses about the Goods and Service Tax enforcement in the selected region. Primary level data gathered through different age group persons of age group of 21 years to 60 years old, respondents of retailers' in the study region.

Results and Analysis

Table 1: Opinion of Various Retailers about Goods and Service Tax

Modes	Blocks of Sample	Opinion of Retailers' on Goods and Service Tax		Indirect Tax Burden	
Home stores	15 (30%)	Very Happy	5 (10%)	Increases	20 (40%)
Clothing	10 (20%)	Happy	25 (50%)	Reduces	30 (60%)
Pharmacy	10 (20%)	Satisfactory	10 (20%)		
Food Shops	5 (10%)	Unhappy	5 (10%)		
Electronic and Electrical	10 (20%)	Very unhappy	5 (10%)		
Total	50 (100%)	Total	50 (100%)	Total	50 (100%)

The above table has been divided into three parts. Section A of Table Researcher has divided all retailers into five major categories, for collecting the primary level data. All category people has been divided among almost equal size of samples and various blocks has been created. In section B of the Table the opinion of the respondent has been noticed regarding the impact of Goods and Service Tax. Which indicates unexpected results. Only ten percent of total respondent are happy with the present system of tax. However on the contrary sixty percent of the retailers accept that yes tax burden has reduced due to introduction of Goods and Service Tax.

Table 2: Short Run and Long Run Effect of Goods and Service Tax

Effect	Short Run Effects	Long Run Effects
	No. of Respondents	No. of Respondents
Positive	20 (40%)	35 (70%)
Negative	25 (50%)	05 (10%)
No effect	5 (10%)	10 (20%)
Total	50 (100%)	50 (100%)

As shown clearly by the table 2, fifty percent of the respondent accepts that yes it will have short run impact but in negative sense as it has reduced the effect of cash by making a cash crunch. Only ten percent respondent has accepted that as such there will not be any impact in short run. Same as around twenty percent has accepted that it will also not have long term impact but contrary to them seventy percent has accepted that it will change the Taxation structure in the country with positive impact in the long run.

From the above conclusion it is very much clear that undoubtedly Goods and Service Tax has impacted the business and government both. The effect is not on short run only but also in the long run. Hence both the null hypothesis has been rejected.

Conclusion

The Goods and Service Tax system is basically structured to simplify and replace the multiple indirect tax system which was existing in India. Since it has been claimed that it is a well designed Goods and Service Tax hence attractive method to reduce the tax burden will be introduced. The above research traced out the fact that retailers do have piecemeal opinion regarding the implementation Goods and Service Tax in the selected area. They all have thought that in future days this move will be beneficial for retail traders. However few respondents have been found to be politically influenced and hence their views are against central government intention of introduction of Goods and Service Tax through intending that it is negatively impacted the sales or turnover volume as well as income of retail business. It is clear from the field that retailers have not very much angered with the central government move of implementation of Goods and Service Tax in the study region. Goods and Service Tax may become very good and simple, only if the entire country works as a whole towards making it success and easy.

Goods and Service Tax undoubtedly helped out to avoid the tax on tax (i.e. Cascading effect of taxation) of production distribution chain of the business. By implementation of Goods and Service Tax many changes will occur in the taxation system. Goods and Service Tax system has an inbuilt system of invoice matching by the way to ensure flow of return in different parts of country. By the Goods and Service Tax return have been drafted and designed in such a way that it so easy to understand to everyone. Goods and Service Tax increase the paying of tax payer and also increase the revenue level of the county. Now almost all of the businesses are well known and aware of Goods and Service Tax.

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