

## Suggestions and Constraints Perceived by Shopkeepers towards Goods and Services Tax

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### ABSTRACT

*The Goods and Services Tax (GST), implemented on July 1, 2017 is regarded as a major taxation reform till date implemented in India since independence. The primary objective behind development of GST was to subsume number of indirect taxes under one umbrella which simplifies taxation system for service and commodity businesses. GST was expected to convey various advantages to economy as an indirect tax and simplifies the workload of shopkeepers but it resulted in lack of clarity and time consuming process. With this assumption, study was planned to find out the constraints faced by shopkeepers and suggestions given by them regarding the implementation of Goods and Services Tax (GST). The study was carried out purposively in Hisar city of Haryana State, where, thirty shopkeepers from five respective section were selected i.e. Foods, Clothing and Textiles, Electrical appliances, Medical and Cosmetics and Communication and Transportation; thus making total sample of 150 respondents. Results from data inferred that majority of the respondent's complained that filing GST has been more complicated now, there is increased tax compliance, high competition faced by shopkeepers and changing tax rate slabs by the central government is confusing them and making it difficult to understand the process. Furthermore, majority of the shopkeepers also suggested that there should be reduction of legal formalities, tax should be collected by the government at the manufacturing level itself and they don't have to file for returns at later stages. They also suggested that registration should be there for all the traders and service providers with exemptions for small scale suppliers from collecting and remitting GST and casual trade category should be abolished.*

### Introduction

Goods and Service Tax (GST) is an indirect tax which has taken the place of many indirect taxes in India. It was passed on 29th March 2017 in the Parliament through the implementation of One Hundred and First Amendment of the Constitution of India by the Indian government but became effective on 1st July 2017. GST is supposed to be a dual levy system of taxation where both Central as well as State Government's will impose and collect taxes. The Centre will take charge of Central GST

(CGST) and Integrated GST (IGST), while the State will take charge of State GST (SGST). This would help in bringing about economic unity, stability and transparency in the country. The common tax base would also help in preventing the system of double taxation system. There are various tax slabs for collection of tax i.e. 0%, 5%, 12%, 18% and 28%. But some products such as petroleum products, alcoholic drinks, and electricity are exempted from GST. Special rate is charged for rough precious and semi-precious stones at 0.25% and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few

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items like aerated drinks, luxury cars and tobacco products. Pre-GST, the statutory tax rate for most goods was about 26.5%, Post-GST, most goods are expected to be in the 18% tax range. Various indirect taxes become under a single umbrella called GST. Moreover, the involvement of Information Technology through Goods and Service Tax Network (GSTN) would help in making things clear and convenient.

The removal of cascading of taxes and transaction costs associated with inter-state transactions is expected to encourage investment and therefore, economic growth. People initially might be loath to the system but it actually saves them from numerous cess, duties, taxes and octroi levies in the system. Srinivas (2016) studied that GST would be a comprehensive indirect tax structure on manufacturing, sales and consumption of goods and services which replaced various indirect taxes levied by both Centre and State governments. Central and State government were empowered to levy respective taxes as per the Indian constitution is likely to change the complete scenario of VAT and CST. The system also helps the state government crackdown on unaccounted transactions and check black money besides helping taxmen have better monitoring on tax collection. Here the consumers have important role to be played where they should always ask the shopkeepers to give them the pucca bill (GST bill) instead of kuccha bill (without GST). Uppal *et al.* (2018) concluded that as earlier GST was considered simple and transparent taxation structure but resulted in more complexity and increased compliances cost which would give burden to small business persons. Mohan and Sekhani (2018) highlighted that there are positive and negative effects after the GST implementation and certain issues need to be fixed by the government as there are issues related to GST filing website, connectivity issues and is a time consuming process. GST has been perceived as a revolutionary structure to ensure a uniform taxation system in Indian market and bringing in compliance and advocacy. However, there are certain challenges and constraints faced by the shopkeepers in implementation of GST as increased legal formalities and complications of return filing. Besides, keeping these factors in mind the present study was designed to study the Goods and Services Tax (GST) especially the suggestions and constraints of Shopkeepers in Hisar, Haryana .

## Methodology

The present research is focused on constraints faced by shopkeepers and suggestions given by respondents. The study was carried out purposively in Hisar city of Haryana state. A multistage sampling technique was used to select the shops and shopkeepers. 30 shops each from five respective section (i.e. Foods, Clothing and Textiles, Electrical appliances, Medical and Cosmetics and Communication and Transportation) were selected randomly using the lottery method. Shopkeepers were allocated proportionally at stage two and thus total 150 shopkeepers were selected by simple random sampling. Information pertaining to constraints and suggestions was gathered through structured interview schedule and statistical methods applied for data analysis were frequency and percentage methods.

## Results and discussion

### Constraints faced towards GST implementation

The constraints and problems faced by the shopkeepers towards GST implementation have been presented in Table 1. Results reveals that majority of the respondents were having constraint in filing GST as it is complicated (91.3%), which was followed by increased tax compliances (90%), competition faced by the shopkeepers (85.3%), changing tax rate slabs by the central government (83.3%), lack of clarity on GST provisions (68%), lack of technical resources and awareness about law and unable to file return without paying taxes in full (64.6%), each small dealers were required to pay GST on advances received (64 %), time consuming process while filing as, there is system failure (61.3%), accounting and submission on time bound is being a challenge (59.3%), portal crashes multiple times (55.3%), big shopkeepers facing trouble in dealing with small shopkeepers (45.3%), blockage of working capital-in form of credit ledger (38.6%), risk of conducting unreported transactions is very high as penalties are severe (35.3%), and purchase and sale are transported and can be checked at any time (32.6%) respectively.

**Table 1** Constraints faced by shopkeepers towards GST implementation

S. No.	Constraints	f	(%)	Rank
1.	Increased tax compliance	135	90.00	II
2.	Filing GST is complicated	137	91.33	I
3.	Small dealers were required to pay GST on advances received	96	64.00	VII
4.	No return filing without paying taxes in full	97	64.66	VI
5.	Shopkeepers face high competition	128	85.33	III
6.	Changing rates of taxes by central government	125	83.33	IV
7.	GSTN portal crashes multiple times	83	55.33	X
8.	Time consuming process as system failure while filing	92	61.33	VIII
9.	Accounting and submission of form on time bound is a challenge	89	59.33	IX
10.	Blockage of working capital – in form of credit ledger	58	38.66	XII
11.	Lack of technical resources and awareness about law	97	64.66	VI
12.	Lack of clarity on GST provisions	102	68.00	V
13.	Big shopkeepers face trouble in dealing with shopkeepers	68	45.33	XI
14.	Purchase and sale are transported and can be checked at any time	49	32.66	XIV
15.	Risk of conducting unreported transactions is very high as their penalties are severe	53	35.33	XIII

Note: Multi Responses Table, Figures in parenthesis shows percentage

The present findings were in accordance with Sharma (2018) that GST has increased various legal formalities and there was un-acceptance of GST due to changing rates of taxes by the Central Government. Further, he also concluded that there were complexities in filing GST returns. Results further indicates that there was increase in tax compliances and similar findings has been reported by Agarwal *et al.* (2018) that 90 per cent of the businesses had to face the difficulty with the increased fees of tax practitioners who, file taxes on their behalf and ultimately increasing the compliances cost. Furthermore, small and medium enterprises are facing an enormous threat from increased compliances costs which pushes the gross 'end' prices of the products with the ever-changing tax rates, constant crashing of GST portal and complex input credit system. Furthermore, similar findings has been reported by Nayyar and Singh (2018) that there were various challenges in faced by the people in the GST implementation as nature of taxes, rates of taxes and tax management and technology infrastructure. Results indicated that shopkeepers face high competition and these results were in accordance with the study of Khurana and Sharma (2018) that there is improved competitiveness among the businesses and industries. Results further revealed that there are issues related to GST filing website and connectivity issues and time consuming process. The similar findings has been supported by Uppal *et al.* (2019) that there is low level of awareness but as the time progressed the level of awareness also increased among the small business persons. Thus, it can be concluded that the shopkeepers were having constraint in filing GST as it is complicated with increased tax compliances and higher competition faced by the shopkeepers.

## Suggestions towards GST implementation

The data related to suggestions given by shopkeepers after GST implementation presented in Table 2 points out that various suggestions were given by shopkeepers. Majority of the respondents (92.6%) suggested that burden of shopkeepers should be reduced by decreasing their legal compliances (I<sup>st</sup> Rank) followed by collection of manufacturers GST should be at the manufacturing level (78%), liquor/petroleum products should also be brought under GST (69.3%), registration should be there for all the traders and service providers with exemptions for small scale suppliers from collecting and remitting GST (65.3%), uniform legal procedures for tax disputes and litigations (64.6%), government official for monitoring taxes at lower level (59.3%), registration should be centralized instead of state (55.3%), abolition of casual trader category and single point registration/ one GST registration number for PAN-India operations (30.6%) each respectively. Majority of respondents suggested that burden of shopkeepers should be reduced by decreasing their legal compliances. The findings of the present study were in line with Sharma (2018). Results further indicated that collection of GST should be at the manufacturing level and uniform legal procedure for tax disputes and litigations. In the study, results further indicated that government officials should be there for monitoring of taxes at lower level. The findings of present study had been supported by Khurana and Sharma (2018) that government should

**Table 2** Suggestions given by shopkeepers after GST implementation

S. No.	Suggestions	f	%	Rank
1.	Registration should be centralized instead of state	83	(55.33)	VII
2.	Liquor/Petroleum products should also be brought under GST	104	(69.33)	III
3.	GST should be collected by the government at manufacturing level	117	(78.00)	II
4.	Uniform legal procedure for tax disputes and litigations	97	(64.66)	V
5.	Reducing the burden of shopkeepers by decreasing their legal formalities	139	(92.66)	I
6.	Government official for monitoring the taxes at lower level	89	(59.33)	VI
7.	Registration should be there for all the traders and service providers with exemptions for small scale suppliers from collecting and remitting GST	98	(65.33)	IV
8.	Abolition of Casual Trader Category	46	(30.66)	VIII
9.	Single Point Registration/One GST registration number for PAN-India Operations	46	(30.66)	VIII

Note: Multiple Responses Table, Figures in parenthesis are percentages

construct a proper monitoring system for dummy registrations and dummy problems. Thus, it can be concluded that most of the respondents suggested that the burden of shopkeepers should be reduced by decreasing their legal compliances and collection of GST should be at the manufacturing level.

## Conclusion

The study concludes that the new taxation system of GST has its own problems and challenges as it is in its initial stage. But if this system is properly and effectively implemented, then it can help in improving the financial and economic position of our country. Results concluded that there must be simplification in complexity during filing of GST, lengthy and complex procedure of documentation formalities about GST should be reduced and must be in simplified form. Furthermore, there is need of strengthening IT Network and Infrastructure and division and grouping of products under different heads and rate of tax should be clearly defined without any confusion. Results from the study also concluded that collection of GST of manufacturers should be at the manufacturing level and liquor/petroleum products should also be brought under GST, followed by the suggestion that registration should be there for all the traders and service providers with exemptions for small scale suppliers from collecting and remitting GST and casual trade category should be abolished. The present study may attract the attention towards the constraints and suggestions of shopkeepers and giving a light to their perspective also.

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