

# THE IMPACT OF GOODS & SERVICES TAX (GST) ON THE EASE OF DOING BUSINESS ACCORDING TO THE TAX PRACTITIONERS OF SMALL COMMERCIAL TOWNS OF INDIA

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**ABSTRACT:** GST implementation, in India, came with the 'one nation, one tax' theme to virtually eliminate the whole bucket of indirect taxes and instead charge a single tax rate throughout the country. France was the first country to implement GST in 1954, and since then about 160 countries have adopted this tax system in one form or another. India, too, on July 1, 2017, joined this group by creating a unified GST platform.

This research paper aims at depicting the attitude of Tax practitioners along with their clients, the businessmen of small commercial towns of India towards the impact of GST in easing out business activities. The area of study is Tinsukia, a commercial town of Assam, India. Both primary and secondary data was used in the process of collecting information for the purpose of understanding and studying the apparent impact and human psychology of reluctance and acceptance.

The business sector has witnessed a complete transformation in taxation system after GST implementation. The new tax rate slabs are a great respite to the business sector. With compliance procedures moving online, registrations, payments, refunds and returns have become faster. Starting up a new business has become easier. The SMEs can even look forward to expanding their horizons. The e-way bill mechanism shows a high satisfaction index. Logistics costs have reduced and transparency increased. However, merits are not devoid of shortcomings. The research also aims at arriving at suggestive measures to smoothen the transition.

This research pertains to this time period and is subject to change as time shall pass. Researches on GST are to be continued to get a gradual in depth analysis and intervention into the Indian Taxation System, THEN, NOW and HENCEFORTH. Such studies would provide the direction to head towards consensus, with the masses with empathy and thus, making it easier for the reformers and the public at large.

Keywords: GST, Ease of doing business, Tax practitioners, Change and impact.

## 1. INTRODUCTION

The implementation of the Goods and Services Tax (GST) in India is considered as a historical move, as it marked a significant indirect tax reform in the country. The union of a large number of taxes (levied at the Central and State level) into a single tax is expected to yield great benefits. VAT was introduced in the country in 2006 and GST is the logical conclusion of the successful introduction and imposition of Value Added Tax in India. GST (Goods and Services Tax) is the biggest indirect tax reform of India, which came under the theme of 'one nation, one tax'. It is an all embracing indirect tax levy on manufacture, sale and consumption of goods as well as services at the state and national level. This is considered a significant step in the reform of indirect taxation in India, and has helped to boost the Indian economy as well as e-commerce.

GST, in its standard format, is a single tax replacing all the indirect taxes and collected by a single authority, but India, being a quasi-federal state, gave the authority to collect indirect taxes both to the Centre and the States, in one form or another. Hence, a formula has been developed to introduce a compromised GST with the consent of the States. Thus, we can call it the Indian format of GST.

Dual system of GST includes:

1. SGST or State GST - collected by State Government.
2. CGST or Central GST - collected by Central Government.
3. IGST or Integrated GST - collected by Central Government.
4. UTGST – Union territory GST, collected by Union Territory Government.

GST system has eliminated the need for filing multiple returns and assessments. Handling multiple assessments is troublesome and cost ineffective. Post GST, it has become easier for a business house to face only one assessing authority. Moreover, there is a strong correlation between inputs and corresponding outputs which helps to avoid unnecessary litigations on the subject.

## HOW INDIA FARED IN DOING BUSINESS 2018 RANKING



Source: World Bank

There are around 160 countries in the world today that have GST in place in one form or another. France was the first country to implement GST in 1954. India, too, created a unified GST platform on July 1, 2017 by merging central taxes with state level taxes, and collecting them as only one tax. The Indian goods are also expected to be more competitive in international and domestic markets post GST implementation. 'Ease of doing business' is an index published by the World Bank. It is an aggregative figure that includes different parameters which define the ease of doing business in a country. This 'one nation, one tax' themed GST is the enabler of ease of doing business in India. It has had impacts on each and every aspect of business by bringing about changes not only in technology, systems and reporting, but also giving clarity to business which encourages businessmen to take more risks. The GST reform seems to have come up as the next big thing after the financial reforms of 1991 in the history of Indian economy. By rationalising the whole bucket of indirect taxes and attempting to unify most of them to make for a destination base tax, it has helped in making India a unified market. GST implementation, just like any coin, saw two sides – positive and negative. Although we cannot ignore the cons, but we can see the bigger picture as in how GST consolidated the myriad number of taxes into one and restructured the indirect taxation. By creating a single, cooperative and undivided market, it has made the economy stronger and powerful. With uniformity of rates, the massive transformational reform has helped India to take a leap of 30 ranks over its previous one and stand among the top 100 countries in the 'Ease of doing business' index, as per World Bank's Doing Business Report, 2018. Single returns for all payments, single payment and low cost of compliance are expected to help the country rise up in the ranks in the parameter of payment of taxes.

As GST has more of an impact on data management and taxation, organizations need to look into their present versions of finance solutions and plan accordingly. Companies need to familiarize their finance departments with the new regulations by holding GSTN workshops and sessions. They can prepare themselves better for GST implementation by gaining an understanding of best practices of other nations with regards to consolidated indirect tax systems. Companies need to keep on monitoring their progress in GST compliance

from time to time so as not to fall back.

In this project, an attempt has been made to study the opinions of the GST practitioners of a small commercial town Tinsukia, Assam about ease of doing business being facilitated by implementation of GST and necessary improvements required in improving the same.

### *1.1. Origin of the Research*

India rolled out GST on July 1, but it got mixed response. The World Bank has recognised GST as a very important reform. By merging large number of indirect taxes and cesses into one, bringing easy compliance, time-bound approval of applications, we can bring about a significant improvement in the ease of doing business.

This project has its origin in the reservations that masses have been portraying against the implementation of GST and more so in the remote towns of the country where people are not very well accustomed to technologies. This project would highlight the gradual shift of professionals and non professionals from non-acceptance to partial acceptance on the basis of awareness being generated and whether it is being easy or more bothersome for them is to be probed into.

### *1.2. Interdisciplinary Relevance*

As this study would touch lives of people on economic, social, psychological, technical, developmental and global level, so it would have relevance in Education, Sociology, Psychology, Information Technology and global studies.

### *1.3. Significance of the study*

The Indian GST System is structured to facilitate efficient tax collection, reduction in corruption, easy inter-state movement of goods etc. The introduction of GST has brought great apprehension in the minds of many and the same will be passed on to the consumers. There is fear among the tax payers that the cost of goods might go up, harassment would be more and so on. This project would present the true picture of the much talked about impact on ease of doing business, with particular reference to the people of Tinsukia Town, on the basis of the awareness being generated. The Study is an attempt to examine the post GST regime, whether the current structure meets the requirement of ease of doing business or would it require amendments has to be probed into.

### *1.4. Literature Review*

Although lots of research has been undertaken worldwide on implementation of GST but none on its impact on ease of doing business. However, there are statements and reviews of various reporting segments economically and socially but they cannot be believed to be representative of the opinion of businessmen in general. The Tax practitioners were the group of professionals who played and are playing a significant role in bridging the gap between the non- acceptance of GST and easing its implementation and acceptance as an effective economic reform both at the micro and macro levels.

### *1.5. Objectives of the study*

1. To study the impact of GST on the ease of doing business.
2. To find out, in detail, the pros and cons of GST implementation in business.
3. To suggest measures to improve the shortcomings in the way of businessmen in dealing with GST.

## 2. RESEARCH METHODOLOGY

Research methodology refers to the procedures or techniques which were used in the research process to identify, select, process and analyse information related to the topic. The methodology section of the research paper helps the reader to critically evaluate the study's validity and reliability. It helps to study the various steps adopted by the researcher in studying his research problem, along with the logic behind it. While deciding upon the method of collection of data, the researcher should consider his research goals, time factor, sample size and availability of existing information.

Research methodology process includes a number of activities to be performed. These are arranged in proper sequence of timing for conducting research. One activity after another is performed to complete the research work. Research methodology includes the following steps:

### 2.1. Type of Research

The topic for the research study is the impact of GST in the ease of doing business and the nature of the topic is data based but opinionated that would change over time. So, to conduct the study the type of research suitable is exploratory research with a combination of primary and secondary data collection.

### 2.2. Sources of Data

For the study purpose both primary and secondary data are used. The primary data collected from sales men of the companies, customers and dealers dealing in the products of the company. The secondary data collected from records of the company, retailers and dealers.

These data having different merits and demerits and have served our purpose of the research study. These are explained below:

#### (a) Primary Data

Primary data are information collected by a researcher specifically for a research assignment. Primary data are original in nature and directly related to the issue or problem and current data. Primary data are the data which the researcher collects through various methods like interviews, surveys, questionnaires etc. The primary data have own advantages and disadvantages:

##### (i) Advantages of primary data:

Advantages of primary data are as follows:

- The primary data are original and relevant to the topic of the research study so the degree of accuracy is very high.
- Primary data is that it can be collected from a number of ways like interviews, telephone surveys, focus groups etc. It can be also collected across the national borders through emails and posts.
- Moreover, primary data is current and it can better give a realistic view to the researcher about the topic under consideration.

##### (ii) Disadvantages of primary data:

Following are the disadvantages of primary data:

- For collection of primary data where interview is to be conducted the coverage is limited
- A lot of time and efforts are required for data collection.
- It has design problems like how to design the surveys. The questions must be simple to understand and respond.

#### (b) Secondary Data

Secondary data are the data collected by a party not related to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data then these become secondary data for the current users. These may be available in written, typed or in electronic forms. There are various advantages and disadvantages of using secondary data.

##### (i) Advantages of Secondary Data:

Advantages of secondary data are following:

- The primary advantage of secondary data is that it is cheaper and faster to access.
- Secondly, it provides a way to access the work of the best scholars all over the world.

• Thirdly, secondary data gives a frame of mind to the researcher that in which direction he/she should go for the specific research.

(ii) *Disadvantages of Secondary data:*

Following are the disadvantages of secondary data:

• The data collected by the third party may not be a reliable party so the reliability and accuracy of data go down.

• Data collected in one location may not be suitable for the other one due to variable environmental factor.

• With the passage of time the data becomes obsolete and very old

Secondary data collected can distort the results of the research.

• Secondary data can also raise issues of authenticity and copyright.

Keeping in view the advantages and disadvantages of sources of data requirement of the research study and time factor, both sources of data i.e. primary and secondary data have been selected.

### 2.3. Instruments for Data Collection

For collection of data, the following instruments have been used:

(a) *Questionnaire*

Questionnaire is a set of questions that has been prepared to ask a number of questions and collect answers from respondents relating to the research topic. A number of questions usually in printed or electronic form are to be answered by the individuals. It serves four basic purposes: to (1) collect the appropriate data, (2) make data comparable and amenable to analysis, (3) minimize bias in formulating and asking question, and (4) to make questions engaging and varied.

(b) *Interview*

In this method the interviewer personally meets the informants and asks necessary questions to them regarding the subject of enquiry. Interviews like personal interview/depth interview or telephone interview can be conducted as per the need of the study.

(i) *Advantages:*

Advantages of interview are following:

• In this method information can be gathered from illiterate people too.

• There are no chances of non-response as the interviewer personally collects data.

• The collected data is very reliable since the interviewer tactfully collects the data by cross examining the responders.

(ii) *Disadvantages:*

• The major disadvantages of interview are:

• There is a chance of bias.

• The informants may not answer some personal questions.

• It is a time-consuming process.

• Money and manpower requirements are very high.

### 2.4. Research Methods

For collection of primary data for this research work, survey and observation methods have been used. Experimental method is not found suitable for this study because the topic is a theoretical topic and there is no need to have experiments. These two methods are explained below:

(a) *Survey Method*

Survey is used to collect quantitative information about items in a population. Surveys are used in different areas for collecting the data even in public and private sectors. It is an efficient way of collecting information from a large number of respondents. Very large samples are possible. Statistical techniques can be used to determine validity, reliability, and statistical significance. Surveys are flexible in the sense that a wide range of information can be collected. They can be used to study attitudes, values, beliefs, and past behaviors.

(b) *Observation Method*

Observation is a complex research method because it often requires the researcher to play a number of roles and to use a number of techniques; including her/his five senses, to collect data. The observer puts himself in the actual situation and watch carefully. On the basis of his knowledge, skills and experience he

collects the data without contacting the respondents.

## 3. RESULTS AND DISCUSSION

The data collected and discussions can further be analysed and interpreted under the heads of obvious benefits it has to offer and the accruing situational shortcomings which have apparently overshadowed its rationality and significance.

### 3.1. Results

1. Keeping in view the fact that I am focusing on the small yet commercial towns, meaning hubs providing business opportunities to the nearby villages and suburbs, our results are representative of all- distributors, stockiest, wholesalers and retailers.
2. Primarily the resistance and opposition were general in nature as ‘change is never easily acceptable’.
3. Majority of the businessmen stand against GST saying it has complicated business accounting mechanism.
4. On further probing I found that the reason being unawareness of the implementation mechanism and inflexibility towards drifting from age old methods to an altogether different modus operandi.
5. Tax practitioners are facing it all right from self education about GST to communicating it to the clients.
6. As per the reviews, reports, statistical surveys and case studies GST is taking India higher on the” ease of doing business” ranking but a common man still differs not analytically but intuitively and impulsively.
7. Almost 100% believe that the grace period for the shift was not sufficient but at the same time failed to suggest anything to the contrary.
8. In the opinion of the tax practitioners, their clients feel GST as of now has not resulted in ease of doing business because of the following inconveniences. There are some people who have faced compliance issues in the e-way bill mechanism. The reasons they state are - difficulty in tracking of bill for modification, limited validity period, lack of appropriate knowledge and unavailability of infrastructure.
9. Majority of the practitioners as they proceed with the questionnaire tend to appear inclined towards GST.
10. When discussing about the implementation of GST, they do agree situation has changed from the day of announcement to date.
11. There are a few respondents who have already started feeling the ease and have started availing the benefits and are able to visualize GST as part and parcel of Indian and global economic scenario and highlighted the under mentioned in favour of GST.
  - a) *Reduced startup cost*: GST has brought down startup cost for new business. Entrepreneurs can now stay focused on business growth rather than worrying about the vagaries of taxation.
  - b) *Easier setting up of business around the country*: The centralised registrations have made the process easier for startups who can now set up their business anywhere in the country with ease. SMEs can even look forward to expanding their horizons easily.
  - c) *Changes in IT setup and billing pattern*: GST has brought with it changes in IT setup, supply chain, procurements and billing patterns. It eased compliance, introduced anti profiteering with caution and brought the very effective e-way bill mechanism.
  - d) *Introduction of e-way bill*: The e-way bill has rolled out smoothly by improving the system through reduction of transportation and logistics costs.
  - e) *Reduced logistics cost*: GST has reduced the logistics costs substantially. Goods can now move quicker and delivered faster as there are no more serpentine queues at state border. This has cut down the transportation cost of goods between different states, thereby reducing the total cost.

f) *Easier maintenance of records:* Maintenance of records has become easier under GST. There is a high satisfaction index in this regard.

g) *Reduced human intervention:* Human intervention has reduced as the taxation process came online. It has helped in doing away with the time consuming process of filing taxes, which earlier hampered productivity.

h) *Easier registrations, payments and returns:* With the compliance procedures moving online, registrations, payments, refunds and returns have become much easier a process. Traders can now get registration certificates on time. Unnecessary bureaucracy has been side-lined. Payments appear to have become timely and transparent. Compliance costs have reduced. Refunds have become faster, thereby bringing in greater liquidity for businesses. GST has also brought with it faster and simpler returns with input tax credit and tax liability adjustments.

i) *Reduced tax burden:* Tax burden, a major concern of all business houses, has reduced by a significantly great amount. There is no more the burden of a chain of taxes.

j) *Raised exemption limit:* The exemption limit has been raised to Rs 20 lakhs for the NE states which brings a great respite to the SMEs.

k) *New markets now accessible:* New markets have become more accessible to small traders with less complicated tax structure. Earlier, there was only a little ability for business houses to reach the potential customers across the country.

### 3.2. Benefits of GST Implementation

- i) GST reduces the cost of doing business by eliminating all the hidden charges.
- ii) It makes the transactions more transparent as the sales invoices depict the tax applied.
- iii) Maintenance of records has become practically very easy with GST implementation. Automated returns can be generated without any additional need for entry of data.
- iv) The e-way bill mechanism is a boon, both in the immediate and long run.
- v) It helps in reducing the cost of things which helps in increasing consumption and thereby the production of companies.
- vi) With GST, an equal distribution of the tax burden on manufacturing and services has become possible.
- vii) As a taxpayer, the amount of transparency and ease in taxation process assures both immediate as well as long-term positive impacts.
- viii) For businesses carrying over operations in other states as well, GST has made it easier for them by replacing the need for keeping up with different VAT compliances across different states.
- ix) It has facilitated faster transportation of goods by eliminating long hour waits at Sales Tax check posts.
- x) Business houses in Tinsukia town, dealing with cement, building materials, automobiles, consumer durables etc., have benefitted substantially.

### 3.3. Shortcomings of GST Implementation

- a) The hardest part of the GST reform for any taxpayer was understanding its structure. The reform which had come to ease out the tax system ended up becoming complicated for many.
- b) The shift of accounting from manual to computerised has increased the one time cost, which includes setting up of computer, printer and accounting package. This cost is estimated at a minimum amount of Rs 50000-70000.
- c) Small business houses found it burdensome on their pockets when GST practitioners increased their fee by a substantial amount after the implementation of GST.
- d) Business houses dealing with Textile, Dairy products, Pharma, IT, and Telecom, who enjoyed a number of tax benefits earlier, have to bear the brunt of a higher tax now.
- e) Businessmen dealing with commodities such as credit cards, mobile phones and jewellery saw an increase in the prices of their products.

## 4. CONCLUSION

GST, which came in India with its 'One Nation, One Tax' theme, shall become an enabler of ease of doing business. It is impacting each and every aspect of business by bringing about changes not only in technology, systems and reporting, but also across the entire value chain in a fair and transparent manner. Surveys have shown not so happy respondent attitude towards GST implementation as of now. But most businessmen tend to see a positive impact of GST on their business in near future building a consensus that the uniformity it shall bring with itself shall give more clarity to business, encouraging businessmen to take more risks.

Whenever there is a remarkable reform in an existing system of working, the gap is filled by such research studies that provide an insight into the gradual shift from the reluctance to acceptance. However, it is important that the reforms be introduced as a blessing in disguise and not as monstrous threats. This research also depicts the inability of our policy makers and economists in properly implementing and announcing such a massive reform

## 5. RECOMMENDATIONS

The following suggestions have been listed down after the analysis of the impact of GST in ease of doing business:

### a) *Integration of different heads of payment*

At present, there are different heads of payment while paying challan, i.e. IGST, CGST, SGST, cess, interest, penalty, fee etc., which create a lot of confusion in the mind of an ordinary taxpayer. In order to remove this confusion, there should be a single head of payment and a portal to automatically bifurcate the amount to different heads as per return.

### b) *Non-maintenance of stock register*

Every regular taxpayer in GST is required to maintain stock register, as per the current GST law. It would be better if maintenance of stock registers for small regular taxpayers could be done away with.

### c) *No receipt voucher and payment voucher*

Maintenance of receipt voucher and payment voucher under GST should be removed.

### d) *Non filers of return should be given a one time option to surrender their registration*

During the early stages of GST, many people took registration even if it was not mandatory for them to do so under the Act. But later, they stopped filing return because of a number of complications and also out of ignorance. These non-filers should be given a one-time option to surrender their registration without filing return. This step will help in reducing the burden on portal.

### E) *Other points*

1. Penalty should not be levied for late filing of return, in cases where returns couldn't be filed on time because of errors in GST portal.
2. The mechanism to change the registered mobile number and e-mail id should be simplified.
3. A mechanism should be developed on the portal so that buyers can check if their supplier has paid GST on the bill issued to them. The buyer can be, thus, assured of if he can avail input tax credit on the same.
4. Non GST and Exempt turnover should not be taken into account for calculation of aggregate turnover.
5. Input should be allowed on construction of building for business purpose.
6. Interest on reversal on non-payment of bill to supplier within 180 days should be removed.
7. Calculation of cess on cigarettes should be made simpler or uniform.



## 6. FUTURE SCOPE OF STUDY

1. Merits and demerits of Income Tax vs GST
2. How to make public comply with GST?
3. Infrastructure up gradation for effective implementation of GST
4. Comparative study of public opinion on GST over the years
5. Implementation of GST globally

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