



Impact Assessment of Goods and Services Tax (GST) on Shopkeepers

Shatakshi Semwal^{1*}, Ella Rani¹ and Vandana Verma¹

¹*Department of Extension Education and Communication Management, I.C. College of Home Science, CCSHAU, Hisar, India.*

Authors' contributions

This work was carried out in collaboration among all authors. Author SS designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Authors ER and VV managed the analyses of the study. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AIR/2020/v21i430195

Editor(s):

- (1) Dr. Olena Maksymets, Ukrainian National Forestry University, Ukraine.
- (2) Dr. Nazrul Islam, Canadian University of Bangladesh, Bangladesh.
- (3) Dr. Francisco Marquez-Linares, Universidad Ana G. Méndez-Gurabo Campus, USA.

Reviewers:

- (1) F.J. Owuna, Usmanu Danfodiyo University, Sokoto, Nigeria.
 - (2) Nwaorgu Innocent Augustine, Michael Okpara University of Agriculture Umudike, Nigeria.
- Complete Peer review History: <http://www.sdiarticle4.com/review-history/54016>

Original Research Article

Received 20 January 2020
Accepted 26 March 2020
Published 08 April 2020

ABSTRACT

India has got a well-structured and simplified taxation system, where authoritative segregation has been done among the Central government, state governments and local bodies. But with the implementation of GST, the harmonization of tax rules, regulations, rates, processes and procedures across the states was expected to improve the ease of doing business in India. The removal of cascading of taxes and transaction costs associated with inter-state transactions was also expected to encourage investment and therefore, the economic growth of country. With the objective of the impact assessment of Goods and Services Tax on shopkeepers the present study was carried out. The study was conducted in Hisar city of Haryana state where the findings highlighted that shopkeepers had highly increased tax burden and legal compliances, followed by increase in workers hiring capacity and no impact on ease of doing business, no loss and transparency in business. Further, results also showed that there was decrease in profit as they have to pay taxes more than 6 times in a year. With the implementation of GST, shopkeepers were having constraint in filing GST as now is getting a complicated process and due to changing GST rates they were facing high competition amongst the market.

*Corresponding author: E-mail: shatakshisem@gmail.com;

Keywords: Goods and services tax; impact; constraints; cascading of taxes.

1. INTRODUCTION

India has got a well-structured and simplified taxation system, wherein an authoritative segregation has been done among the Central and State Governments as well as the Local Bodies. For the last 15 years, India has witnessed tremendous reformations in its taxation system. Apart from rationalization of the tax rates, simplification of taxation laws has also been done during the previous decade. However, the final rationalization of taxes i.e. GST has been made, as per the recommendation of Kelkar Committee in 2004. According to this committee, GST all over India would be in the nature of a revolution in India's indirect tax structure because GST will merge all Indirect Taxes imposed by the centre and states into one, so there is *One Nation One Tax*. As such GST would substantially bring down the cascading burden of various Indirect Taxes that were imposed by centre and state together which falls on the final consumer. Evidently, GST was expected to be a destination based Tax imposed on final consumption where a commodity is sold or a service is rendered. It has been proposed that GST revenues shall be shared between the centre and states as all other Indirect Taxes would be subsumed in GST.

The new tax regime was ushered by India's honorable Prime Minister and President under the One Hundred and First amendment of the constitution of India, officially known as the constitution (One Hundred and First Amendment) Act, 2016, in the parliament which came into force on 1st July 2017. The GST unifies the country's USD 2 trillion economy and 1.3 billion people into a common market [1]. GST has changed the whole scenario of previous Indirect Tax Systems with its current dynamics.

GST was brought into action with the amalgamation of Central and State taxes into a single tax payment. This taxation system was expected to enhance the position of India in both, domestic as well as international market. It was estimated that at the consumer level, GST would reduce the overall tax burden, which is currently been estimated at 25-30%. Today India follows dual system of GST including CGST and SGST. GST is a dual taxation power bestowed on union and state governments. There are three taxes applicable under GST: Central GST (CGST), State GST (SGST), and Integrated GST (IGST).

CGST is collected by the central government on an intra-state sale (within state), SGST is collected by the state government on an intra-state sale (within state), and IGST is collected by the central government for inter-state sale (state to state). GST is levied on each of these stages which make it a multi-stage tax.

Under GST, the consumer pays the last stage tax but with an efficient input tax credit system ensures that there is no cascading of taxes (i.e. tax on tax paid on inputs that go into manufacture of goods). In order to avoid these payments of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST has unified these taxes and created a uniform market throughout the country. Integration of various taxes into GST has brought an effective cross-utilization of credits. Previous system aimed to taxes the production but now GST is aiming to tax on consumption. Harmonization of tax rules, regulations, rates, and processes across states was expected to improve ease of doing business in India. The removal of cascading of taxes and transaction costs associated with inter-state transactions was expected to encourage investment and therefore, economic growth. GST is expected to provide relief to producers and consumers by providing wide and comprehensive coverage of tax credit set off. Furthermore, efficient formulation of GST will lead to resource and revenue gain for both Centre and States. It could be further concluded that GST would have a positive impact on Indian sectors and industry [1].

Goods and Services Tax (GST) will include One Tax One Nation which was governed by a GST council and its chairman (Ministry of Finance Minister). Under GST, goods and services were taxed at following rates, 0 per cent, 5 per cent, 12 per cent, 18 percent and 28 percent. According to GST council, decisions were made at a faster rate making customers and shopkeepers difficult to understand the scenario and its functionality. Nevertheless the new features in the regime are making it more complicated to comprehend and understand which is eroding GST's strongest feature i.e. its simplicity and transparency. In addition to that, tax (cess) of 15 per cent, 22 per cent and 28 per cent or other rates on top of 28 per cent GST applies on few items like aerated drinks, luxury cars and tobacco products (Anonymous a).GST

council recently introduced two more highly specific rates: A nominal 0.25 per cent for rough diamonds and 3 per cent for gold. Recent meeting took this a step further and introduced yet another rate of 1 per cent for the sale of under-construction affordable houses. So, from what should have at most been three rates, now we have eight.

Implementation of GST will help and ease the process of starting business in India. It allows small and medium businesses to do business with ease in India, due to less complexity. Earlier, it was a very confusing process as every business had required to do VAT registration, which differs in every state, and the rules and regulations are different. However, under GST, the businesses have to only register for GST which will have a centralized process, similar to service tax. Thus, each tax person would be allotted a PAN-linked taxpayer Identification Number (TIN) with a total of 13/15 digits [2].

The success of this tax will depend on the factors like technology in terms of quality software, the readiness of industry to adopt it quickly and capacity of officials to do trouble shooting as and when the problems arise. The world business community watches steps that were taken at policy level closely in terms of their potential to increase the ease of doing business [3].

Since the implementation of GST, few studies have been carried out to know the impact of GST on shopkeepers. So, the study aims to bring together the detailed household products dealt by them and how it has impacted their lives. Keeping above factors in mind the present study was designed to assess the “Impact Assessment of Goods and Services Tax (GST) on Shopkeepers” with the following objectives:

- I. To find out the differences between previous taxes and GST paid by the shopkeepers dealing in household products.
- II. To ascertain the impact of GST on shopkeepers.

2. METHODOLOGY

The study was carried out purposively in Hisar city of Haryana state from four markets i.e. Rajguru, PLA, Red square and Auto market were selected randomly. 30 shopkeepers dealing in each household product section viz. Food, Clothing, Electrical appliances and equipments, Medical and cosmetics, Communication and transportation etc. were selected randomly; thus, making the total sample of 150 shopkeepers. Data was collected individually from all the shopkeepers through a well-structured schedule i.e. Questionnaire was used as a tool for data collection. Frequency, percentages, weighted mean score, rank were used for data analysis.

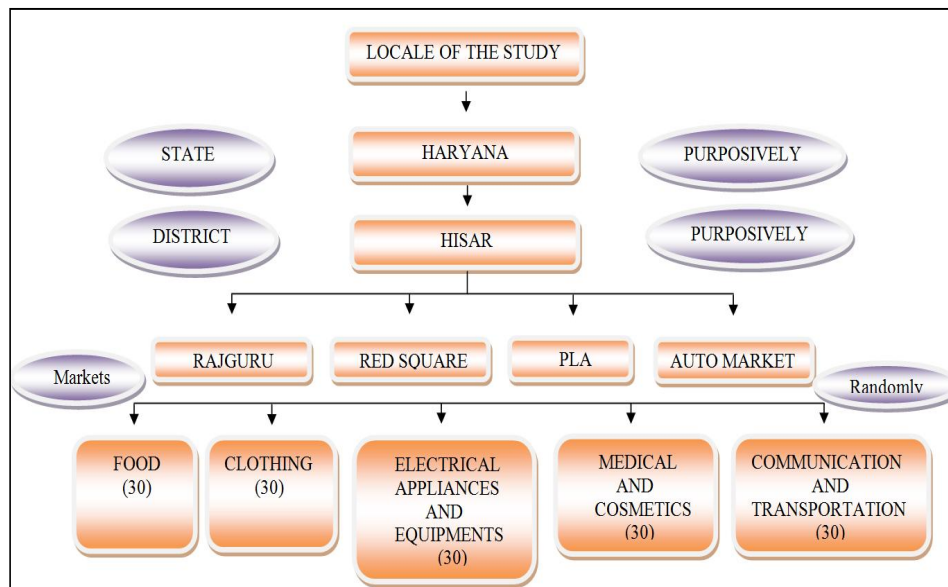


Fig. 1. Sampling procedure of respondents

3. RESULTS

The results of the study has been divided into three sections i.e. the household products dealt by the respondents, the differences in the previous indirect taxes and GST paid by the shopkeepers followed by the impact of GST on shopkeepers.

3.1 Household Product Deals by Respondents

Table 1 reveals that In food section, most of the respondents were from grocery and sweets and namkeen shops (23.3% each), followed by fast food shops (20%) and bakery and confectionary shops (13.3%), each packaged foods and super stores (10% each) respectively.

In clothing section, most of the respondents were from women's and men's fabric, women's readymade garments and saree center shops (13.3% each) respectively, which was followed by men's readymade garments and handloom shops (10% each) and regarding undergarments, hosiery, matching center and school uniforms shops (6.6% each) respectively.

Regarding electrical appliances and equipment, equal number of respondent (33.3%) were from electronic goods, equipment and utensils and crockery shops respectively.

As regards medical and cosmetics, 33.3 per cent of respondents were covered equally from medical halls, cosmetic shops and general stores respectively.

Table 1. Household products dealt by respondents (n=150)

Household products	f(%)
Food (n=30)	
Grocery	7(23.33)
Packed foods	3(10.00)
Bakery and Confectionary	4(13.33)
Fast food	6(20.00)
Sweets and namkeen	7(23.33)
Super stores	3(10.00)
Clothing (n=30)	
Women's fabric	4(13.33)
Men's fabric	4(13.33)
Readymade garments (Men)	3(10.00)
Readymade garments (Women)	4(13.33)
Under garments	2(6.66)
Hosiery	2(6.66)
Handloom	3(10.00)
Matching center	2(6.66)
Saree center	4(13.33)
School uniforms	2(6.66)
Electrical appliances and equipments (n=30)	
Electrical appliances	10(33.33)
Equipments and utensils	10(33.33)
Crockery	10(33.33)
Medical and cosmetics (n=30)	
Medical halls	10(33.33)
Cosmetics shops	10(33.33)
General stores	10(33.33)
Communication and transportation (n=30)	
Two wheelers	3(10.00)
Three wheelers	2(6.66)
Four wheelers	4(13.33)
Mobile phones	8(26.66)
Computer/ Laptops	7(23.33)
Spare parts	6(20.00)

Note: Multiple Responses Table. Figures in parenthesis are percentages

Table 2. Differences in previous taxes and Goods and Services Tax (GST) paid by the respondents

Household products	Previous taxes (%)	GST (%)
Food		
1. Grocery	0	0
2. Packaged foods	8	5
3. Bakery and confectionary	15	5
4. Fast food	17	5
5. Sweets and namkeen (non branded)	0	5
6. Sweets and namkeen (Branded)	12	5
Clothing		
1. Women's fabric	5	5
2. Men's fabric	5	5
3. Readymade garments (Women)	18	5-12
4. Readymade garments (Men)	18	5-12
5. Under garments	0	5-12
6. Hosiery	5	5-12
7. Handloom	0	5
8. Matching center	12	5
9. Saree center	12	5
10. School uniforms	5	5
Electrical appliances and equipments		
1. Electrical goods	26	18
2. Equipments and utensils	18.5	5-12
3. Crockery	22	18
Medical and cosmetics		
1. Medical halls	18	0-18
2. Cosmetics	16	0-18
3. Jewellery (gold)	8	3
Communication and transportation		
1. Two wheelers	18	18
2. Three wheelers	22.5	28
3. Four wheelers	21-24	28
4. Mobile phones	15	18
5. Computer/ Laptops	14-15	12
6. Spare parts	15	28

Communication and transportation, most of respondents were from mobile phones shops (26.6%), followed by computer/laptops shops (23.3%), and spare parts shops (20%). Further, 13.3 per cent of respondents were from four wheelers whereas, 6.6 percent and 10 percent from three and two wheelers respectively were under the communication and transportation section.

3.2 Differences in Previous Taxes and GST Paid by Respondents

This section deals with the differences between the previous indirect taxes and GST in different sections of household products paid by the shopkeepers. The information has been collected and tabulated from the respondents itself.

Information on differences between the previous taxes and GST paid by the respondents is been presented in Table 2. It could be seen from Table

2 that food items of daily use has been kept at lower tax slab rates or with no GST. There was no effect on the grocery items (zero to Nil). Further, there was decrease in tax related to the packaged food products from 8 per cent to 5 per cent, bakery and confectionary rates has also been reduced after GST i.e. 15 per cent to 5 per cent since fast food tax rates were being reduced from 17 per cent to 5 percent, sweets and namkeen for non-branded has been increased from zero to 5 per cent and for branded they are been reduced from 12 per cent to 5 per cent respectively on food items section.

In clothing category, it could be observed from the data in Table 2 that there is no change in tax rate for women and men's fabric (whole cloth) whereas, the rates were reduced for the ready-made garments (both men and women) from 18 per cent to 5-12 per cent, followed by the garments of below Rs 1000 GST was fixed at 5 per cent and for garments above Rs 1000 GST

was fixed at 12 per cent. It can also be seen from the Table that there is increase in tax on undergarments (5-12%), hosiery (5-12%) and handloom (5%) respectively. The taxes were also been reduced for the matching center and saree center and fixed at 5 per cent. It is evident from the Table that there has been no effect on school uniforms (5%).

Regarding electrical appliances and equipments, data shows that the tax rates has been reduced in general as for electrical goods, there has been a decrease of 8 per cent, as earlier there was 26 per cent tax but, now GST has been fixed at 18 per cent. For equipments and utensils, there is decrease of 6 per cent, as earlier tax was 18.5 per cent but, now GST has been fixed to 5 to 12 per cent. For the crockery, there is 4 per cent tax reduction as earlier tax was paid at 22 per cent and now, it has been put at 12 per cent tax slab respectively.

Further exploration of Table 2 reveals that in medical and cosmetics, there has been no impact in the medical halls and cosmetics as a range is set for these products at zero per cent, 5 per cent, 12 percent and 18 percent respectively according to their usage pattern but luxury and branded products were being put at 18 per cent. It can also be seen from the Table that gold jewellery has been put at a special category of 3 per cent tax slab collected from the customers and additional tax of 5 per cent is collected from the shopkeepers by the manufacturers.

For communication and transportation, Table 2 elucidates that there has been no change in tax rates for the two wheelers but there was an increase of 6 per cent for the three wheelers i.e. from 22.5 per cent to 28 per cent. Further, four wheelers there has been an increase in GST, as earlier it was put under 24 percent but, now 28 per cent tax is being collected with extra cess for the luxurious cars, with a increase in tax rates of mobile phones from 15 percent to 18 percent and 2 percent decrease in tax rates of computers/laptops i.e. 14 per cent to 12 per cent whereas, tax rates for spare parts had been significantly increased from 15 per cent to 28 per cent.

Tax slabs was decreased in electrical goods, equipment's and utensils and crockery. As regards of medical and cosmetics, there were changes in GST tax rates for medical halls and increase in cosmetics. Furthermore, there was decrease in the gold jewelry. Similar findings for this has been reported by Kinjal et al. [4] where

in their study they sated that GST would have a positive impact on Indian pharmaceutical companies as it would decrease the manufacturing price and will help in easy going of business. A drug price control was issued to make sure that cost of vital medicines are fixed in such a way that they are affordable for everyone. The findings of the present study were also in line with Kuruvilla et al. [5].

Further exploration in communication and transportation showed that there was no change in two wheelers tax rate. Whereas, there was increase in three wheelers, four wheelers, mobile phones and their spare parts respectively. Similar findings had been reported by Saravana and Kirubakaran [6] that GST in the automobile industry had proven to be very profitable to consumers, companies and shopkeepers. There are many changes that have been constantly made ensuring simplicity in the tax system.

3.3 Impact Assessment of Goods and Services Tax (GST) on Shopkeepers

On the basis of five Continuum scale aspects was covered and impact were noticed in the markets of Hisar. As Table 3, points out that majority of respondents (Ist Rank) had felt that there has been an increased tax burden and legal compliances, which was followed by an increase in workers hiring capacity after GST implementation (IInd Rank), followed by no impact on ease of doing business (IIIrd Rank) and no impact on loss in business (IVth Rank) respectively.

Further data in Table also revealed that there was no impact on transparency of doing business (Vth Rank), followed by no impact on Annual turnover of shopkeepers (VIth Rank), no impact on customer's frequency (VIIth Rank) and slight decrease in profit of respondents (VIIIth Rank) respectively.

Findings of the study unveiled that majority of respondents had highly increased impact on tax burden and legal compliances and no impact on ease of doing business. Similar findings were been reported by Agarwal et al. [7] where they that there was an increase in tax burden for the small and medium businesses as there is increase in filing of number of returns. Furthermore, the results of this study were in agreement with the study of Nayyar and Singh [8]. In the study, results revealed that there was increase in workers hiring capacity. Similar

Table 3. Impact assessment of Goods and Services Tax (GST) on shopkeepers**(N= 150)**

S. No.	Aspects	Responses					Weighted Mean score	Rank
		Highly Increased (5)	Increased (4)	No Impact (3)	Decreased (2)	Highly Decreased (1)		
1.	Transparency	23 (15.33)	41 (27.33)	64 (42.66)	13 (8.66)	9 (6.00)	3.37	V
2.	Annual turnover	15 (10.00)	27 (18.00)	82 (54.66)	19 (12.66)	7 (4.66)	3.16	VI
3.	Profit	9 (6.00)	29 (19.33)	31 (20.66)	48 (32.00)	33 (22.00)	2.55	VIII
4.	Loss	28 (18.66)	33 (22.00)	69 (46.00)	11 (7.33)	9 (6.00)	3.40	IV
5.	Customers frequency	12 (8.00)	17 (11.33)	83 (55.33)	22 (14.66)	16 (10.66)	2.91	VII
6.	Workers hired	39 (26.00)	66 (44.00)	26 (17.33)	14 (9.33)	5 (3.33)	3.80	II
7.	Tax burden and legal compliances	71 (47.33)	54 (36.00)	15 (10.00)	7 (4.66)	3 (2.00)	4.24	I
8.	Ease of doing business	42 (28.00)	39 (26.00)	62 (41.33)	5 (3.33)	2 (1.33)	3.76	III

Figures in parenthesis shows percentages

findings were being reported by Agarwal et al. [7] concluded that there was three times increase in hiring of tax practitioners to file the taxes and returns. Further, results indicated that there was no impact on transparency but the statement were contradictory as reported by Jayalaxhmi and Venkateswarlu [9] that there would be transparency that will also reduce the compliance cost. Further, results revealed that there was no impact in customer's frequency and similar findings were in line with Al-dalaein and Al-kasasbeh [10] that there was no increase in sales after the GST implementation as it was same, thus no change were observed in the purchasing behavior. Further, most of the respondents responded that there was no impact on ease of doing business but the contradictory findings had been reported by Khurana and Sharma [11] that there will be ease in doing business and exports of the goods and services after GST implementation. In the study results showed that there was no impact regarding the profit. Contradictory findings were been concluded by Al-dalaein and Al-kasasbeh [10] that there was decrease in profit after the GST implementation.

4. CONCLUSION

Thus, it can be concluded that GST with the objective of One Nation One Tax has failed to convince the shopkeepers and to make it successful there needs to be more clarity in the new tax regime. There was highly increased tax burden and legal compliances, followed by increase in workers hiring and no impact on ease of doing business, loss and transparency in business. Results also showed that there was decrease in profit as they have to pay taxes more than 6 times in a year. There were changes in tax rates before and after GST as in food category there was no change in the grocery products. As regards as clothing category, there was no change in women's and men's fabric and school uniforms but, decrease in tax slabs of men's and women's readymade garments, matching center and sari center. Furthermore, Tax slabs were decreased in electrical goods, equipments and utensils and crockery. For medical and cosmetics, there was increase in cosmetics and decrease in the gold jewellery. There was no change in two wheelers tax rate. Whereas, there was increase in three wheelers, four wheelers, mobile phones and their spare parts respectively. With the implementation of GST, shopkeepers were having constraint in filing GST as it was a complicated process and

due to changing GST rates they were facing high competition amongst the market.

5. RECOMMENDATIONS

As the study been carried out in the Hisar city, following recommendations are been listed in accordance with the research study performed:

- I. As most of the respondents were facing challenge due to the changing tax rates by the central government, so the tax slabs might or should be fixed, rationalized and reduced.
- II. Majority of the respondents reported that GST has increased the tax burden on shopkeepers so, simplification of compliance might be done i.e. there should be a single return instead of two or three to ease taxpayers burden should continue to be of prime importance due to system challenges and also the formats which are too complicated for shopkeepers.
- III. Trainings and workshops should be imparted for the shopkeepers and consumers to increase their awareness regarding this new tax regime.

ACKNOWLEDGEMENT

I would like to express special thanks to my advisor Dr. Ella Rani, Assistant Professor, Department of Extension Education and Communication Management, Chaudhary Charan Singh Haryana Agricultural University, for her unyielding support, continuous positive reassurance and professional guidance of at every step in materialization of this study. Also, I am grateful to Indian Council of Agricultural Research, New Delhi for providing me the additional financial support in the form of scholarship during this course and to my Institute CCSHAU, Hisar for providing me the facilities for research for acquiring this degree.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

REFERENCES

1. Rani DO, Pauzi FM, Bakar ANA, Karim SMS. Goods and services tax: The importance of comprehension towards achieving the desired awareness among

- Malaysians. SHS web of conferences. 2017;36(7):1-12.
2. Kour M, Chaudhary K. A study on impact of GST after its implementation, International Journal of Innovative studies in sociology and humanities. 2016;1(2):17-18.
3. Yadav S, Shankar R. Goods and Service Tax (GST): how and why. Journal of Advances in Management Research. 2018;5(1):2-3.
4. Kinjal V, Parvaiz AP, Neelam S. Impact of GST on pharmaceuticals: Overview. Open Access Journal of Pharmaceutical Research. 2018;2(2):712-718.
5. Kuruvilla RR, Harikumar PN, Alex L. (2018). A Study on the Implications of GST in Jewellery Business. Asian Journal of Managerial Science. 2018;7(3):34-36.
6. Saravahan RS, Kirubakaran. A study on Goods and Services Tax (GST) and its impact on automobile industry in India. International Journal of Pure and Applied Mathematics. 2018;120(5):3643-3648.
7. Agarwal A, Sekhiani R, Mohan D. Short-term impact of GST on small and medium businessess across India: reflections from case of local markets in Uttarakhand and Kerala. Centre for New Economics Studies (CNES) Jindal School of International Affairs. 2018;68-81.
8. Nayyar A, Singh I. A comprehensive analysis of Goods and Services Tax in India. International Journal of Engineering and Management Research. 2017;5(4): 332-338.
9. Jayalaxmi M, Venkateshwarlu G. Impact of GST on Micro, Small and Medium Enterprises (MSMEs). International Journal of Engineering and Management Research (IJEMR). 2018;8(2):91-95.
10. Al-Dalaien BOA, Al-Kasasbeh YSY. Impact assessment of Goods and Services Tax (GST) on business survey of producer's perception. Mediterranean Journal of Basic and Applied Sciences (MJBAS). 2018;2(2): 18-25.
11. Sharma A. Impact of Goods and Services Tax (GST) on Indian economy. Journal of Business Management and Quality Assurance. 2018;2(1):15-23.

© 2020 Semwal et al.; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:

The peer review history for this paper can be accessed here:
<http://www.sdiarticle4.com/review-history/54016>