

GST AND ITS IMPACT ON SMALL SCALE BUSINESSES IN TAMILNADU: AN ANALYSIS

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ABSTRACT:

GST is a tax that needs to pay on supply of products and offerings. Any person, who is presenting or offering goods and services, is liable to fee gst. MSME's are a major driver in the Indian economy, contributing to almost 7% of the manufacturing GDP and 31% of the services GDP. with a consistent growth rate of about 10% they employ about 120million people and contribute to around 46% of the overall exports from India. Under the gst regime, this significant sector too is set to change. This paper based on the survey based on the effect of the implementation of gst on the SME,s in which the problems associated with the gst will be primaries and it was concluded that a lot of people were still unable to understand the working of gst and they have to make understand their customer also, most of the youngster believe that with time all the problems were automatically solved and the fair face of gst will always profitable to everyone.

Keywords: Gst, Tax and services, SME,s , VAT, and Service charges.

INTRODUCTION:

After independence, the largest indirect tax reform in India has begun with goods and services tax (GST). After much deliberation, the Gst bill was passed at Rajya Sabha and this winter session will be discussed at the state assembly(**Govind Bhattacharjee-2002**). Having the bill for integrated national tax reforms, the market is full of new expectation among industry leaders and government officials(**Robert.k-2004**). SME,s account for about 90% of

its industrial facilities. The Indian government “Make in India “ campaign will promote the launch of gst. Consumption tax or current pre packaged retail products is not charged at the factory,s transaction price, but at percentage of the packages maximum selling price (MRP)(**Saurabh Suman-2017**). This increases MRP and increases consumer costs. Under gst, the manufacturer pays taxes while purchasing raw materials for the product. This amount can be credited to the next reseller until the product reaches the end consumer.(**Richard Adam,Ramya-2009**)This will greatly boost the tax burden. This sets the momentum at which two accounts pass. During the winter semester, submit the central gst (CGST) and integrated GST (IGST) bills along with the main gst bill through various major assemblies. According to industry and government experts, the gst expiration date of April 1, 2017 is likely to have expired(**Dr.john Breen-2000**). Corporations , especially SME,s are collected in a variety of industries. Extended indirect taxes gst replaces variety of taxes such as excise, vAT and service charges with a single tax structure.with frequent scepticism, some start ups and small businesses should be aware of the negative impact they can see in photos with the launch of gst. According to various government agencies, the gst system will help most SME,s.(**Rajath Kumar -2017**).

With only a few months left before the implementation of gst, small business owners are engrossed in understanding the potential effects of gst on their business. It’s well known fact that SME,s (small and medium enterprises) are the primary growth drivers of the economy and major contributors to the GDP. While some business owners have lauded the government of India for implementing gst, others are not very convinced. To comprehend the overall effect of gst on your business(**Joseph Stiglitz-2005**). Let’s take a look at the pros and cons of the new regime from a small business perspective.Though there are a lot of advantages to gst, SME,s May have reservations about transitioning to gst is getting used to the new tax regime with in a short period of time. Their concerns might include increased compliance costs and numerous returns are a few negative effects of gst that are likely to affect SME(**Mohit tater, Ankit Srivastava-2000**). Small and medium enterprises has been considered as the primary growth driver of the Indian economy for decades. It further evident from the fact that today we have around 3million SME,s in India contributing almost 50% of the industrial output and 42% of India’s total export(**P.M.Mathew-2011**). For a developing country like India and its demographic diversity, SME,s have emerged as the leading employment generating sector and has provided balanced development across sectors. Let’s examine what would be the impact of GST on small and medium enterprises.(**Poornima.M-2005**)

But before we analyse the impact of GST on small and medium enterprises, we should understand how GST is going to widen the taxpayer base. Earlier, any manufacturer with a turnover of Rs.1.5 crore or less was not required to comply to the rules of excise duty(Joshua, A.Bell-2012). However, with the merging of all state and central level taxes into the ambit of gst, any manufacturer with a turnover of RS. 20lakh (others) or 10 lakh (special category states) or more will have to comply with gst and its procedures(R.lavanya-2017). **The main aim of this research is to analyse the impact of GST on small scale industries in tamilnadu.**

HYPOTHESIS:

Null hypothesis:

There Is no significant impact of GST on the small scale industries in TamilNadu..

Alternative hypothesis:

There is a significant impact of GST on the small scale industries in TamilNadu.

MATERIALS AND METHODS:

The current research work is made on the basis of empirical format in which it includes survey, statistics analysis etc. and the current paper is based on stratified random method of sampling and secondary sources include articles, e-books and journals and the research work has been carried out in an empirical study using simple random sampling method.

RESULTS:

Out of **300 responses from** small business mans. Majority of the respondents were belong to the age group between 30-35(38.8%) and other respondents were belong to the age group between 30-40 (58.5%).And the majority of the respondents average turn over per year is 20 lakhs (41.8%) others average turn over per year is between 20-40lakhs. Majority of small businessman's are considering GST as no different in comparison with VAT (53%) and others are saying it is complicated(42.4%).Majority of the small businessman's (84.1%) don't have interstate supply in their good and other (15.9%) have inter state supply in their goods. And these 15.9% businessman's said that there is "no different"(52.2%) in registering

under gst for interstate supply other 17.9% and 29.9% small businessman's responded that it is easy and complicated for registering for inter state supply. Majority of the respondents(53.7%) responded "it is not required" for filing returns every month under gst and other (46.3%) responded that "it" is good. Majority of the respondents (41.8%) said that there is "no different" in the process of filing gst other 32.8% and 25.4% responded that the process of filing gst is easy and complicated. Majority of respondents(65.7%) said that VAT is the better form of taxation than gst and other 34.3% respondents said that gst is better form of taxation. Majority of the respondents (50.7%) feels that gst is beneficial to small businesses others (29.9%)and (13.4%) feels gst May or may not be beneficial to small businesses. Majority of the respondents (62.7%) are not happy with the present rate of gst on small manufactured products and other (37.3%) respondents are happy with the present rate of gst on small manufactured products. Majority of the respondents(27.1%) who said they are not happy with the present rate of gst on small manufactured products are expecting gst council to reduce the tax percent on small manufactured products.Majority of the respondents (55.2%) said their profit remains the same just like the previous regime and other 16.4% respondents said it makes profit than how much it made during VAT and 28.4% respondents said their profit has been affected to a greater extent. Majority of the small businessman's (52.2%) said the consumer consumption of their products after the implementation of gst has increased and other 14.9% said it has decreased and 32.8% said it remains the same. Majority of the respondents (43.3%) are working in retail sectors from 10 to fifteen years and other respondents were working between 15-20 years. Majority of the respondents (50.7%) said that gst is a big blunder than demonetisation. Majority of the respondents (50%) said gst won't affect any small retail shopkeeper in any way.Many respondents (52.2%) said that the current economic condition has no effect on small business.Majority of the respondents (38.8%) said that the current status of their business is bad and other 31.3% and 29.9% said it is average and good. Majority of the people (68.7%) are expecting to spend above their aim in small retail shops. Other 31.3% people are expecting to spend below their aim in small retail shops. On the overall majority of the respondents (46.2%) opinion about the implementation of gst on small business is "it is good form of taxation but needs changes in its structure and remaining 41.5% respondents said it is a good and better form of taxation. So about the implementation of gst on small businesses has mixed results.

DISCUSSION AND CONCLUSION:

The impact of Goods and Service Tax implemented in India on the small and medium enterprises in Tamil Nadu is yet to be realised as the progress made is to be estimated. Yet it has the potential to go a long way in improving the business condition of the state in small and medium enterprise sector. This study found out that GST is beneficial to small scale industries in Tamil Nadu. Majority of the respondents are happy that GST has been enforced but they opine that it could be implemented effectively in a way so as to help boost their business rather focus more on paying exorbitant rate of tax. GST in a way has increased the consumption capacity of the customers, reported the respondents. But this hasn't had an effect on their profit margin. They seem to be realising the same level of profit as like in the case of VAT. In order to realise the benefits of Goods and Services Tax, the government needs to make modification in the way the tax is realised. More awareness needs to be created among the tax payers regarding the procedure in the payment of GST and the GST council needs to take into consideration the opinion of the businessmen belonging to small and medium industries as the sector has a huge potential to grow and in order to help them contribute immensely to the country's GDP through the GSDP, the government in order to motivate and encourage such entrepreneurs to invest more need to lower the GST rates on several products and commodities that come under small and medium scale enterprises.

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