

# A Review of GST effect on the Food consumers in the Restaurant with in the Pune City.

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**Abstract:** The Indian tax structure comprises of direct and indirect taxes, there are many types of taxes levied on an individual on consumption of goods and services. To bring even tax structure all over India, Goods and Services Tax (GST) has been introduced in India on 1st July 2017 by the present Government. In 2017 the GST bill was passed in Lok Sabha and the Rajya Sabha. Later the (GST) Goods and Services Tax Act was passed in the parliament on 29th of March 2017. But this act came into effect on 1st of July 2017. It took almost 17 years to enforce this law. The Goods and Service Tax (GST) is considered to be one of the great reformation implemented in India. So far, More than 150 countries have implemented GST. This article is aimed at understanding the effect of GST on consumers of services with special reference to the hotel industry.

**Keywords:** Goods and Services Tax (GST), Indian Tax Scenario, food Service

## I. Introduction:

Goods and service tax –GST, which is applied at each point of sale or provision of service, in which at the time of sale of goods, the services the seller may claim the input credit of tax which he has paid while purchasing the goods or procuring the service. It is seen as the panacea for removing the bad effects of the present indirect tax regime, prevalent in the country. If adopted and implemented, GST may neutralize the existing problem of taxes being levied on top of taxes. At the retail level, the state where the outlet is located, charges VAT (different states charge different rates of VAT) without giving credit on the excise duty levied earlier. This GST tax collected by Central and state taxes may be collected at the point of sale.

It is introduced to simplify current level indirect tax system. It integrates the union excise duties, customs duties, service tax and state VAT into a single levy known as GST. GST may be rightly termed as national level VAT on goods and services with only one difference that in this system not only goods but also services are involved.

## OBJECTIVES OF GST:

- To remove cascading effects of tax.
- To promote healthy competition.
- Ensuring input tax credit availability at all stages of value chain.
- It aims at creating business-friendly environment, thus causing increase in GDP.

## ADVANTAGES OF GST:

- One Nation One Tax.
- Removal of bundled indirect taxes such as VAT, CST, SERVICES TAX and EXCISE.
- Removal of cascading effect of taxes i.e. removes tax on tax.
- Increased ease of doing business.

## Restaurant industry

The Indian Restaurant industry today, is worth a staggering INR 247,680 crores and is developing at a yearly rate of 11% – estimated to hit INR 408,040 crores by 2018. National Restaurant Association of India's 2013 India Food Service Report, the segment comprises of 1.5 million eating outlets, employing 4.6 million people, which again, is projected to rise to 8 million by 2018. The rapid urbanization, growing awareness of western lifestyles, more women joining the workforce and higher disposable income, to name a few. Not to forget the organized food services industry – comprising the KFCs, Dominoes and Mc Donald's of the world, as well as the rising new age food booking and delivery start-ups like Swiggy, Food panda etc. which are pushing the sector to greater heights.

## GST on Restaurants:

- 1.) All standalone restaurants (whether AC restaurant or non-AC restaurant) – 5% without the benefit of ITC.
- 2.) Food parcels / takeaways – 5% without the benefit of ITC.
- 3.) Restaurants in hotel premises having room declared tariff of less than INR 7500 per unit per day – 5% without the benefit of ITC.
- 4.) Restaurants in hotel premises having room declared tariff of INR 7500 and above per unit per day – 18% with the benefit of full ITC.
- 5.) Outdoor catering – 18% with the benefit of full ITC.

**Knowing the bill:**

BEFORE			AFTER		
ABC FOOD CORNER			ABC FOOD CORNER		
TABLE NO. 4      BILL NO. 34321			TABLE NO. 4      BILL NO. 34321		
DATE _____			DATE _____		
Dish	Qty.	Price	Dish	Qty.	Price
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
<b>TOTAL</b>		<b>Rs.2000</b>	<b>TOTAL</b>		<b>Rs.2000</b>
SERVICE CHARGE @ 10%		200	SERVICE CHARGE @ 10%		200
SERVICE TAX @5.6%		123.2	GST @18%		
KKC @0.2%		4.40	- CGST 9%		198
SBC @0.2%		4.40	- SGST 9%		198
VAT @14.5%		319			
<b>TOTAL AMOUNT PAYABLE</b>		<b>2651</b>	<b>TOTAL AMOUNT PAYABLE</b>		<b>2596</b>

**II. Literature Review:**

**The Finance Minister (2010)** said GST will be beneficial to the Centre, States, industrialists, manufacturers, the common man and the country at large since it would bring greater transparency, better compliance, increase in GDP (gross domestic product) growth and revenue collections.

**The IMF (2012)** says that the GST design being contemplated is... fairly complex, with a dual administration arrangement that involves the tax authorities of both the Centre and states separately taxing a single transaction.

**Thomas Richardson (2012)**, an author of this subject in the report, said the proposed structure of GST would require the Centre to coordinate with 30 states. It would also be administratively challenging because state tax officials did not have experience in taxing services, said Richardson.

**Girish Vanvari (2012)** said that the Budget lays down a clear roadmap for GST implementation and attempts to deal with black money in a credible manner."

**OBJECTIVE OF THE STUDY:**

- To understand the concept of Goods & Service tax.
- To obtain a comprehensive overview of consumer's awareness and perceptions of GST.
- To know the Advantages and disadvantages of GST on service sector with respect to restaurant industry.
- To understand the impact on consumer buying behaviour post GST specific to Restaurants and hotel industry.

**III. Methodology:**

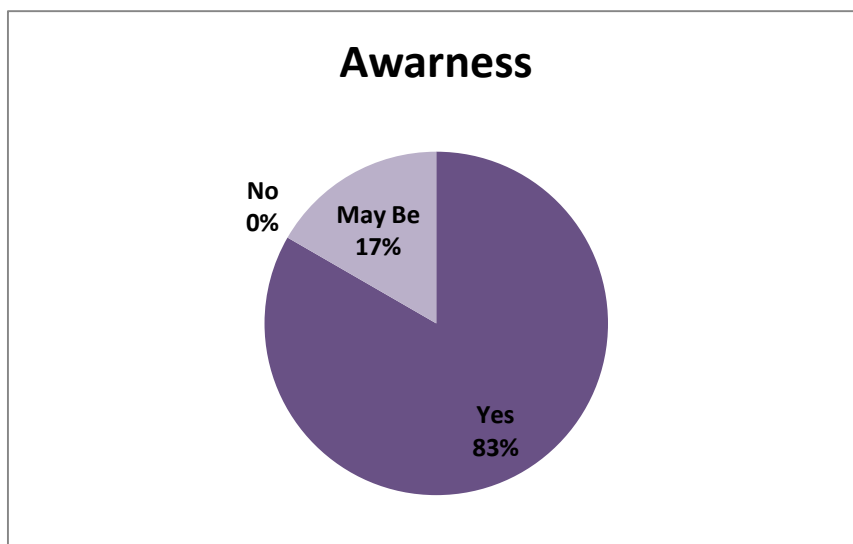
The data and the information for the study of GST impact on service sector with special reference to Restaurant Industry were collected through secondary data such as journals, magazines, annual reports and websites. Primary data collected from the food consumers with in the pune city. To know the impact of GST on common people availing restaurant services, questionnaire containing eleven questions was prepared and given for 100 respondents. Samples were collected from people visiting restaurants and eating out.

**Demography:**

OPTION	Number of Respondents	Percentage
Total No. of Respondents	100	100%
No. of Male Respondents	34	34%
No. of Female Respondents	66	66%
Maximum People belong to the age group	21-30 yrs	90%

**ANALYSIS:**

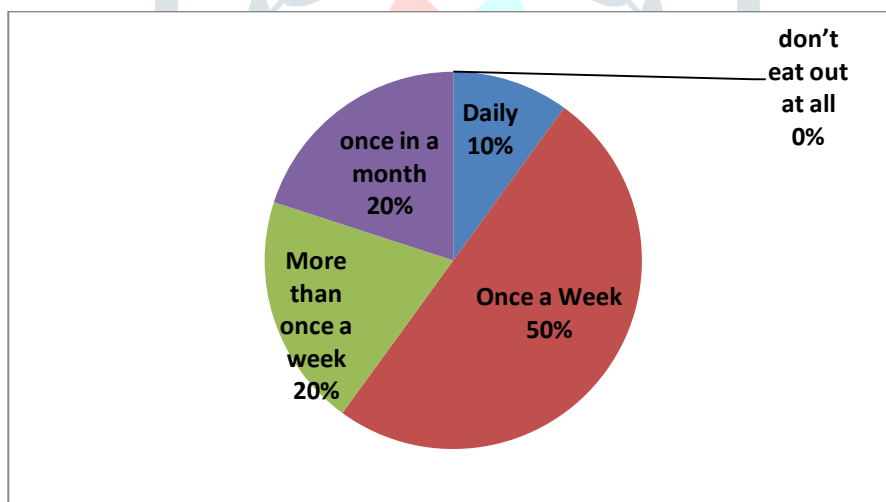
1) Respondents awareness about GST Rate on Food and Drinks



**INFERENCE:**

Thus, this shows that 83% of the respondents are aware about the GST rate on Food and drinks and 17% have at least some idea about it. There is no respondent who is Not aware about the GST.

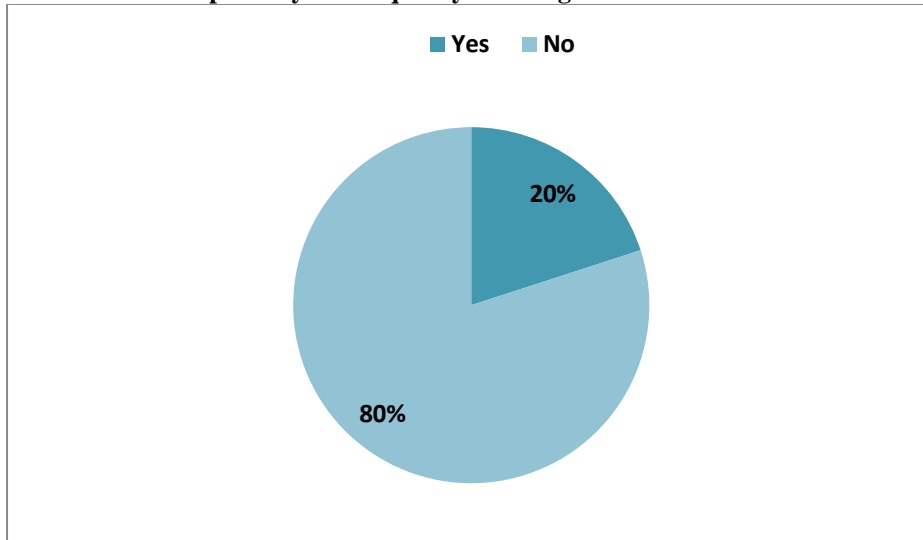
2) How Often people prefer eating out or order outside food?



**INFERENCE:**

It can be inferred that the maximum number of respondents prefer eating out once a week and there are zero respondents who don't eat out at all. This means that the launch of GST will impact to some extent depending on the degree of eating out.

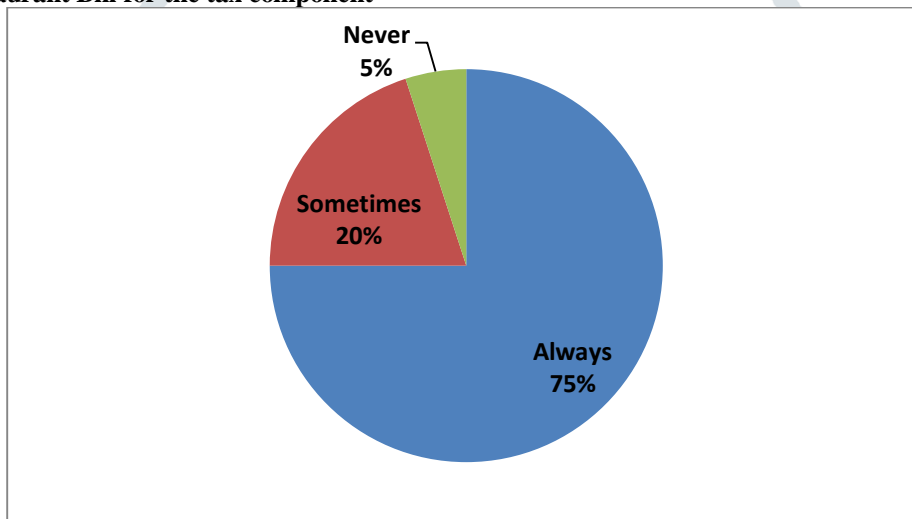
3) Introduction of GST in India has impacted your frequency of eating out



**INFERENCE:**

Out of the total respondents 80% believe that introduction of GST has no impact on their pattern of eating out and 20% believe that it has impacted their frequency of eating out.

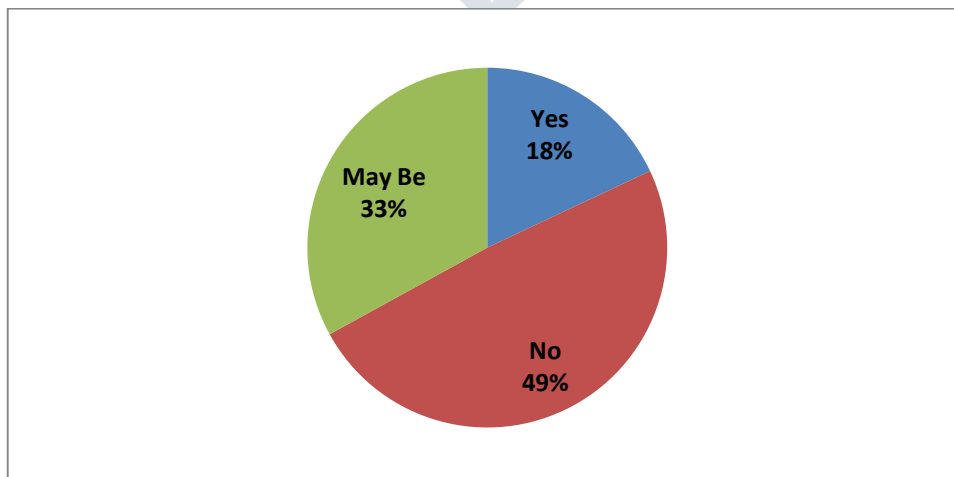
4) Checking the Restaurant Bill for the tax component



**INFERENCE:**

Maximum number of respondents check the restaurant bill for the tax component while making the payment and only 5% of the respondents don't check the bill for tax component.

5) Opinion of respondents about helpfulness of GST to common men.



**INFERENCE:** Out of 100 respondents, 18% accepted that GST is helpful to common men, 49% said it is not helpful to common men, 33% reacted neutral to the statement.

#### IV. Findings:

- 1) 83% responded that they are aware about GST and 17% said that they have at least some idea about GST.
- 2) 80% of the respondents believed that the introduction of GST has no impact on their frequency of eating out and 20% stated that it has impacted their frequency of eating out.
- 3) 18% accepted that GST is helpful to common men, 49% said it is not helpful to common men, 33% reacted neutral to the statement.
- 4) 75% of the respondents always check their bill for the tax component before making the payment, 20% check their bill sometimes and 5% of the respondents never check the bill for the Tax component.

#### V. Conclusion:

To conclude we can say that the GST is newly implemented in India. The common man is not fully aware about the GST regulations. This study made an attempt to understand the views of GST by the common man in the service sector with special reference to the Restaurant Industry. Also, government must conduct free of cost awareness programmes for the common people on how GST is charged and on what basis and include GST as a subject to all degree syllabuses which further will allow learning this in depth. Thus, this study will help us in understanding the positive or negative impact of GST on the restaurants and hotels, how it has impacted their earnings and cost of raw materials, the impact on customers etc.

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