

A Study on the Problems of Goods and Services Tax on Hotel Industry in Mysore District

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Abstract: Goods and services tax is an indirect tax system introduced in the year 2017. It is inclusive tax structure and final based tax. Canada is the country which introduced GST for first time. The goods and services tax was launched on 1st July 2017 midnight by our honourable current prime minister of India. It makes the citizen to pay only at the time of consumption of goods and services, which makes to cut down at levels of manufacturing of goods and services, so it is currently known as "One Tax, One Nation". The concept of sharing the tax revenue among the state government and central government for stabilising our economy. The introduction of GST helps the GDP growth rate to fly at a faster phase. It helps the exporters expecting their sales revenue from other countries to raise as abolition of custom duty which is likely to be abolished at present by our finance minister. Due to the introduction of GST, it helps to encourage foreign investors to invest in our country. The objective of the study is to understand the effect of GST rates applied in the indirect tax system. The tool used in this study by the investigator is the Multiple choice questionnaire. The investigator has used the percentage analysis for the analytical purpose. The findings has been inferred that there is significant difference in the income level and age of the person in regard with the GST impact on customers in hotel industry.

Keywords: GST

I. Introduction:

The Goods and Services Tax (GST) is an indirect tax levied by India on the sale of goods and services to the final consumers. Goods and services have been bifurcated the rates into five categories such as 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic beverages are separately taxed by the state governments. The special rate for rough gemstones and semi-precious gemstones is 0.25% and gold is 3%. In addition, the rate of tax above 28% of consumption tax is 22% or other tax rates apply to a few items such as inflatable drinks, luxury cars and tobacco products. In the pre-GST, the statutory tax rate for most products was approximately 26.5%. After GST, most products are expected to be within the 18% tax rate. The GST was first implemented by our current prime minister in the previous year in the month of July. Taxes replace the existing multi-cascade tax imposed by the central and state governments. Tax rates, rules, and regulations are governed by the Commodity and Services Taxation Committee, which consists of the center and all state finance ministers. GST simplifies a large number of indirect taxes through uniform taxation, so it is expected to greatly change the country's \$2.4 trillion economic situation. It also consists of the central council to regulate the GST affairs in our country which is taken decision by the GST council. With no interstate checkpoints, travel time on interstate highways has decreased by 20%, it has been beneficial for the goods transportation which makes them free of burden of payment of tax.

In comprehending the GST rates in hotel industry it makes to understand the differential impact of A/c and non A/c restaurants where there is no equal tax levied based on the consumers, irrespective it levied on the facilities existing in the hotels and restaurants.

The hotel is a short-term company offering paid accommodation. The facilities available range from small rooms with moderate quality mattresses to larger, higher quality beds, dressers, refrigerators and other kitchen facilities, upholstered chairs, flat-screen TVs and en suite large suites. Small budget hotels may only provide the most basic customer service and facilities. Larger, higher-priced hotels may provide additional guest facilities such as swimming pools, business centers, child care, conference and event facilities, tennis or basketball courts, gymnastics, restaurants, day spas and social Functional service. Hotel rooms are usually numbered (or provided in some smaller hotels and B&Bs) so that guests can identify their room. Some boutique high-end hotels have custom decorated rooms. Some hotels provide meals as part of accommodation arrangements. In the UK, the law requires the hotel to provide food and drinks to all guests within a certain period of time. In Japan, the capsule hotel offers a small room for sleeping and shared bathroom facilities only, which has to developed in our country.

The Indian hotel industry is currently listed as one of the government's priorities in their budget . So tax deductions can be reduced or exempted. Twenty-nine twenty-twoth ST Date20.06.2012. At present, the hotel industry is plagued by various taxes, ie, service tax, Luxury tax and value-added tax ultimately lead to cascading effects. The three taxes What is levied is the U.S. value-added tax and luxury tax, and U.S. service tax central. VAT rates vary from state to state (usually between 12% and 12% 14.5%), luxury tax depends on the tariff and country of the room (usually not equal) Nothing to 12%). Similarly, the service tax also varies depending on the type of service. For rooms with rooms For duties exceeding 1000 INR, the service tax is applicable to 60% of the room rate. In addition to VAT (ranging from 12 to 14.5%) and luxury tax anywhere .Be applicable. If food and beverage costs are food and beverage, service tax applies to 40%.The bill or effective tax rate is 5.8% except for VAT @ 12 to 14.5%. In the case of social .The applicable service tax rate for functions (marriage, seminars, etc.) is 30% reduce emissions by 10.15%.

II. Literature Review:

1.)Dr.Manjunath and et. Al (2016) conducted a study on, "Customer satisfaction in Fast food industry" . The objective of the study is to find out the key success factors for fast food industry in region of mysore district and its aim is to find out the essential factors or determinants of customer satisfaction in the restaurant industry of mysore district. The findings revealed that the service quality and physical design are the key factors for satisfaction in fast food industry in mysore district.

2.)Jonathan and et. Al (2017) conducted a study on , " Impact of GST in hotel and restaurants". The objective of the study is to how the restaurant bill will look under GST , and what are the implications for the end consumers for the owner and the overall industry. The findings revealed that hotels are liable for GST of 28% (14% CGST +14% SGST) as against the effective tax of 21% under present indirect tax regime.

3.)Poonam(2017) conducted a study on, " Goods and services tax in India- An Introductory study". The objectives of the study is to study the concepts of GST and its impact on Indian economy, and to preserve how GST will work in India , to know the advantages and challenges of GST in Indian context.

4.)Dash .A Volume 3 Issue 5 May 2017, conducted a study on, " positive and negative impact of GST on Indian economy". The objective of the study is to cognize the concept of GST , to study the features of GST , to furnish information for further research work on GST, to evaluate the advantages and challenges of GST . Credits of input taxes paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on value addition at each stage.

5.) Alka Shah (2nd Nov 2017) conducted a study on, "Integrated Goods and services tax an Indian-innovation" . The objective of the study is to cross utilisation of credit is to be done and adjustments to be made between centre and states. The paper mainly focuses on the key provisions for determining place of supply of Goods/services and nature of supply i.e interstate or intra -state.

OBJECTIVES:

- To understand the perceptions towards GST among the consumers
- To identify the significant difference between the perception towards GST among consumers based on age , gender and income

III. Methodology:

A Survey study will be conducted for collecting the data from the customers of different hotels across Mysuru city.

Sample and Sample size:

The sample size included 50 customers..

Sampling technique:

Simple random sampling techniques was used for data collection.

Tools used:

This is a likert type scale with 5 options ranging from strongly agree, agree, undecided, disagree and strongly disagree .

Statistical techniques used:

Descriptive statistics

t-test , correlation

IV. Analysis And Interpretation:

Table 1: Descriptive Statistics –Customer perception on GST

Descriptive statistics	Perception on GST
Mean	37.780
Median	38.000
Mode	35.0
Standard deviation	3.0592
Skewness	0.021
Kurtosis	-0.591

Table 2: Customer perception on GST based on age

Age	Frequency	Mean	Standard deviation	T	P-value
20-35	12	35.667	2.5346	2.953	0.005
35 & above	38	38.447	2.9289		

Table 2 shows that the data relating to age of the customer perception on GST , the P value is 0.005 it shows that there is significant difference on the perception of GST among customers of age group at 0.05 level of significance.

Table 3: Customer perception on GST based on gender

Gender	Frequency	Mean	Standard deviation	T	P-value
Male	29	38.00	3.2293	0.594	0.556
Female	21	37.476	2.8569		

Table 3 shows that the data relating to gender analysis of the customer perception on GST, the P value is 0.556 it shows that there is no significant difference on the perception of GST among the male and female of various hotels .It proves that both male and female have same perception of GST of various hotels.

Table 4: Customer perception on GST based on income

Income	Frequency	Mean	Standard deviation	T	P-value
90000-200000	7	34.857	1.6762	2.929	0.005
200000-500000	43	38.256	2.9768		

Table 4 shows that the data relating to income level of the customer perception on GST, the P value is 0.005 it infers that there is significant difference on the perception of GST among the customers based on their income level at 0.05 level of significance.

V. Findings:

As per the analysis interpreted, it has been found that the impact of GST on the customers of various have an effect mainly to their income , gender and age . As we come to the age factor , it has been understood that both male and female respondents have same notion of thinking in regard with the GST rates and its impact on various hotels.

Coming to the income level, it can be inferred that the customers have an opposed mindset towards the GST rates in various hotels . It is also shown that the lower income people are facing financial burden in paying higher GST in very localised hotels.

Coming to the same, it is also inferred that , for compensating the financial burden, instead of Input credit , the GST credit where a certain sum would be remitted to individual bank account which may help them to meet the financial needs of their life.

It has been understood that in the age factor, age ranging from 20- 35 years are not having clear perception than the age group ranging 35& above. In short , we can state that the subject clarity lies more in regard with GST impact between age group of 35& above.

Few of the customers have the problem in payment of Luxury tax and GST in very high class hotels, where the middle income faces over paying excess tax than required to the Government, so it is found that Luxury tax should be abolished for ensuring required tax revenue through reasonable GST in hotels.

It has been theorized that customers are in the position to change the slab rate of hotel rooms as government have to take GST rate feedback form by the customers of hotel. Therefore, it should be customer-focused slab rates in our country.

VI. Suggestions:

- 1.) Customer-slab rate policy have to taken initiative by the government of India to cut the income level differences among the low middle-class and low income group.
- 2.)As the hotels comprising of Non A/c compartments, the hotel have to fix a moderate rate of GST as it suits the income needs of low-middle class and low income people .

3.)In order to make a required amount of GST revenue to the government from the goods and services purchased, there is no need to collect luxury tax as the GST rates in high and moderate restaurants are inclusive of luxury tax. Therefore it benefits to pay extra pay for tax by the customers as well as it restricts the tax revenue to the government

4.)The Allowances on GST rates in small-sized and moderate hotels as it encourages the low-income and middle class people.

5.)In point of GST in hotel, especially for the alcoholic products like liquor should be taxed at the highest slab rate compared to the current 18% GST rate on A/c restaurants.

VII. Conclusion:

GST has become one of the biggest world wide forum in everyone's interaction. The implementation of GST has thus reduced the payment of multiple taxes at each stage in the production of the goods and services. As it is recognised as One tax, One nation it has been, the custom duty which is levied on export and import of the goods should be one factor which has to be completely abolished by the government of India. As the revenue is being distributed among the state and the center, the bribing the money by the the agent can't be done at the present moment. Last but not the least, reasonable GST rates fixed by hotels encourages maximum savings by the individual which in turn raises the per capita income of the country which finally helps in the overall standard of living of our people in the country.

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