

Goods And Services Tax: Boone Or Bane To Service Sector: Evidence From Service Sector In Kalburagi City

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Abstract: *The Goods and Services Tax (GST) -- India's ever biggest tax reform since independence launched formally by Prime Minister Narendra Modi and President Pranab Mukherjee in Parliament came into force after 17 riotous years of debate. This tax reform merges more than a dozen central and state levies. The one national GST unifies the country's USD 2 trillion economy and 1.3 billion people into a common market. GST is not just tax reform but its economic reform was the comment by Honorable Prime minister Mr. Modi. GST is a way that makes ease doing business. In the language of law, it is called the goods and services tax and seems to be complex, but the benefit of GST is really a Good and Simple. Good because multiple taxes will be evaded. Simple because it requires just one form and is easy to use. In order to understand the unearthy reality of the above statement; the present study makes an attempt to evaluate the perceptions of GST on 50 traders in Kalaburagi city. The study found that, GST was Good and Simple Tax for traders during the study period.*

Keywords: *Average return, IGST, CGST, Value added tax.*

I. Introduction

Goods and Services Tax is a base that makes India one unified common market. A single indirect tax extended instead on multiple taxes for the whole nation. GST a single tax levied right from the manufacturer to the consumer on the supply of goods and services. Credits of input taxes paid from manufactures to consumers 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. Thus final consumer will bear the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

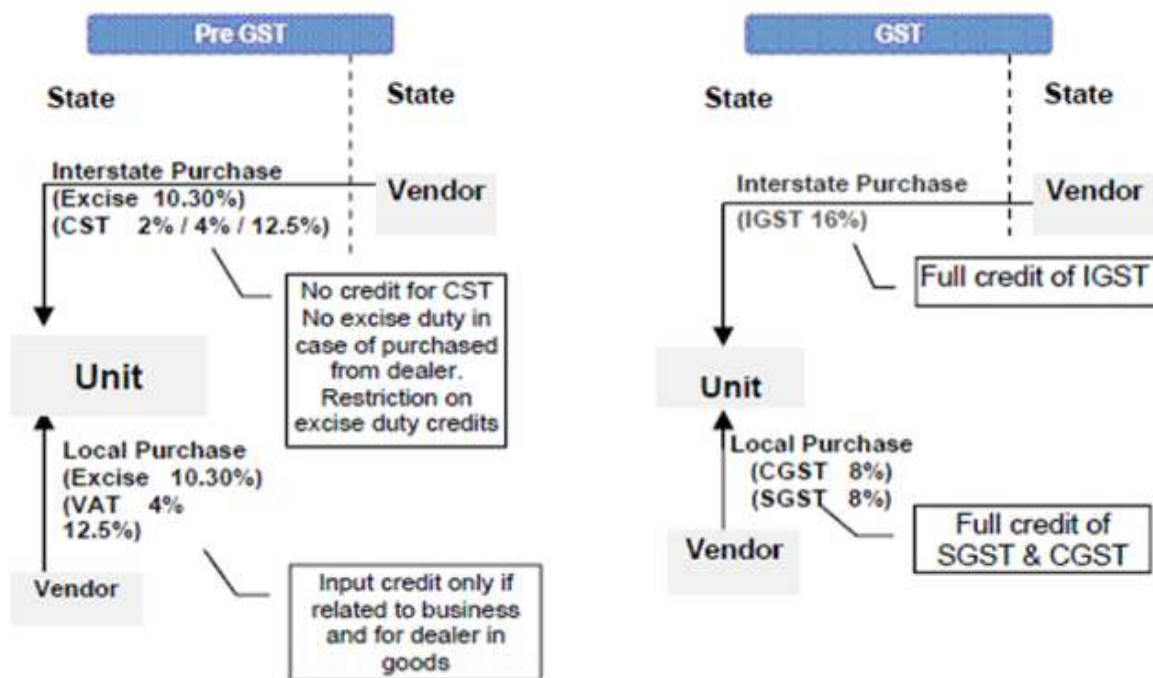
On the other hand, it helps in eliminating the cascading effect of tax on production and distribution cost of goods and services. The exclusion of cascading effect leads to growth of GDP i.e. tax on tax will be significantly improved on the competitiveness of original goods and services. It is sensed that the GST will serve as a superior reason to attain the objective of rationalization indirect tax administration in India which can eliminate cascading effects in supply chain till the level of final consumers and include all such above mentioned indirect taxes are completely in GST. Alcohol, tobacco and petroleum products will not be included by GST as these are considered as Sin Goods, and governments do not like to allow free trade on these properties. Hence, it is proved to be Good and Simple tax for traders and other allied parties.

Concept of GST:

Goods and Services Tax also well known as Value Added Tax (VAT) or Harmonized Sales Tax (HST) was first formulated by a German economist during the 18th century. He proposed a sales tax on goods that did not affect the cost of manufacture or distribution but was able to collect tax on the final price charged to the consumer. Tax is at a fixed rate as a percentage of the final price of goods and services irrespective of numbers of transactions. The tax system was fully adopted by France by 1954. Maurice Lauré, Joint Director of the French Tax Authority, was the first to introduce VAT on April 10, 1954

Diagram showing Impact on purchase of goods under GST

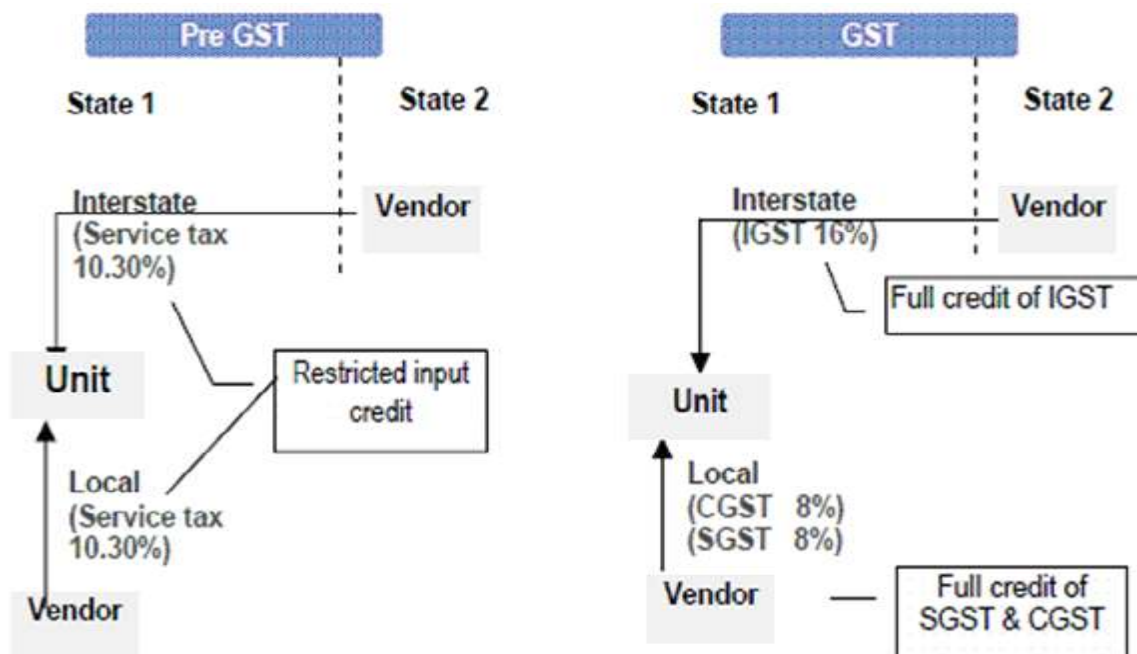
In the normal course it was that on every purchase of goods ordinarily was subject to VAT/ CST and in case the goods are purchased directly from a manufacturer and additional excise duty was also imposed to the purchaser. In the GST regime, local purchases would be subject to CGST and SGST and interstate purchases would be subject to IGST. Following figure illustrates the impact of Pre and Post GST.



Source: Concept Paper - Goods & Services Tax in India & Role of Chartered Accountants, The Institute of Chartered Accountants of India, June 2010

Diagram showing the Impact on procurement of services under GST

The procurement of services that are taxable would attract to service tax. Considering that service tax is levied by the Central Government, and there would be no change in tax amount, whether procured locally or interstate. In the GST regime, services procured from within the State, would be subject to CGST and SGST and services procured from outside the State would be subject to IGST. Below exhibit shows the impact of GST on services.



Source: Concept Paper - Goods & Services Tax in India & Role of Chartered Accountants, The Institute of Chartered Accountants of India, June 2010.

Brief Profile of Study area:

Gulbarga now is the known as Kalaburagi is one of the three districts that were transferred from Hyderabad state to Karnataka state at the time of re organization of the state in the year 1956. The district is one among the 29 district of Karnataka State. It is one of the biggest district covering 8.5 percent of the area and 6 percentage of the population. Following table helps readers to understand the demographic profile of sample area of service sector during the study period

GST: at global level:

It has been observed that 150 countries and more have introduced and adopted National VAT or GST in for one or other form. Since past 50 year is the preferred from of tax system in Europe and also been adopted in Asia-Pacific region also. GST has been enforce in different models in different nation with their own peculiarities. Singapore the business hub of the whole world also taxes everything at a single tax rate. Some countries have opted for more than one tax rate system. The standard GST rate of 15%-20% resided in many of the countries and list is state in below table

RATES OF GST AT GLOBAL LEVEL

Country	Std Rate	Country	Std Rate	Country	Std Rate
Austria	20	Greece	18	Norway	25
Belgium	21	Argentina	21	Denmark	25
Portugal	19	Chile	19	Sweden	25
Ireland	21	Span	16	Finland	22
Poland	22	Romania	19	Italy	20
France	19.6	Luxembourg	15	Switzerland	7.6
Germany	16	Netherlands	19	U.K.	17.5
Australia	10	Columbia	16	Maldova	20
Barbodas	15	Japan	5	Indonesia	10
Canada	7	Mexico	15	China	16
Botswana	10	Latvia	18	South Africa	14

Source: http://en.wikipedia.org/wiki/Tax_rates_around_the_world/7/2017

In India 2015-16, the standard rate of excise duty that was levied was 16% on manufacture’s sale price. State VAT at 4% and 12.5 were charged and in addition at a lower end with 4% VAT was charged which wouldworkout to 13.5%. It would be feasible to fix tax neutral to GST rate of 20% (less if existing dutyexemptions is reduced) covering both Central and State’s revenue share. “The(European countries) have structured a band width of 15% to 25% and have kept the standard rate at 15 per cent.

GST is divided into following dimensions,they are:

Central Goods and Services Tax Act, 2017 (CGST):

CGST is collected and levied by Central Government. It ison intra-state supplies of taxable goods or services or both and a source of revenue to the Central Government of India.

State Goods and Services Tax Act, 2017 (SGST):

State Governments/Union Territories with State Legislatures (namely Delhi and Pondicherry) levies and collect SGSTon intra-state supplies of taxable goods or services or both. It is a source of revenue to the respective State Governments.

Union Territory Goods and Services Tax (UTGST):

UTGST levied and collected by Union Territories without State Legislatures, on intra-state supplies of taxable goods or services or both.

Following are the major reviewed for the present study

Poonam (2017)assert that, Indian tax system faced the biggest problem of cascading effect and evasion of tax and its dissertation can be minimized by GST implementation. Increase in the competitiveness of industry, export and companies can be witnessed after the amalgamation of central and state taxes. The growth of nation is possible by utilization of extra revenue that is generating by broadening the tax base structure. Impact on efficiency and equity in an economy depends on the tax policies adopted. It has been observed that indirect tax reforms as a part of new economic reforms are formulated and are the integral part of liberalization process

NishithaGuptha (2014)stated the untouched areas by the VAT system are addressed by GST which would lead to commercial benefits and essentially leading to economic development.

Jaiprakash (2014) in his research study highlighted the upcoming benefits to consumers, trade and industry and agriculture from the implementation of GST leading to set off of input tax as well as service tax with a more wider coverage by eliminating several taxes from CST and subsuming them into GST.

Venkadasalam (2014) has analysed the positive significance related to GDP and household final consumption expenditure and government consumption expenditure. Difference could be observed in relation to the effects of GST. Least Squares Dummy Variable Model (LSDVM) in his research paper was employed to understand the national growth of these economies as a post effect of implementation GST. It was found to be positive.

According to Palil et al. (2010) Government of Indian is introducing GST by replace 21 Major indirect taxes. GST reduced the tax burden on the goods and services. In the initial year there can be the difference in the revenue generated by the state which would enhance over a period of the time is the observation of the study.

After observing the above literature researcher came to know that, there are ample studies have been undertaken in India as well as other parts of the world, but few studies have been undertaken on the perceptions of GST in hotel industry, hence, this research gap prompt us to undertake the study on Perception of GST in service sector with reference to Kalaburgai city.

Objectives for the present study:

1. To study the thoughtsofstake holders like society and traders about the Goods andServices Tax (GST) implementation in the study area selected.
2. To analyses the prime Challenges faced towards implementation Goodsand Service Tax (GST in India).
3. To offer suggestions in the light of findings

II. Methodology

The study uses both primary and secondary sources of data. Structured questionnaire is taken as a means of data collection from the sample respondents. Internet has been the prime sources of secondary data collected for the study. Questionnaire is structured on the basis of objective of the study. Pretest was conducted and based on the result primary data was collected for the study. A sample of 50 respondents was taken for the study by random sampling method. Validity of the questionnaire was checked through the responses of the respondents. The analysis and interpretations drawn on the results of the survey are discussed below,

III. Results and Analysis

The present study intends to offer realistic view on the implementation as well as evaluation of GST regime in Indian context. Accordingly, the present study intends to offer a limelight through evaluating the perception of GST in Service sector in the Kalaburagi city of Karnataka State.

Demographic Profile of Traders

Table: 1 Showing the Profile of the Respondents

Gender	No. of Respondents	Percentage
Male	45	90.00
Female	05	10.00
Total	50	100.00
Age Groups		
Below 25	02	4.00
25 to 40	30	80.00
Above 40	08	16.00
Total	50	100.00
Qualification		
Below UG	32	64.00
Post Graduate	08	16.00
Any other	10	20.00
Total	50	100.00
Income per month		
25,000 to 40,000	20	40.00
40,000 to 75,000	25	50.00
75,000 and above	05	10.00
Total	50	100.00

Source: Filed Survey

The above represent the demographic profile of study area during study period, from the above table researcher came to know that, majority of the respondents are male(95%) dominated in the service industry with age group of 25 to 40 years (80%). Further, 64 percentage of total respondents are from under graduates and only 16 percent of them are Post graduates. Further, majority of the respondents (50%) income was ranging from 40,000 to 75,000 group, while only 10 percent of total respondents are above 75,000 income level group during the study period.

Table: 2 Traders Perceptions towards GST in the study area

Particulars	No. of Respondents	Percentage
Is GST brings tax reforms in India		
Yes	45	90.00
No	05	10.00
Total	50	100.00
Is GST increased the legal compliance		
Yes	38	76.00
No	12	24.00
Total	50	100.00
Is GST software user friendly		
Yes	35	70.00
No	15	30.00
Total	50	100.00
Is it increased tax burden to customers		
Yes	45	90.00
No	05	10.00
Total	50	100.00
Is GST difficult to understand		
Yes	40	80.00
No	10	20.00
Total	50	100.00
Is GST increased collection to the Government		
Yes	37	74.00
No	13	26.00
Total	50	100.00
Do you think Government, should offer training programme		
Yes	48	96.00
No	02	4.00
Total	50	100.00
Do you think, GST will create employment opportunities		
Yes	36	72.00
No	14	28.00
Total	50	100.00
Do you think proposed threshold GST tax rates are fair and Justified		
Yes	35	70.00
No	15	30.00
Total	50	100.00
Do you think, GST Bone or Bane to Service Sector		
Yes	30	60.00
No	20	40.00
Total	50	100.00

Source: Filed Survey

The above table is pertain to service industry perception towards GST norms, from the above table researcher can able to infer that, majority of the respondents have opined that, GST offers sound tax reforms in Indirect tax reforms, as more than, 90 percent have opined that, it will bring drastic change in indirect change in the tax regime. Even it will also increase legal compliance by creating extra burden to the traders as well as agents of the traders. Meanwhile, GST software sounds to be user friendly. Majority of the respondents opined that, it will create employment opportunities for youth. Even it will also help the government to conduct the training programme for the GST traders and practitioners. Hence, we can say that, GST prove to be Good and Simple Tax for traders and service industry.

Following are the major Findings of present study:

- Majority of the respondents opinedthat GST is the game changers in the indirect tax regime.
- From the above table we came to know, majority of the respondents are Male respondents
- GST threshold limits are need to revised periodically in tune with latest tax conditions
- Introduction of GST will be employment opportunities to youths, especially, in commerce allied branches
- Form the present study, we came to know that, GST was Good and Simple Tax for traders during the study period.
- Government should conduct more and more training programme in connection with educating the youth and traders towards GST latest regime.

Suggestions:

- Designing of the GST should be done in such a way which leads to sufficient revenue increase to state as well as centre. Territories like North-East, special category, union territories should also to be taken into consideration while implementation of GST.

- The Working Group would ensure that the suggested steps should be taken to overcome the revenue loss that is faced through GST in interstate transactions.
- The Working Group should show case how the treatment of non VAT goods and services such as petroleum goods and sin goods like alcohol in this new component of tax called GST.
- The GST models should be developed taking the interest of the Trade and Industry, consumers, developers in to consideration along with the relations between the centre and state.
- The success of GST lies in its proper implementation which is possible only when online system of filling in ensured by all the state and the central government dealers.

IV. Limitations

- The present study is restricted to traders of Kalaburgi city. Hence, the results are subjective in nature.
- Due to paucity of time and tools applied for the present study, the results and suggestions proposed for the present study for applicable to entire universe.

V. Conclusion

Thus, researcher came to know that, GST, among reforms since independence is one of the logical, technical, comprehensive tax reforms of our country. GST is levied on goods as well as services and combination of both. Effect of GST is on all the sectors of the state including the government department also. Different sections of economy – small, medium and big enterprises, exporters and importers, traders, professional and consumers at large will be directly affected by the GST. GST will create a single, unified Indian market to make the economy stronger. On the contrary, experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. In nutshell, GST will be Good and Simple Tax, if Government will pay heed and incorporate above discussed points.

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