

A STUDY ON AWARENESS OF GST AMONG MICRO ENTERPRISES AT TIRUPATTUR DISTRICT

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ABSTRACT

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a **comprehensive**, multi-stage, destination-based tax that is levied on every value addition. Under the GST regime, the tax is levied at every point of sale. This paper aims to under the awareness level of micro enterprises about GST. In order to find out the awareness level of GST among micro enterprises by using non random sampling technique in which 50 respondents of micro entrepreneurs were selected at Tirupattur District for the study. The paper had tried to attempt the actual impact of GST and suggestive measures have also been provided at the end of study. It was concluded that the impact of GST on Micro enterprises can go both in positive and negative way.

Key words: GST, Microenterprises and Awareness

INTRODUCTION

A tax (from the Latin *taxo*) is a compulsory financial charge or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization in order to fund various public expenditures. A failure to pay, along with evasion of or resistance to taxation, is punishable by law. Taxes consist of direct or indirect taxes and may be paid in money or as its labour equivalent.

Most countries have a tax system in place to pay for public, common or agreed national needs and government functions. Some levy a flat percentage rate of taxation on personal annual income, but most scale taxes based on annual income amounts. Most countries charge a tax both on corporate income and dividends. Countries or subunits often also impose wealth taxes, property taxes, sales taxes, value-added taxes, payroll taxes or tariffs.

According to Prof.E.A.R.Seligman, A Tax ia a compulsory contribution from the person to the state to defray the expenses incurred in the common interest of all without any reference to the special benefits conferred.

An indirect tax (such as sales tax, per unit tax, value added tax (VAT), or goods and services tax (GST), excise, tariff) is a tax collected by an intermediary (such as a retail store) from the person who bears the ultimate economic burden of the tax (such as the consumer).

An Indirect tax is one which can be shifted or passed on. It is imposed on one person , but paid partly or wholly by another. So the tax- payer and tax - bearer are different persons. The impact and the incidence of tax fall on different persons.

GOODS AND SERVICES TAX - GST

The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government.

GST is a destination based tax and levied at a single point at the time of consumption of goods or services by the ultimate consumer. GST is based on the principle of value added tax. GST law emphasizes on voluntary compliance and on accounts based reporting and monitoring system. It is a comprehensive levy and envisages tax collection on both goods and services at the same rate.

NEED FOR GST

- GDP Growth will go up after the new law stabilizes (2018-19)
- International Competitiveness will increase
- Increased Foreign Direct Investments due to improve ease of doing business and serious reform measures.
- Common Market- Tax distortions due to differential tax structures and entry tax impositions. Further check post delays would not be there.
- Lower transaction cost (multiples returns on different events at different rates in different States).
- Reduced corruption due to use of information technology, less interaction and less discretion.
- Increased IDT revenue as grey market operators would slowly start joining the mainstream.
- This would also lead to increased Direct Tax Revenue due to higher sales/ services disclosure.

STRUCTURE AND TYPE OF TAXES

India has implemented dual GST. In dual GST regime, all the transactions of goods and services made for a consideration attracts two levies i.e. CGST (Central GST) and SGST (State GST). GST has brought a reform in the taxation in India. Various types of indirect taxes replaced by GST is categorized under four categories. The four types are:

- CGST under GST

CGST is a Central Goods and services tax. It is applicable on suppliers dealing within the state. Taxes which are collected will be shared with the central authority body.

- SGST under GST

SGST is a state Goods and services tax. It is applicable to suppliers who dealing within the state. Taxes which are collected will be shared to state authority body.

- IGST under GST

IGST stands for an Integrated Goods and services tax. It is applicable to suppliers who dealing interstate business and import transaction. Taxes which are collected will be shared to central and state authority body.

- UTGST under GST

UTGST stands for Union Territory Goods and Services Tax. It is applicable if the transaction is related to any union territory.

MICRO ENTERPRISES

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

- A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- Enterprises engaged in providing or rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006 are specified below.
- A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

REVISED CLASSIFICATION OF MSMES

Revised Classification applicable w.e.f 1st July 2020

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover ; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover ; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover ; not more than Rs. 250 crore

DEFINITION OF MICRO ENTERPRISE

A microenterprise is a small business that employs a small number of employees. A microenterprise will usually operate with fewer than 10 people and is started with a small amount of capital. Most microenterprises specialize in providing goods or services for their local areas.

ROLE OF MICRO ENTERPRISES IN THE DEVELOPMENT OF THE INDIAN ECONOMY

- The improvement and subsequent development of small-scale industries and micro enterprises in the country have led to a significant increase in the per capita income in our economy. This can be developed as economic development.
- Also, micro enterprises majorly contribute to the employment of our country. They help with the economic development of smaller towns and villages and close the development gap between rural and urban economies.

OBJECTIVES OF THE STUDY

- To identify the awareness of GST among Micro enterprises
- To measure the awareness and satisfaction level of GST among micro enterprises

REVIEW OF LITERATURE

According to **Jenkins and Rup Khadka (1998)** the introduction of GST in Singapore was followed by a reduction in individual income tax rate. That's meant when income tax rate reduce, taxpayers can saving more and increase their investment.

The study conducted by **Lai and Choong (2006)** shows the the majority of participants in their study felt that the GST will affect the prices of goods and services as well as the rise in wages. Results study indicate that more than half of the respondents expected the GST will affect the spending habit and perceived that they would spend less and maintain their investment and saving amount after implementation of GST. Theoretically, GST did not result to inflation, but the study found that most participants predicted that GST will result in inflation.

According to **Singh (2007)** the introduction of GST may bring about a one-time increase in cost of living; the probability of it leading to inflation is not high.

Amanuddin Shamsuddin & Deviga C. Seagaran (2016) had described that the government has to play an integral role in assisting the SMEs to overcome any adverse impacts raised from the GST implementation. The government may consider providing ongoing training programme to SMEs even after the GST implementation until the SMES are ready to handle GST system on their own. Government shall take the initiative to provide incentives for SMEs to shelter their incomes as they might encounter a dip in their income during the post GST implementation period. A guideline that varies according to the type of industry should also be drawn where it should comprise of GST treatment and the procedure pertaining to the specific industries. The study was conducted among 200 SMEs.

Ms. Rani Jacob (2017) found in her study that after the arrival of GST, the MSME sector had forced to revamp their strategies, systems, supply chains and costing apart from meeting the quality standards as per international norms. Under GST all compliance procedures such as registration, payments, refunds and returns would be carried out through online portals. The burden on MSME's to interact with department officers carrying out compliances should be eliminated. In this way GST would save time and effort of MSME's. The overall impact of GST on MSME sector had to be reviewed by the Centre and the States periodically, and any adverse impacts observed should be addressed at appropriate times for the success of new tax regime.

N.Ramya and D.Sivasakthi (2017) described that one of the biggest taxation reforms in India – the Goods and Service Tax (GST) is all set to integrate State economies and boost overall growth. GST would create a single, unified Indian market to make the economy stronger. Experts said that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden would be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.

Sankar R(2017) found that the GST was very crucial tax reform since independence of India, so it must be better handled with utmost care and analyzed well before implementing it. And, the governments both central and state had to conduct awareness programmes and various literacy programmes about GST to its various stakeholders.

RESEARCH METHODOLOGY

Sources of Data

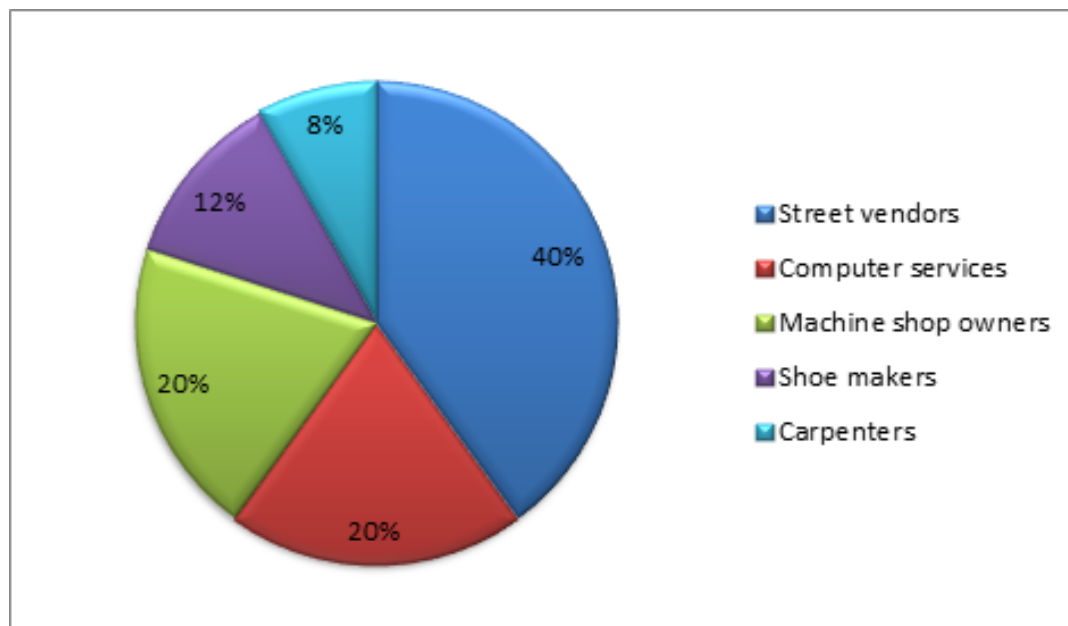
Primary data were collected primarily through direct administration of the questionnaire. The study uses secondary data to support and substantiate primary data and also to form a strong theoretical base. The secondary data were collected from Research paper, SSRN, shodhganga, Local bodies, research journals, newspaper, articles, GST portals, working papers etc.

Sample Size: The sample size seleceted were 50 Micro business owners.

Sampling Technique: In Non Probability method of sampling, convenient technique was applied.

DATA ANALYSIS AND INTERPRETATION

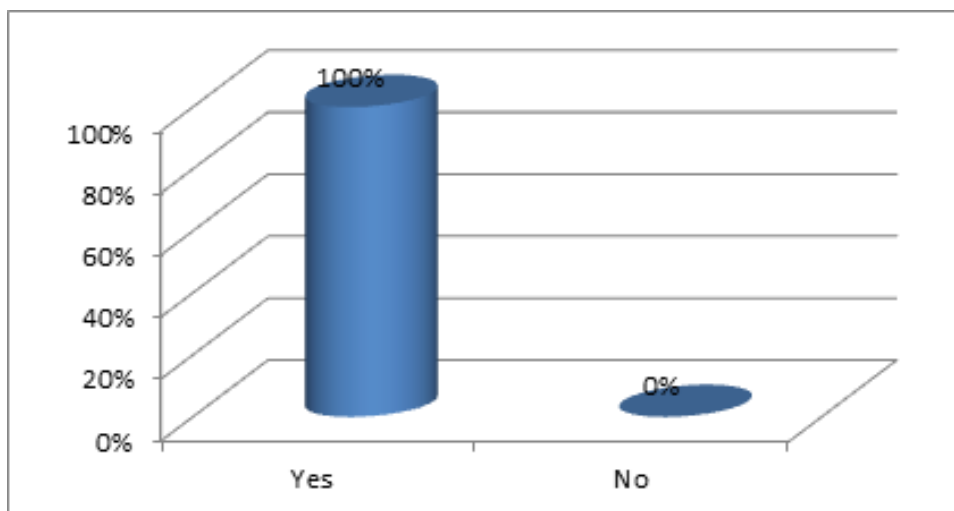
Types of Micro Entrepreneurs



Inference:

It is clear from the above diagram that the data were collected from the entrepreneurs who were from various business backgrounds. Out of the respondents selected 20% of the respondents are street vendors, 20% are computer service operators, 20% are shop owners, 12% are shoe makers and 8% are carpenters.

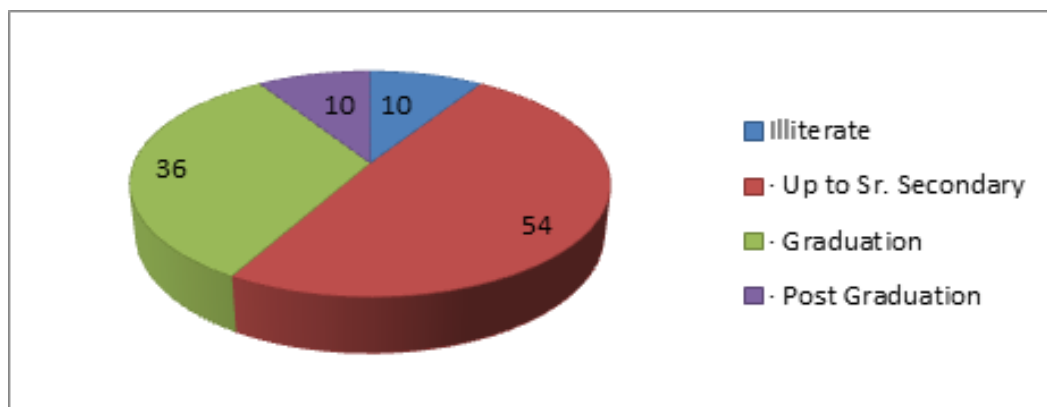
AWARENESS OF GST



Inference:

From the above diagram it is clear that the respondents from whom the data were collected are Micro entrepreneurs and are aware of GST.

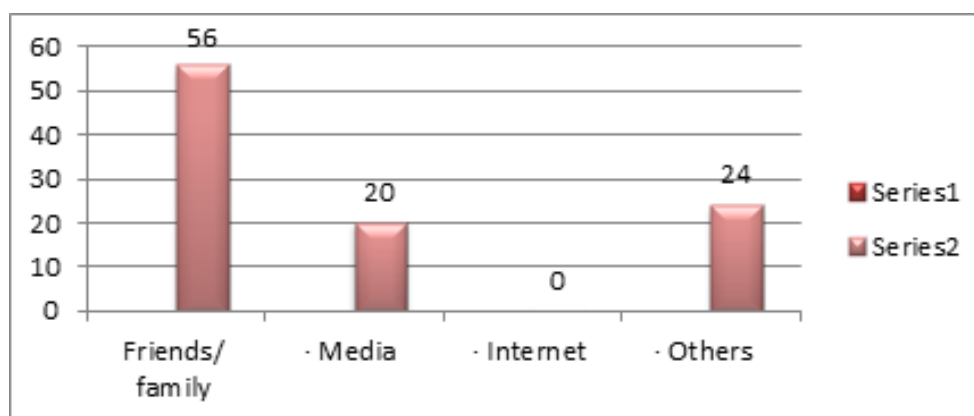
EDUCATIONAL STATUS OF RESPONDENTS



Inference:

It is clear from the diagram, 54 % of the micro businesses owners have completed their Higher secondary education, 36 % of the respondents completed their graduation, 10 % of the respondents were post graduates and the remaining 10 % were illiterate.

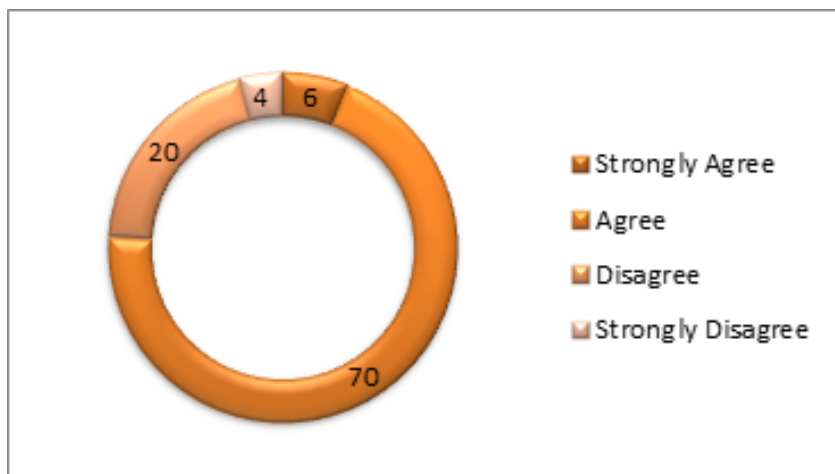
Source of awareness



Inference:

It is clear from the above diagram, 56% of the respondents were aware of GST through Friends/family, 20% of the respondents were through media, 24% were through others and none were from internet.

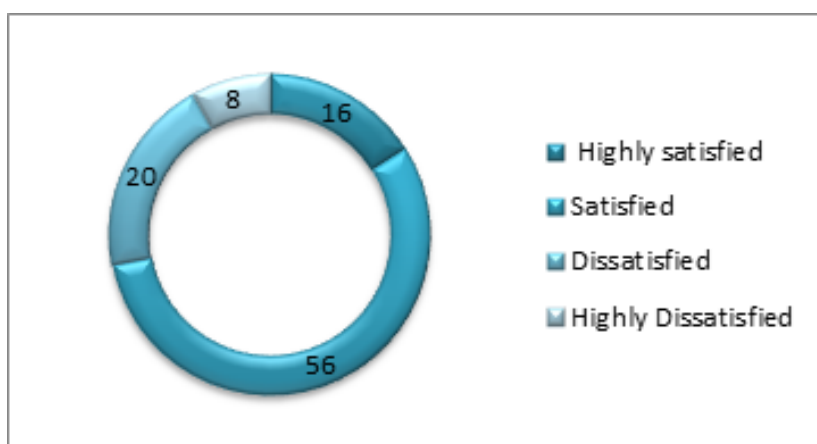
GST IS FAIR TAX SYSTEM



Inference:

From the above diagram, it is inferred that 70% of the respondents agreed that GST is fair tax system, only 6% of the respondents were Strongly agreed, 20 % of the respondents were disagreed and 4% of the respondents strongly disagreed the above.

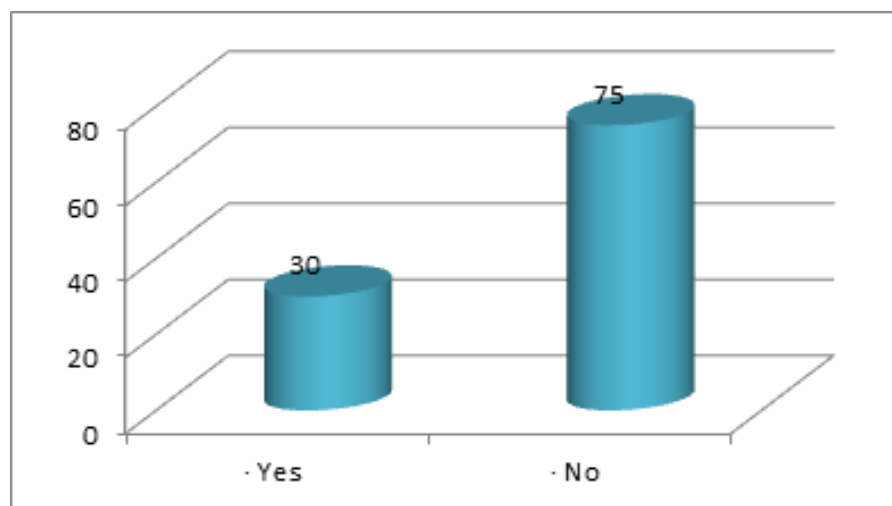
SATISFACTION LEVEL OF RESPONDENTS TOWARDS GST LEGISLATION



Inference:

The above diagram represents that 56% of the respondents were satisfied with GST, 16% of the respondents were highly satisfied, 20 % were dissatisfied and 8 % of the respondents were highly Dissatisfied about GST.

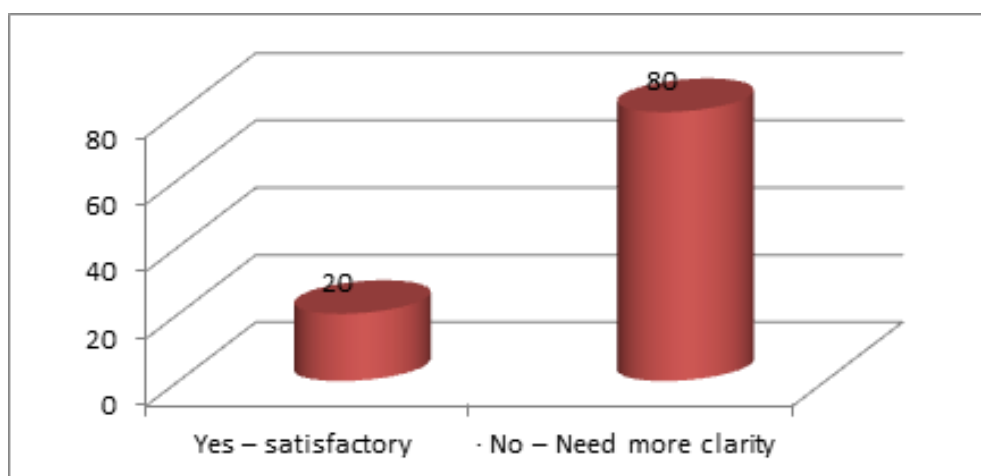
KNOWLEDGE ABOUT ONLINE PORTAL OF GST



Inference:

The above diagram represents that 75% of the Micro business owners were aware of GST Online Portal and 30 % were unaware of GST online portal.

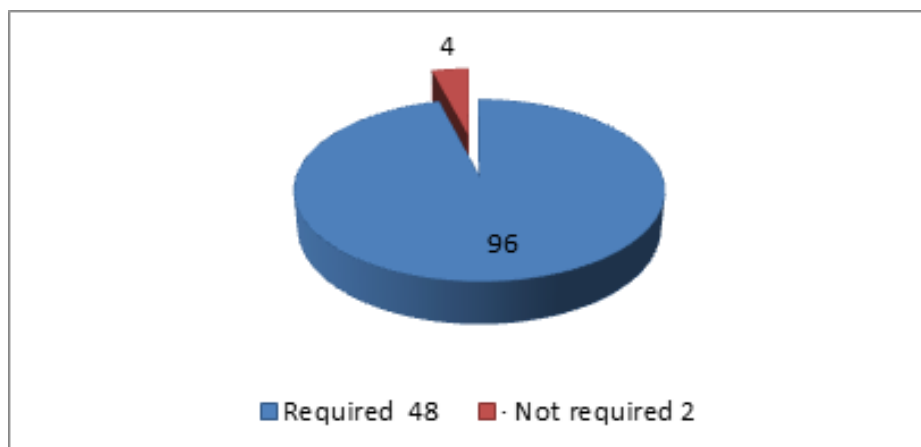
CLARITY LEVEL OF MICRO BUSINESSES ABOUT AVAILABLE LEGISLATION OF GST



Inference:

It is clear from the above picture that 80 % of the respondents were not satisfied and need more clarity about GST Laws and only 20% of the respondents were Satisfied and Clear about the GST Legislation.

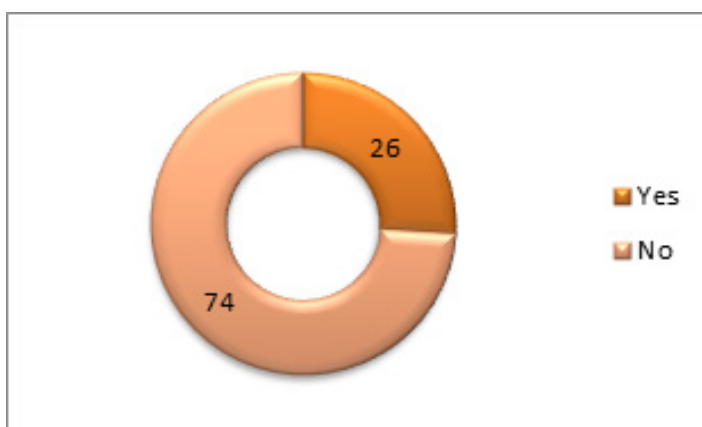
ASSISTANCE OF CA REQUIRED FOR FILING THE TAX



Inference:

The diagram represents that 96 % of the micro Business owners requires the Assistance from Chartered Accountant for filing the tax returns and the 4% does not require the support of CA for the above.

AWARENESS OF COMPONENTS AND CONCEPTS OF GST



Inference :

The above diagram shows that 70% of the micro businesses were not aware of components and concepts of GST and 26% of them were aware of the above.

FINDINGS

The data was collected among 50 Micro enterprises and found the following findings:

- GST has declined the corruption and gained support from respondents.
- 54 % of the micro businesses owners have completed their higher secondary education.
- 56% of the respondents were aware of GST through Friends/family
- 70% of the respondents agreed that GST is fair tax system.
- 16% of the respondents were highly satisfied with GST Legislation
- 75% of the Micro business owners were aware of GST Online Portal and 30 % were unaware of GST online portal
- 80 % of the respondents were not satisfied and need more clarity about GST Laws

- 96 % of the micro Business owners requires the Assistance from Chartered Accountant for filing the tax returns.
- 70% of the micro businesses were not aware of components and concepts of GST and 26% of them were aware of the above.

SUGGESTIONS

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a **comprehensive**, multi-stage, destination-based tax that is levied on every value addition. Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. Inter-state sales are chargeable to Integrated GST.

- Micro Businesses finds GST laws difficult to adapt.
- Few owners were not aware of GST Legislation. Proprietors those who are literates are able to manage with GST System to a extent but couldn't adhere to the system properly.
- Among literates and illiterates many of the business needs more clarity about GST Laws and even requires assistance of accountants for filing of GST returns which might increase the cost for micro enterprises.
- It is also found that micro enterprises are not aware of registration process and the limit of Compulsory registration.
- In a nutshell, Government should emphasize focus on micro enterprises for creating awareness among them in all aspects of GST.

CONCLUSION:

GST is an Indirect Tax which has replaced many Indirect Taxes in India. Goods & Services Tax Law in India is a **comprehensive**, multi-stage, destination-based tax that is levied on every value addition. In the era of globalization, GST will not only bring the transparency but also it will promote the ease of doing. In the study the respondents were aware of the GST act and the rates implemented on the products but the micro business man were not much satisfied with rates criteria. The new ordinance of online filing the tax has saved much of the time and reduced paper work which could be appreciated. Majority of respondents felt that GST will for sure increase the pace of the economy growth of the country but it requires more clarity as suggested by the study. GST council should continue with efforts to boost Indian economy.

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