



GOODS AND SERVICE TAX-PERCEPTIONS OF SMALL & MEDIUM BUSINESSES (WITH SPECIAL REFERENCE TO NALGONDA DISTRICT)

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Abstract

This study was aimed at goods and services tax perceptions of small and medium businesses, the participants of this study were rice millers of Miryalaguda Nalgonda district. A questionnaire and informal interviews were used and empirically analyzed to assess the opinion on gst which was newly introduced. The data was analyzed the results of changes in tax system

Introduction;

Tax policies play an essential role on the economy through their impact on both efficiency and equity. A good tax system should consider issues of income distribution along with an endeavour to generate tax revenues to support government expenditure. The country has moved on the path of tax reforms since mid 1980s and GST is one amongst the major reforms. The proposed reform on moving to a 'goods and services tax' would impact the national economy, international trade, firms and consumers.

- GST is a tax on both goods and services across the supply chain/Value Chain.
- It is levied at every stage of supply/Value Addition.
- The GST on Inputs (known as ITC - Input Tax Credit) is generally available as credit for set-off against the GST on the output supply. New Article 366(12A) of the Indian Constitution, defines Goods and Services Tax (GST) to mean any tax on supply of goods or services or both except taxes on the supply of the alcoholic liquor for human consumption. New Article 366(26A) defines service to mean anything other than goods. Existing Article 366(12) defines goods to include all materials, commodities and articles.

The Goods and Services Tax Bill or GST Bill, officially known as the Constitution (One Hundred and twenty second Amendment) Bill, 2014, proposes a national Value added Tax to be implemented in India from 1 April 2017. The introduction of Goods and Services Tax



(GST) would be a significant step in the reform of indirect taxation in India. Several Central and State taxes are amalgamated into a single tax. This would mitigate cascading or double taxation, and facilitates a common national market. The simplicity of the tax is expected to bring ease in the administration and enforcement. The biggest advantage, from the consumer point of view, would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%. It also allows free movement of goods from one State to another without having to stop at State borders for hours for payment of State Tax or Entry Tax and helps in reduction of the paperwork to a large extent.

AIM OF THE PROJECT;

Goods and Services Tax (GST) is a major reform that is about to be implemented and hence there is a need to conduct enormous Research. More importantly an effort has to be put to understand it from the point of view of the Consumers – the person who pays it. Therefore the present Study is undertaken.

Objectives of the project;

The objectives of the study are,

1. To understand the concept of GST.
2. To examine the perceptions of the business about GST.

Reserch procedure.

Relevant **PRIMARY DATA** are collected by administering a questionnaire to the Businesses operating in the District of Nalgonda about their Expectations and the Perceptions about the proposed GST Bill and issues related to it.

Relevant **SECONDARY DATA** for the study are obtained from the publications of Ministry of Finance, Publications of the Tax Authorities, the Ministry of MSME, Government of India, Reports of CII & KPMG, Government of India and other relevant publications, Various websites and book.

Participants.

The participants of this study were rice millers and Businesses operators were selected randomly from Nalgonda district and collected answers by posing questions related GST.

Instruments

A Questionnaire was used as the instrument to collect the data.

1. Would you prefer a single GST enactment or multiple enactments?
2. What do you think should be the cumulative Standard Rate?
3. Do you believe GST will require revision in prices of your Goods or Services?
4. What would be the impact on your business on account of increase in the rate of tax on Service?
5. Please grade the biggest challenge for your business during the transition to GST Regime?

Analysis of data.

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Table : Single enactment Vs Multiple enactments			
	Options	All India Survey	Nalgonda Study
A.	One Single common central law for Centre & States	88%	48%
B.	One Law for Centre and a separate common law for all States	11%	21%
C.	One Law Centre and a different law for each State	1%	5%
D.	Don't Know / Can't Say	0%	26.5%
	Total	100	100

Source: Survey of KPMG & CII, 2011 & Primary Data

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Table : Cumulative standard rate of GST			
	Options	All India Survey	Nalgonda Study
A.	14 – 16%	86%	33.5%
B.	16 – 20%	13%	32.0%
C.	20% and Above	1%	8.0%
D.	Don't know		26.5%
	Total	100	100

Source: Survey of KPMG & CII, 2011 & Primary Data

3

Table : Revision in prices of goods or services			
	Options	All India Survey	Nalgonda Study
A.	Yes, Upward Price Revision	22%	15.50%
B.	Yes, Downward Price Revision	09%	25%
C.	No Revision Necessary	14%	14.50%
D.	Not Assessed as yet	55%	15%
E.	Don't know		26%
	Total	100	100

Source: Survey of KPMG & CII, 2011 & Primary Data

4.

Table 3.13: Rate of Tax on Services			
	Options	All India Survey	Nalgonda Study
A.	Impact not assessed as yet	08%	12%
B.	Negligible or no impact	14%	27%
C.	Moderate impact	41%	28%
D.	Substantial impact	34%	6%
E.	Don't know		27%
	Total	100	100

Source: Survey of KPMG & CII, 2011 & Primary Data

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Table 3.15: Challenges for business during the transition to GST			
	Options	All India Survey	Nalgonda Study
A.	Supply Chain Restructuring	25%	16.5%
B.	IT / System Changes	40%	34%
C.	Production Pricing	22%	18%
D.	Other (please specify)	13%	
E.	Don't know		26.5%
	Total	100	100

Source: Survey of KPMG & CII, 2011 & Primary Data

As it can be observed from the table3.15, clearly, the nature of a business

FINDINGS, CONCLUSIONS, SUGGESTIONS

The following are the gist of the Findings and Conclusions emanating from the Study and suggestions for the proper implementation the GST.

Findings;

1. Majority of the respondents prefer single GST, enactment for both centre and state.
2. Majority respondents prefer one single common rate for CGST and SGST Across India.
3. In Nalgonda district majority people prefer cumulative standard rate in between 14-16%.
4. Respondents prefer all services taxed with the separate exempted service list.



5. Moderate impact on the implication of taxation of stock transfers.
6. GST will require downward price revision of goods (or) services.
7. Introduction of GST will result in better input tax credits.
8. Moderate impact of GST on working capital requirements.
9. Transfer of credit from one state to another should build into the GST regime.
10. Negligible or no impact on account of increase in the rate of tax on services.
11. Cash refund mechanism as a substitute for the present state incentives.
12. Biggest challenge by implication of GST is IT/system changes.
13. Time required to reconfigure the current IT system for business is 3-4 months.

Conclusions;

1. Many small businesses like Kirana stores, textiles, vendor shops, emporiums, beauty parlors etc do not have awareness about GST.
2. Businesses who have some awareness about GST have positive attitude towards it. They, in general, believe that GST will help the businesses.
3. Most of the businesses are evading sales tax under the existing taxation system. They do not maintain the vouchers, bill books etc.
4. Rice millers from Miryalaguda, a famous in rice trading, in rice, say that the implication of GST will help them improve their sales. This is because the competition from Maharashtra and other places will become less.
5. Small businesses fear GST will bring in the complex compliance procedure.
6. Small businesses, & people in general like farmers also fear that GST will bring every economic activity, including agriculture, into tax gambit.

SUGGESTIONS

1. Awareness about GST has to created amongst general public, small businesses, particularly in rural India



2. Help should be extended to small businesses by providing the software /technology, free of cost or at a highly subsidized rates. for easy compliance, along with training to use the same.

References

- *A brief history of yesteryear's reports, surveys and research articles in the similar area helps as a 'backbone' for any Research/Study.*
- *Monika Sehrawat, and Upasana Dhanda¹, in their paper present an overview of GST concept, its advantages and challenges for India;*
- *"An Insight of GST in India"² gives an outline of the various elements of GST;*
- *Dr. R. Vasanthagopal³ says that despite the various impediments to the proposed transition to GST, the positive impact should be assessed;*
- *Akanksha Khurana & Aastha Sharma⁴highlight the background, objectives and the impact of GST in the present tax scenario in India;*
- *G. Raghuram, K.S. Deepa⁵, focus on the process of introducing the GST;*
- *Dr. Shakir Shaik, Dr. S.A.Sameera, Mr. Sk.C. Firoz⁶, study the concept of GST and its impact on Indian economy. The study also aims to know the advantages and challenges of GST in Indian scenario;*
- *Valadkhani⁷ quantifies the magnitude and duration of the GST effect on the quarterly growth rate of the eleven groups of the consumer price index (CPI) in Australia ; Report⁸ captures the views and expectations of the trade and industry regarding the implementation of Goods and Services Tax ('GST'); NordianaBintiRamli⁹ explore the relationship etween local sales taxpayers', i.e. manufacturers', behavioral intention to comply with Goods and Service Tax (GST) in Kedah and Perlis.*