Impact of GST among the Customers with Special Reference to Restaurants in Erode

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ABSTRACT

Goods and Services Tax is a comprehensive indirect tax on manufacture, sale and consumption of goods and services to replace taxes levied by the central and state governments. Goods and Services Tax is to be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST - registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Basically, Goods and Service Tax is that tax credit mechanism wherein the tax is levied on goods and services at each point of sale or provision of service. Under this tax regime the seller of goods or the service provider can claim the input credit of tax paid by them. No wonder GST with its reduced standardized rates and perks is being looked at with hope by many of the businesses in this sector, as this move currently seems to be the only way forward to incentivize and strengthen a growing component of the nation's economy, but one that is saddled with far too many taxes to make noticeable progress.

Keywords

Goods and service Tax, Indirect Tax, Slab Rate, Restaurants

INTRODUCTION

The Indian government has come up with a plethora of reforms, in a move to eradicate corruption from the market and add transparency to its operations. No reform in the recent past has generated as much buzz as the Goods and Services Tax (GST).Its implementation is set to single-handedly abolish all the unnecessary money-charging schemes, earlier adopted by retailers to make easy money. The reform will noticeably reduce the compliance cost for taxpayers, harmonise the tax structure, while transforming operations into a uniform entity across states. Especially for food and beverages, its implications remain progressive. With the execution of GST, all taxes will form under a single bracket, adding uniformity to a market plagued by unnecessary additional taxes. Restaurants with Rs 50 lakh or below turnover will go under the 5 per cent composition. Moreover, it will also make it easy for the restaurants to take credit of input goods and services consumed while providing restaurant services. It is expected that GST will marginally lower the overall tax rate however, till the time the final GST rates are announced for this particular sector, no conclusion can be derived out of it.

LITERATURE REVIEW

According to **Hooper and Smith (1997),** GST is actually collected at various stages of the production process. Accordingly, there is output tax, a GST tax charges by the suppliers on taxable goods and services and input tax, a tax incurred by businesses on goods and services purchases. It is noted that GST is not a cost to the sellers and would not appear in financial statements as expenditure. Recently, the government initiative to introduce Goods and Services Tax (GST) has been a growing topic of interest in Malaysia. Despite the increasing popularity and success of GST implementation around the world (Hooper & Smith, 1997), Malaysian citizens are not entirely convinced with this new tax scheme. There are debates mainly centred on the advantages and disadvantages derived from the new tax initiative.

Agogo Mawuli (May 2014) studied, "Goods and Service Tax an Appraisal" and found that GST is not good for low-income countries and does not provide broad based

growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Pinki, Supriya Kamma and Richa Verma (July 2014) studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

STATEMENT OF THE PROBLEM

The restaurant industry in India is on constant growth and is now impacted with GST – Goods and service tax. If we look at the current statistics of the restaurant market industry, as per Indian Food Service Report 2016 it is estimated to be worth 3.09 Lakh Crores. The concept of Goods and Service Tax (GST) is one of the biggest Tax reforms in decades around the world. The researcher attempts to study the before and after implementation of GST in Restaurants. This research intends to focus on understanding the Impact of goods and service tax in Restaurants in Erode City.

OBJECTIVES

- To assess the source of awareness about GST among customers.

- To assess the impact of GST among customers regarding restaurants.

- To find out the opinion of customers regarding restaurants after implementation of GST.

RESEARCH METHODOLOGY

Source of data

The study is based on both primary and secondary data. The primary data has been collected through a well structured questionnaire. The secondary data has been collected from various sources like Magazines, Books and Websites.

Sample design

For the purpose of research, convenient sampling technique is adopted in selecting the respondents in Erode City.

Limitations of the Study

- The samples are drawn on convenience; the results are based on the data.

- As the study is based on Questionnaire, the results vary according to the opinion of the customer.

- Due to lack of time, the study has been restricted to 30 respondents only.

- The study is carried out in Erode city only, so the findings of the study may not be appropriate to this area.

ANALYSIS AND INTERPRETATION

Source of Awareness about GST

The source of awareness about GST among consumers regarding restaurants is analysed with Kendall's Coefficient of concordance test (W) and details are shown in Table1.

Table 1 Source of Awareness about GST among Consumers

Source of awareness	Mean Score	Rank	Kendall's 'W'
Friends	2.60	2	
Relatives	3.63	4	
Media	1.70	1	0.362
Neighbour	4.17	5	
Online source	2.90	3	

Source: Primary Data

Table1 reveals that the mean score for the source of awareness about GST among customers regarding restaurants ranges from 1.70 to 4.17. Most of the respondents source of awareness is from Media (1.70) followed by friends (2.60) and least source of awareness is from neighbour (4.17).The calculated value of 'W' is 0.362.Hence, there is low similarity among the respondents in assigning the ranks to the source of awareness about GST.

Impact of GST among respondents regarding GST

H_0: There is no significant difference between visit of respondents to restaurants before and after GST

Table 2 Impact of GST among Respondents regarding Restaurants

Factor	Df	t-value	Table Value	Result
Visit to restaurants before and after GST	29	1.690	2.043	Insignificant

Source: Primary Data

It is found from Table 2 that there is no significant difference between visit of respondents to restaurants before and after GST.

Level of opinion about GST regarding Restaurants

To examine the association between level of opinion and independent variables, the following null hypothesis has been framed.

H_0: There is no significant relationship between age, educational qualification, occupation, family's socio-economic level, kind of restaurant, amount spent in a restaurant per person and level of opinion about GST regarding restaurants. This hypothesis has been tested by using Anova test at 5% level of significance.

Table 3 Association between Independent Variables and Level of Opinion

Factors	Source of Variation	Sum of Squares	Df	Mean Square	F Value	Table Value	Result
Age	Between Groups	4.200	2	2.100	2.087	3.35	Insignificant
	Within Groups	27.167	27	1.006			
	Total	31.367	29				
Educational Qualification	Between Groups	2.619	2	1.310	1.545	3.35	Insignificant
	Within Groups	22.881	27	.847			
	Total	25.500	29				
Occupation	Between Groups	.955	2	.477	.590		Insignificant
	Within Groups	21.845	27	.809		3.35	
	Total	22.800	29				
Family's Socio-economic level	Between Groups	.569	2	.285	.608	3.35	Insignificant
	Within Groups	12.631	27	.468			
	Total	13.200	29				
Kind of Restaurant	Between Groups	1.715	2	.858	.323	3.37	Insignificant
	Within Groups	68.974	26	2.653			
	Total	70.690	28				
Amount spent in a Restaurant per person	Between Groups	.752	2	.376	.690	3.35	Insignificant
	Within Groups	14.714	27	.545			
	Total	15.467	29				

Source: Primary Data

Table 3 shows that the hypothesis relating to age, educational qualification, occupation, family's socio-economic level, kind of restaurant, amount send in a restaurant per person are accepted. Hence, it is concluded that there is no significant relationship between independent variables and level of opinion of the respondents.

Implications

Since the restaurants are overcharging in the name of GST, so the restaurants can take necessary steps to avoid overcharging in order to retain customer. The restaurants shall offer better service at normal price. The restaurants in the same area may join together to create awareness among customers regarding GST.

CONCLUSION

In India, implementation of GST would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market. The impact of GST on restaurants will primarily be in administrative ease, clarity

for consumers and improved service quality in the restaurant industry. A single slab will now create a uniform price and will result in direct benefit to the consumers in the form of a lower and easier to read bill when they dine out. Increased consumption will result in job creation and boost the Make in India initiative. This also provides a level playing field for organised players who have to continuously battle with competition which is common with tax evaders and non-compliant entities.

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