

Impact on Goods and Services Tax on Service Sector – A Study

***Dr.Suguna Basavaraj, Associate Professor of Commerce, Govt. First Grade College for Women, Raichur.**

Abstract:

In this paper author attempts to find the impact on gst on service sector. The design of a tax can have an impact on how distorting (or inefficient) a tax can be. As a consequence of differences in design, there is significant variation in efficiency in the taxes currently faced by businesses and households in Indian. For example, many of the state taxes are recognized as the more inefficient taxes. The more inefficient or distorting a tax is, the more likely resources will be moved away from their highest value use. This will lead to lower productivity across the economy. On the other hand, consumption taxes (such as Indian GST) are generally considered to be one of the more efficient types of taxes. International organizations such as the International Monetary Fund (IMF) have recognized the implications of these efficiency differences, suggesting in 2010 that they would “welcome more reliance on consumption-based taxes [in Indian].

Keywords: Tax system, GST/VAT.

INTRODUCTION

The review panel provided its report to the Indian Government in December 2009. In May 2010, the Indian Government released the final report of the Henry Tax Review, the most comprehensive review of Indian’s tax system to date. This report provides an excellent background to the consideration of tax reform options, because it discusses the general principles of tax reform and includes modeling of the economic costs of a number of state taxes. These economic costs were modeled by KPMG Eco, using the same framework used in this report. Following this, the Indian Government announced that it will convene a public Tax Forum in early October 2011 to consider future tax reform options in the context of the Henry Tax Review. The discussion paper for this forum was released on 28 July 2012, with the aim to “inform public debate on priorities and directions for continuing tax reform in the lead-up to the Tax Forum.” This discussion paper identifies economic growth as one of the important factors in the design of a tax system. Taxes are important sources of funding for government services, such as education, health and welfare. However, taxes also affect the way that the economy operates, and can lead to less productive use of resources and lower living standards. The design of a tax can have an impact on how distorting (or inefficient) a tax can be. As a consequence of differences in design, there is significant variation in efficiency in the taxes currently faced by businesses and households in Indian. For example, many of the state taxes are recognized as the more inefficient taxes. The more inefficient or distorting a tax is, the more likely resources will be moved away from their highest value use. This will lead to lower productivity across the economy. On the other hand, consumption taxes (such as

Indian GST) are generally considered to be one of the more efficient types of taxes. International organizations such as the International Monetary Fund (IMF) have recognized the implications of these efficiency differences, suggesting in 2010 that they would “welcome more reliance on consumption-based taxes [in Indian]. This would allow for the elimination of inefficient taxes at the state level that impede labor mobility and allow for reductions in federal personal income taxes that would encourage increases in labor supply and saving.” A 2009 survey of international tax rates showed that Indian’s 10 per cent GST rate is at the lower end of the world GST/VAT scale. The average GST/VAT rate across all 115 surveyed countries was around 15.25 percent in that year. In addition, this survey showed that the 10 per cent Indian GST rate is one of the lowest GST/VAT rates amongst all OECD countries, with many OECD countries such as Denmark, France, Germany and the U.K. imposing GST/VAT rates around 20 per cent. Despite these attributes, the GST was not included as one of the taxes examined in the Henry Tax Review. While the 2011 Tax Forum discussion paper contains some discussion questions around the GST, these are focused on the incentives caused by GST distribution, rather than on the costs/benefits of including GST in the mix of potential tax reforms. It is recognized that there are definite challenges in including changes to the GST in any reform agenda (including that any changes require the unanimous approval of the States and Territories). This is reflected in the IMF’s 2010 statement that, “On tax reform, the [Indian] authorities noted that increasing consumption taxes would be difficult, as they are perceived as regressive. Further, the government has a clear policy that the GST rate will not be increased or the base broadened. “This was further reinforced by the Treasurer Wayne Swan’s recent comment that “The government will not be touching the base or the rate of the GST – end of story.”

Goods and Service Tax (GST) is new concept. It is tax imposed on the goods and services tax of a person by Central Government. The contribution of implementation of tax to the goods and service tax in the Davanagere District. The finds out the impact of implementation of goods and service tax. This study is desired to find out local imposition of tax towards the goods and services.

OBJECTIVES OF THE STUDY

The main objectives of project work are as follows:

1. To Study theoretical Concepts of Goods and Service Tax
2. To study the impact of Goods and Service Tax implementation on tax payers in Siruguppa taluk, Ballari district.

The scope of the study is confined to impact of Goods and Service Taxes implementation in Siruguppa Taluk, ballari District only. In this study about the tax payable by the tax payers on Goods and Services. This study follows descriptive type of research methods and the study is based on both primary and secondary collection.

Primary data: Primary data have been collected from 50 tax payers by applying questionnaire and interview schedule in study areas in siruguppa Taluka. The data has been collected from the tax payers like Medical

shops, T V showrooms, Bakery shops and Hardware shops in siruguppa Taluk. **Secondary data:** Secondary data has been collected from the various books of GST and some reports of GST, websites and research articles.

IMPLEMENTATION OF GST

The proposed dual system of GST charts out a system wherein both the Centre and the States will have concurrent powers for indirect taxation. The power to levy tax on goods and services are vested with both Central Government and State Government under Art. 246 read with List-I and List-II of Schedule VII of the Constitution. Accordingly, neither the Central Government nor the State Government can usurp the taxing powers of the other without constitutional amendments to such effect.¹⁶ as has been noted earlier; the current system of taxation under the Constitution is inefficient in the present scenario. For the purpose of designing a comprehensive and neutral goods and service tax consonant with standards set by developed nations, it stands as insufficient.¹⁷ Therefore, the following provisions of the Constitution need to be amended:

1. Which is categories the subjects on which the Union and the States can legislative respectively.
2. Which is relates to taxed levied and collected by the Union, but assigned to the States.
3. Whichis provides for taxes which are levied and shared by the Union and the States.
4. Whichis imposes restrictions on the levy of tax on the sale or purchase of goods.
5. Certain restrictive definitions given in Art. 366. Moreover, for the successful implementation of this system, there are a few expectations out of it:
6. Existing laws providing for taxation – Central excise laws, the Finance Act, 1994, VAT laws need to be repealed.
7. Harmonization of tax collection in India, giving due respect to the fiscal autonomy of both the Centre and the States. This will allow both to raise revenue in a uniform manner.

Research analysis is based on the responses given in the questionnaire by the Siruguppa Taluk, Ballari District tax payers on GST. A detailed and systematic analysis was done, so as to complete information about their GST. Every question was analysed individually. Firstly the information's collected from tax payers through questionnaire collected information. Secondly, it is put in to the form of tables analysis was done and interpretation.

Table-1: Age of Respondents

Age	Respondents	Percentage
Below20	4	8 Percentage
Above20-30	18	36 Percentage
30-45	22	44 Percentage
Above45	6	12 Percentage
Total	50	100 Percentage

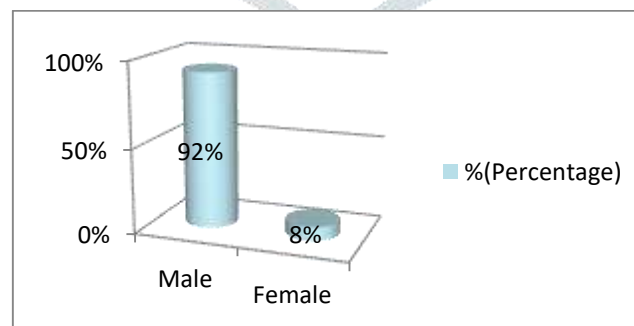
Source: Field Survey

The above table number 1 shows that maximum number of Respondents i.e., 8 percent of Respondents fall under the age group of below 20 years and 36Percent of fall under the age group of above 20-30 years and 44Percentof fall under the age group of 30-45 and 12Percent of fall under the age group of above 45 year out of 50 Respondents maximum Respondents are belongs to 44 Percent of dealers are 30-45 years.

Table-2: Gender of Respondents

Gender	Respondents	Percentage
Male	46	92 Percentage
Female	4	8 Percentage
Total	50	100Percentage

Source: Field study

Chart-2: Chart Showing Gender of the Respondent

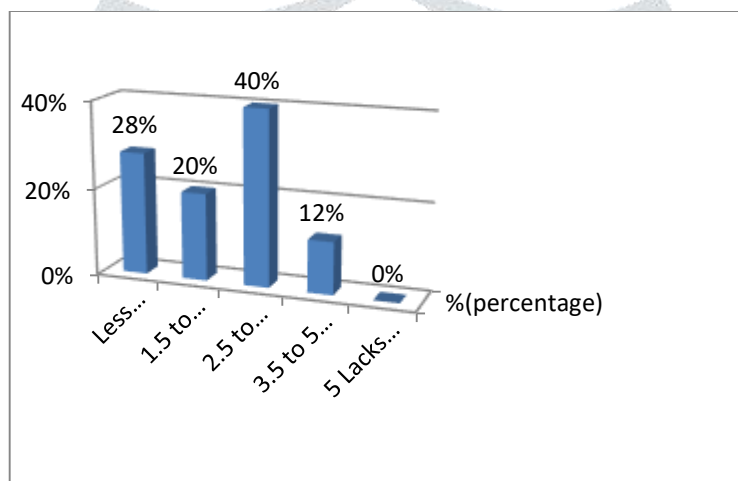
Source: Created by the researcher based on the above table No 2

The above table number 2 shows that it is inferred that 100 Percent of the Respondents are total gender 92 Percent of the male and 8 Percent of the Respondents for female. The majority of the Respondents are male.

Table-3 Showing Respondent Annual Income

Annual Income	Respondents	Percentage
Less than 1.5 Lacks	14	28 Percentage
1.5 to 2.5 Lacks	10	20 Percentage
2.5 to 3.5 Lacks	20	40 Percentage
3.5 to 5 Lacks	6	12 Percentage
5 Lacks above	00	0 Percentage
Total	50	100 Percentage

Source: Field study

Chart-3 Chart Showing Respondent Annual Income

Source: Created by the researcher

The above table number 3 shows that it is inferred that 28Percent of the Respondents annual income belongs less than 1.5 lacks 20 Percent of the Respondents annual income belongs 1.5to 2.5 lacks. And 40 Percent of the Respondents annual income belongs 2.5 to 3.5 lacks, and 12Percent of the Respondent's annual income belongs 3.5 to 5 lacks. And 5 lacks above Respondents annual income is 0 Percentage. The majority of the Respondents is 40 Percentage.

The above table number 4 shows that it is inferred that 32Percent of the Respondents are high tax towards present VAT system for the reason and double taxation will be 56Percent of the Respondents for the reason of other taxation 12Percent of the Respondents with present VAT system. So many of the Respondents are dissatisfied for the reason of double taxation.

Findings:

1. Out of 50Respondents nearly 44 percent of the Respondents are belongs to 30-45 age group.
2. By the Field survey out of the 100 Percent. The 92 Percent is male Respondents and remaining 8 Percent female category.

3. Out of 100 Percent of the Respondents the 88Percent is married and remaining 12Percent is unmarried Respondents.
4. Majority of the Respondents are having PUC educational qualification.
5. The all Respondents are having a business occupation.
6. The majority of Respondent's annual income is 40 Percent. Belongs to annual income group 2.5-3.5 lack.
7. The majority of Respondents opinion that GST is beneficial than VAT.
8. The majority of Respondents they are paying VAT and majority of the Respondents paying tax yearly and quarterly.
9. Most of the Respondents give positive opinion about the implementation of GST
10. The study area survey by the researcher came to know that very less i.e.12Percent of the Respondents are highly satisfied with the present VAT system.
11. Majority of the Respondents is 32Percent of dissatisfied and average through present VAT system.
12. Majority of the Respondents are dissatisfied through present VAT system for the reasons of high tax and double taxation.
13. The study of survey area most of the Respondents have lack of awareness about GST
14. The out of 50Respondents32Percent of the Respondents they know about GST through their books and magazines of members.
15. Majority of the Respondents opinion that implementation of GST reduces the Corruption free tax.
16. Many of the Respondents have opinion implementation of GST reduces the double taxation, and it is not reduces the price of the goods.
17. The majority of Respondents opinion that GST is beneficial than VAT.
18. NO one should define correct procedure of GST.

5.2 Suggestions:

1. Uncertainty of states charging laws, rates of taxation and like will continue affecting business sentiments.
2. Taxation of services at state level especially service provided nation-wide (e.g. telecommunication service, transportation service) will pose challenge.
3. Government take decision for implementation of GST
4. Government should make implementation of GST as soon as possible.
5. The dealers are not aware of GST hence government and tax authorities therefore to organize programs to create awareness among dealers.
6. Consolidate taxes on goods and services at each Union Level and State Level.
7. Consolidate tax on services imposed under different enactments by state governments e.g., duty on entertainment, and electricity, luxury.

Conclusion:

The GST being a consumption tax is likely to have an inflationary effect on taxpayers but as consumers, they have a choice to a certain extent whether to pay the tax should they decide to consume any of the non-essential goods and services. One of the biggest taxation reforms in India, The Goods and Service Tax (GST) -- is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. 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. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. The GST is avoiding the snowball cash ceding effect and the ultimate burden in equilibrium are not shifted to ultimate customer.

REFERENCES:

- Census of India (2001) Census of India . (2001). Social and Cultural Tables, Series 1, Part IV–A. Government of India.
- Census of India (2011) Census of India . (2011). Social and Cultural Tables, Series 1, Part IV–A. Government of India.
- Chakravarti (1998) Chakravarti, U. (1998). Gender, caste and labour: The ideological and material structure of widowhood. In M. A. Chen (Ed.), Widows in India: Social neglect and public action. New Delhi: Sage.