

Evaluation Of GST Policy After More Than 1.5 Years Of Its Implementation

(A study based upon Chandigarh City, India)

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Abstract

There is being lots of modifications in Indian Tax Structure from time to time according to the changing needs and requirement of the country. And the recent biggest economic Re-transformation is bundling of all indirect taxes into one bowl of Goods & Services Tax. A unified tax regime that has replaced various forms indirect taxes. It's being almost more than 1.5 years of its implementation, and it's the time to evaluate the pros and cons of its implementation. The following research paper is going to put a beam of light on post implementation effects of GST particularly from viewpoint of small and medium term businessmen, on the basis of responses collected by the 150 businessmen of Chandigarh (most of them are sole proprietors).

Keywords: *GST, One bowl of all indirect taxes, Post Implementation Effects*

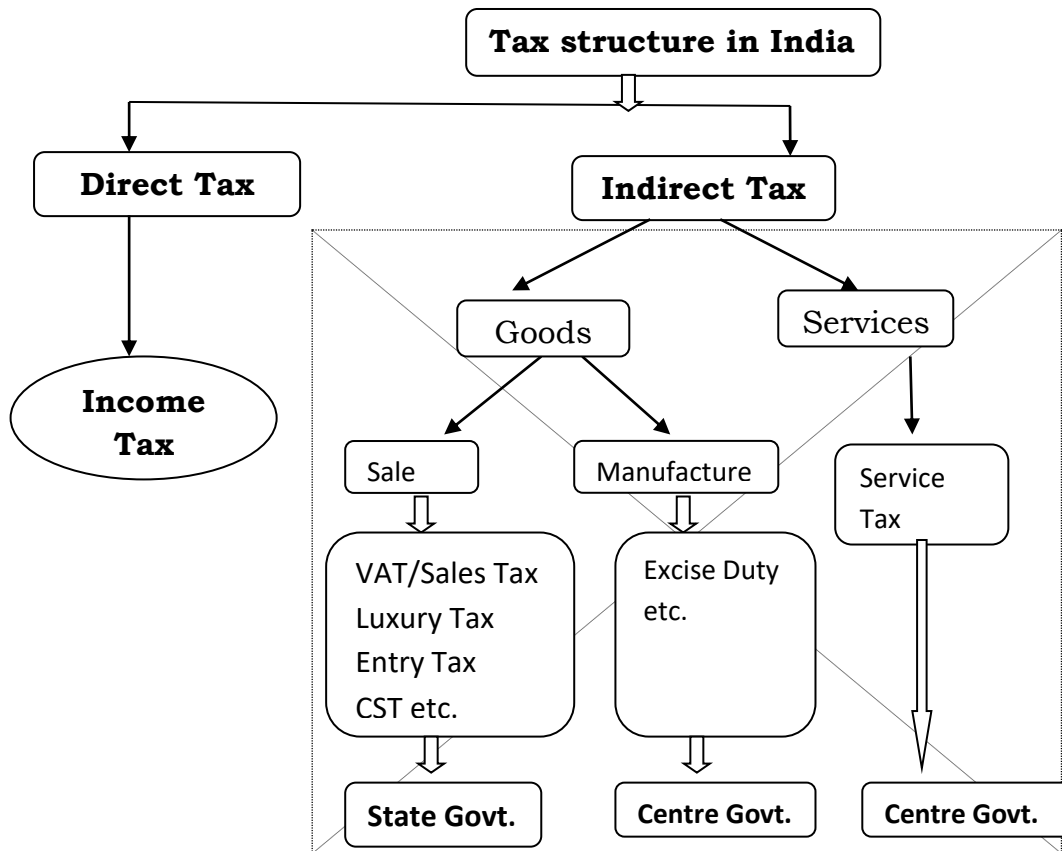
Introduction

Tax is a major source of fund to finance various government expenditures. It is basically of two types: direct tax (where tax burden can't be transferred to any other person) and indirect tax (where tax burden can be transferred on other's shoulder). The tax regime in our country used to includes variety of indirect taxes like VAT, CST, Excise Duty, and Entry Tax, Octroi Duty etc. together with various forms of surcharges and cess, which were collected by both the governments i.e. Centre and State in some proportion. The whole scenario was having various paucities like tax on tax, difficulties on availing input tax credit etc.

The one big bowl of GST has merged all forms of indirect taxes into it. It has opened a way for one window, one return and one deposit of tax system. It is an attempt to bring transparency and to have a check on every single transaction of trade. It is also called as the Destination Tax System as levied on addition in value in the whole chain in its actual consumption took place. So in manufacturing of product no single individual of the supply chain can skip from tax and it will also help all the individuals of chain to easily avail input tax credit benefit which earlier was very complicated procedure to execute.

The bill for GST was introduced on 19th December, 2014 and got approval in the Lok Sabha on 6th May, 2015 and in Rajya Sabha on 03rd August, 2016 as 122nd Constitutional Amendment bill and its being implemented from 1st July, 2017.

The whole Indian Tax system now looks as below:-



GST Tax structure in India

GST regime is dual tax structure, where both governments i.e. Central and the State Government will share the tax in particular proportion. GST will include the following components:-

- (a) **CGST:** This tax will be charged on all intra state/UT supply of goods and services and will be collected by the Central Government.
- (b) **SGST:** This tax will be charged on all intra state and in two U.Ts i.e. Delhi or Puducherry (U.Ts having their own legislature). This tax will be collected by the respective state or U.T,
- (c) **UTGST:** The tax will be charged by remaining 5 U.Ts except Delhi and Puducherry on intra supply of goods or services and will be collected by the respective U.Ts.
- (d) **IGST:** The tax will be levied on inter supply of goods or services i.e. between two states, two U.Ts or between State & U.T and will be collected by the Central Government.
- (e) **GST Compensation Cess:** In addition to CGST or SGST or IGST on certain notified goods compensation cess will be charged for 5 years in order to compensate states for bearing losses because of implementation of GST.
- (f) **IGST on imports:** On imports of goods, IGST shall be levied in addition to Basic Custom Duty of Customs.



GST classifies 1300 goods and 500 services under 4 slabs of 5%, 12%, 18% and 28% tax rates. It also includes some consumable items which are exempt from GST. And there are

some items which are not covered under preview of GST like petroleum products, alcohol and electricity.

OBJECTIVES

Following are the objectives of the present study:

1. To know the post implementation effects of GST from viewpoint of small and medium term businessmen together with their opinions and suggestions.
2. To know the weather GST implementation, able to remove the various paucities of earlier tax regime of indirect taxes.

LITERATURE REVIEW

Al-Dalaien & Al-Kasabeh (2018). The researcher has conducted the research work in three states of India i.e. Aligarh, Mathura and Agra to know the impact of GST on Businessmen. The responses of 111 respondents were analyzed and it was found that there is no such significant impact of GST on business and suggestion was given by the researchers to government to improve it.

Agarwal (2017). The researcher has studied the impact of GST on Indian economy, where different sector of economy is studied based on secondary data. It was concluded that GST implementation is at its infant stage and it needs time to see its good results.

Chauhan et.al (2017). The researcher has carried a research work in Rajasthan to measure the awareness of implementation of GST and concluded that most of the people welcomed GST and needs to give training to people to understand and file return under GST own their own.

RESEARCH METHADODOLOGY

The journey of discovery can be fulfilled through below mentioned tools:

METHODS OF DATA COLLECTION

The present study is based on both Primary as well as Secondary Data.

Primary Data

- Convenient sampling method used to collect the data. A well structured Questionnaire was prepared and distributed with the help of online data collection tool "FOUR EYES".
- The Questionnaire was prepared keeping in mind two aspects where one focus on demographic profile of respondents like age, gender, education, income etc and the second aspect focus on their view point related to implementation of GST.

Secondary Data

Secondary Data will be collected through Newspapers, Journals, Economic Websites, Survey data of various Institutes etc.

POPULATION OF THE STUDY

The research work included 150 respondents of Chandigarh particularly the small and medium businessmen out of which most of them were sole proprietors.

DATA ANALYSIS AND INTERPERTATIONS**Profile of Respondents Table 1**

AGE	Frequency	Percentage
20-35 years	33	22%
36-50 years	95	63%
Above 50	22	15%
GENDER		
MALE	120	80%
FEMALE	30	20%
EDUCATION		
XII or below XII	25	16.7%
Graduate	75	50%
Post Graduate	50	33%
Experience		
One year or below one year	25	16.7%
1-5 years	50	33%
5-10 years	25	16.7%
More than 10 years	50	33%
Income		
Below 2,00,000	59	39%
2,00,000-10,00,000	87	58%
More than 10,00,000	4	03%
Do you have GST number?		
Yes	50	33.33%
No	100	66.77%

(Source: Primary Data)

Table 2

No.	Statements	SD	D	N	A	SA	Total
1.	GST will help in bringing transparency in Transactions.	0	5	57	25	63	150
2.	Registration process of GST is simple.	0	12	48	90	0	150
3	Mainly business of small and medium term businessmen is affected because of implementation of GST.	65	35	50	0	0	150
4.	Customer demands bill and ready to pay GST.	0	45	85	20	0	150
5.	Goods become costlier rather than cheaper.	65	57	28	0	0	150
6.	This tax system is better than earlier tax regime.	0	0	0	122	28	150
7.	Still there are loopholes in tax system which needs to be improved.	0	0	0	75	75	150

(Source: Primary Data)

Table 3

Your profits after GST :		
Increased	25	16.7%
Decreased	25	16.7%
No effect of GST on profits	100	66.7%

(Source: Primary Data)

Interpretation of the Data

(A) According to the data collected almost 96.67% respondents either neutral or agree or strongly agree that GST will help in bringing transparency in transactions.

(B) 92% of respondents neutral or agree that GST registration process is simple except for 8 % who believes that GST registration process is complex.

(C) Lots of rumors was there at the time of its implementation that GST will going to affect mainly business of small and medium term businessmen, but the collected data shows that most of the people were strongly disagree or disagree with the statement.

(D) The collected data shows that still there many customers who avoid bill or online payment mode to avoid GST and businessmen still gives goods without bills to show their

less income and avoid income tax. Businessmen usually give an option to customers, if they want bill or not with a reminder that if they take bill they have to pay extra price for GST.

(E) Obviously GST will reduce cascading effect, if tax burden will reduce than definitely the prices. So rumors that it will bring inflation in economy have not taken its stand.

(F) Maximum respondents considered GST better than earlier tax regime.

(G) The data shows respondents still hopes for better version of indirect taxes than GST. Because still there are some loopholes in the system from which big fishes of market are making profits.

(H) Most of the respondents didn't notice any change in their profits after its implementation.

FINDINGS

While having an interaction with businessmen various aspects of GST were lime lighted which actually were not exposed yet.

Positive Aspects

- Yes, no doubt that it is a better initiative taken by the government to bring transparency of transactions. But still it is at its infant stage of implementation which needs time to show better results.
- Only in short span of time its implementation, resulted in huge increase of government revenue that recently the GST council announced to reduce tax rate on 23 items from 18% to 12% & 5%. Some items in 5% bracket moved to 0%.
- The system is no doubt is considered as a better tax regime than earlier one with lots of indirect taxes classifications, surcharges, duties and cess.
- Ease in availing input tax credit, which earlier was a difficult procedure.
- GST implementation is mess for those businessmen who were earlier hiding their income from government because now they have to maintain books of transactions with clear picture of their business.
- GST would be levied on Value Addition in chain. So no one in the chain of final product manufacturing can skip from GST.

Negative Aspects

- The main problem that most of businessmen are finding is that because of its implementation, every businessman needs to incur additional fees of C.A.s to file return on monthly, quarterly or annual basis. Most of the businessmen were of point of view that government should first give training to maintain and file return according to GST.
- Because of the implementation of GST their credit system is affected like earlier they use to give goods on credit of let's say 6 months to customer and have to file annual return but now they have to file return on monthly or quarterly basis, although sale is there but they have not received the income for which they are filing return. That's why their capital is being blocked in GST.
- Return policy is another problem, sometimes customer returns goods later on because of any defect or for any other reason, but the businessmen has already filed the return based upon the sale provision of current scenario and return invoices needs a another headache for those who are not aware of the procedure.

- Small businessmen those have not taken GST number are finding difficulty in retaining their customers because many customers want to deal with businessmen having GST number in order to avail the benefit of input credit.
- Shortage of working capital is also an important aspect came forward while filling return on monthly basis.
- Another very important aspects rose by businessmen during the survey was “WHY PETROLEUM PRODUCTS ARE KEPT OUT OF THE PREVIEW OF GST’. As they believe that if petroleum products are also covered under GST, than definitely the transportation cost will reduce and it will directly affect the prices of all goods and services.

At present central government charges a fixed rate of 19.48 per liter on petrol and 15.33 on diesel across the whole country and VAT rate on petrol and diesel varies from one state to another, which is highest in Maharashtra i.e. 40% and in Punjab if we talk about the north of India. These aspects are kept out of the preview of GST only because of the reason that the state governments don't want to lose their profit margins.

- Still there are various loopholes in tax system out of which big fishes of market are making chunks of profits.
- Businessmen still finds that GST tax rates are high on different products. If the data provided by world bank is analyzed, it shows that India is having second highest tax rates as compared with all other countries in world.

Conclusion

“It was only for the good of his subjects, that he collected taxes from them, just as the sun draws moisture from earth to give it back a thousand fold.”

Rightly said by Kalidas in Raghuvansh eulogizing king Dalip

Tax is a word from which we as consumer always want to run away. We all talk about transparency and system to avoid black money, but somewhere when we all get a chance to avoid tax using loopholes of tax system; we do that keeping our ethics on one side and money in our pocket on other side. Because it our mentality to treat it as extra burden on our shoulders, without treating it like a investment that if invested properly than going to give fruitful results to us. GST have not affected the income of businessmen much, those who were doing it in ethical way before its implementation, only the business income of some businessmen is affected who were earlier hiding their actual business income from government.

GST in great effort to rein in, mouths of people making chunks of profits without the knowledge of government. It is no doubt that a better version of tax structure than earlier regime because of removing cascading effects, ease in availing input tax credit, transparency of transactions increased etc.

So as per the objectives of paper, it can be said that GST implementation able to remove the various paucities of pervious system of indirect taxes. If we judge the overall viewpoints of businessmen, the positive aspects overburdened its negative aspects. Hence a good move for the growth of economy and but there is still a scope of improvement.

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