

## **Impact of Goods and Services Tax (Gst) On Sole Proprietor- An Analysis Of Autotrophs Awareness With Special Reference At Erode, Namakkal And Salem Districts In Tamilnadu**

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### **ABSTRACT**

Goods and Services Tax is a tax on the supply of goods, or services or both except taxes on the supply of the strong liquor for human consumption. GST is a broad tax levy on manufacture, sale and consumption of goods and services at a national level. The present research has been conducted to examine the impact of GST on the performance of business. Data was collected with a primary source through questionnaires and designed with well-structured on five point likert scale. The sample size of the study is 110 businessmen of Erode, Namakkal and Salem. One sample t test was used as the statistical tool for analysis. The findings' highlights that there is no significant impact of GST on business.

**Keywords: Goods and Services Tax (GST), business, Well-structured, Impact.**

### **1. INTRODUCTION**

The word tax is derived from the Latin word "**taxare**" which means "to **estimate**". "A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any role imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name." There are

two types of taxes namely **direct and indirect taxes**. Taxes in India are levied by the Central Government and the State Governments. Some minor taxes are also levied by the local authorities such as Municipality or Local Council. The authority to levy tax is derived from the Constitution of India which provides the power to levy various taxes between Centre and State. However, State Sales Tax, CST, VAT, Entry tax, other local levies etc. are state taxes. Originally, the taxes on the sale of goods were levied in terms of the respective Sales Tax/Trade Tax enactments and the 'entry of goods' was subject to tax under the respective State Entry Tax enactments and this scenario was existed till the implementation of VAT.

The first reference with respect to GST as a single centralized indirect tax was made in the Indian Budget in 2006-07 by Mr. P. Chidambaram, Finance Minister. However, The GST Bill was introduced on December 19, 2014 and passed on May 6, 2015 in the Lok Sabha and Passed in Rajya Sabha on 3<sup>rd</sup> August, 2016. The Government wants to implement GST Bill from 1<sup>st</sup> April, 2017 but due to several constraints, it was implemented from 01<sup>st</sup> July, 2017. Clause 366(12A) of the Constitution Bill defines GST as “goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. GST is one indirect tax for the whole nation, which will make India one unified common market all central and state taxes are merged in GST (Table 1). GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid 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. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

**Table 1: Taxes merger in GST**

<b>Central Taxes</b>	<b>State Taxes</b>
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Central Excise duty	State VAT / Sales
Additional duties of excise	Tax Central Sales
Excise duty levied under Medicinal & Toilet Preparation Act	Tax Purchase Tax
Additional duties of customs (CVD & SAD)	Entertainment Tax (other than those levied by local bodies)
Service Tax	Luxury Tax
	Entry Tax (All forms)
	Taxes on lottery, betting & gambling
	Surcharges & Cess

### Features of GST Model

- i. Tax Payment will be done by exporting dealer to the account of receiving state.
- ii. Credit will be allowed to the buying dealer by receiving state on verification.
- iii. Submission of declaration form is likely to be discontinued.
- iv. Area based exemptions will continue up to legitimate expiry time both for the Centre and the States.
- v. Product based exemptions to be converted into cash refund.

### 2. OBJECTIVES OF THE STUDY

1. To explain the concept of GST.
2. To examine the impact of GST on business concert in selected districts.

### Research Methodology

Data was collected with the application of convenient sampling. A well designed structured questionnaire was distributed among 150 businessmen in Erode, Namakkal and Salem. The questionnaire was pre-tested several times. Data collection period was two months from April, 2019 to May, 2019. Out of 150 distributed questionnaires, 40 questionnaires were rejected on account of mistakes and incomplete information and 110 were accepted. Therefore, the sample size of the study is 110 (table 2). One sample t test was used to analyze the results through Statistical Package for the Social Science (SPSS)

20\_version.

**Table 2: Sample Size of the Study**

Cities	Questionnaires		
	Distributed	Rejected	Accepted
Erode	50	06	44
Namakkal	50	18	32
Salem	50	16	34
Total	150	40	110

Source: Primary Data

### Demographic Profile of Respondents

Table 3 highlights the demographic profile like age, gender, education and family income of the respondents. A total of 150 questionnaires were distributed to the sole proprietor in Erode, Namakkal and Salem. The table shows that out of 110 respondents, 100 (90%) were males and 10 (10%) were females. Moreover, 15 (14%) were below the age of 35 years, 55 (50%) were within 36–50 years, 29 (26%) were in the age group of 51-65 years, and 11 (10%) were more than 65 years of age. So far education of respondents is concerned, 50 (45%) hold a Bachelor’s degree and 39 (35%) having Master’s degree. Nevertheless, 49% reported that they have monthly income under Rupees 80000, 30% reported that they have income under 160000, and 21% earn more than 160000. The above statistics revealed that the majority customers were male, above 35 years of age, having a Bachelor’s degree and having income less than 80000.

**Table 3: Demographic Profile of the Respondents**

Gender (N=110)	Frequency	Percent
Male	100	90
Female	10	10
Age (N=110)		
20-35 Years	15	14

36-50Years	55	50
51-65 Years	29	26
Above 65Years	11	10
<b>Education (N=110)</b>		
Up to XII	21	20
Graduation	50	45
Post Graduation	39	35
<b>Monthly Income in Rs. (N=110)</b>		
Under 80000	53	49
80001-160000	33	30
Above 160000	24	21

Source: Primary Data

## Descriptive Statistics

Table 4 highlights the responses provided by the respondents on the questionnaire statements. The questionnaire was designed on five point likert scale. 38 respondents were strongly disagree, 22 were disagree, 18 were agree, and 22 were strongly agree on the first statement. On the second statement, only seven and eight respondents were agreed and strongly agreed. 41 respondents agreed. The fifth statement was regarding the exemption limit and 44 respondents were agreed with the statement. On the sixth statement, 12 respondents were strongly disagree, 39 were disagree, 12 were agreed, and 16 were strongly disagreed. Nonetheless, 51 respondents were in favour of the statement while 44 were against the seventh statement. The eighth statement was about increase in profits of business after GST. 18 respondents were strongly agreed whereas 32 were strongly disagreed with the statement. Besides, 61 respondents show positive reply on ninth statement. Furthermore, 36 respondents were in favour while (Note) 64 were against the last statement.

**Table: 4 Descriptive Statistics**

No	Statements	SD	D	N	A	SA	Total
1	GST is a fair and just tax.	38	22	10	18	22	110

2	The registration procedure under GST is simple.	42	47	06	07	08	110
3	The business becomes easy after implementation of GST.	08	34	27	41	0	110
4	Your current software system is equipped to handle the GST.	46	0	13	25	26	110
5	The present threshold exemption limit of Rs 2000000 is correct.	23	31	0	44	12	110
6	Your sales have increased after GST.	12	39	31	12	16	110
7	GST brings transparency in business transactions.	0	44	13	51	02	110
8	The profits of the business increases after GST.	31	14	28	19	18	110
9	Filling of GST return is economical.	12	19	12	06	61	110
10	The current rates of GST (0%, 5%, 12%, 18% and 28%) are rational.	28	36	10	23	13	110
<b>SD: Strongly Disagree; D: Disagree; A: Agree; SA: Strongly Agree</b>							

Source: Primary Data

### Analysis and Interpretation

Table 5 shows the results of one sample t test. It shows the calculated mean, standard deviation, standard error, t value, and significant value. First, the mean value on this statement was 2.812 and t value was -2.522. The significant value corresponding to it was 0.913. It means that GST is not fair tax. Second, the mean value was 2.009 and significant value was 0.574 ( $P > 0.05$ ). It means that the registration procedure under GST is not simple. Third, the mean value was 2.901, t value was -5.654, and significant value was 0.246 ( $P > 0.05$ ). It shows that business becomes difficult after implementation of GST. Fourth, the mean was 2.892 and its corresponding significant value was 0.503 ( $P > 0.05$ ). Fifth, the mean value was 2.547 and its corresponding significant value was 0.744 ( $P > 0.05$ ). It means that the current threshold exemption limit of Rs 20, 00,000 is not correct and a businessman needs some relaxation in the limit. Sixth, the mean value was 2.308, t value was 19.987, and its corresponding significant value was 0.609 ( $P > 0.05$ ). It shows that sales have not

increased after GST. Seventh, the mean was 3.09 and its corresponding significant value was 0.008 ( $P < 0.05$ ). It shows that GST brings transparency in business transactions. Eighth, the mean value was 2.792, t value was 33.606, and its corresponding significant value was 0.177 ( $P > 0.05$ ). It shows that the profits of the business decreases after implementation of GST. Ninth, the mean was 3.74 and its corresponding significant value was 0.001 ( $P < 0.05$ ). It shows that filling of GST return is economical. Moreover, the last statement was regarding the rationality of current rates of GST. The mean value was 2.64 and its corresponding significant value was 0.349 ( $P > 0.05$ ). It depicts that businessmen are not satisfied with the current GST rates. They need some more reduction in GST rates.

**Table 5: One Sample t test**

No	Statements	Df=110, Test Value=3				
		Mean	SD	SE	T	Sig.
1	GST is a fair and just tax.	2.812	1.562	0.146	-2.522	0.913
2	The registration procedure under GST is simple.	2.009	1.719	0.532	11.418	0.574
3	The business becomes easy after implementation of GST.	2.901	1.245	0.232	-5.654	0.246
4	Your current software system is equipped to handle the GST.	2.892	1.689	0.159	-0.671	0.503
5	The present threshold exemption limit of Rs 20,00,000 is correct.	2.547	1.505	0.228	8.554	0.744
6	Your sales have increased after GST.	2.308	1.254	0.456	19.987	0.609
7	GST brings transparency in business transactions.	3.09	1.124	0.118	-1.145	0.008
8	The profits of the business increases after GST.	2.792	1.564	0.195	33.606	0.177
9	Filling of GST return is economical.	3.74	1.296	0.385	-4.072	0.001
10	The current rates of GST (0%, 5%, 12%, 18% and 28%) are rational.	2.64	1.706	0.411	24.528	0.349

*SD: Standard Deviation; SE: Standard Error*

Source: Output of SPSS\_20

### 3.CONCLUSION

Introduction of Goods and Services Tax (GST) is a major step in the reform of indirect taxation in India. GST has simplified and harmonize the indirect tax regime in the country because several Central and State taxes are merged into GST. Besides, it is also expected that introduction of GST will foster a common or seamless Indian market and contribute significantly to the growth of the economy. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, free movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent. The present study examined the impact of GST on the performance of business. Data was collected through questionnaires designed on five point likert scale. A total of 150 questionnaires were distributed wherein 39 questionnaires were rejected on and 110 were accepted. Therefore, the sample size of the study is 110. One sample t test was used to analyze the results through Statistical Package for the Social Science (SPSS) 20\_version. One sample t test was used as the statistical tool for analysis. The findings highlights that there is no significant impact of GST on business and hence necessary steps should be taken by the Government like simplifying registration procedure, increase in present threshold exemption limit of Rs 2000000 and reduction in the current rates of GST.

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