

## **PROBLEMS OF IMPLEMENTATION OF GST IN RESTAURANTS WITH SPECIAL REFERENCE TO COIMBATORE CITY**

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### **Abstract**

GST regime is a half-hearted commit to rationalize indirect tax. As per research worker government of India should study the GST regime started by numerous countries and additionally their fallouts before implementing GST. It's the requirement of hour that, the government should create an effort to insulate the large poor population of India, against the inflation because of implementation of GST. GST are levied on all the products and services except those exempted, dual model of GST are there, which will embody Central GST collected by Center and State GST collected by State . However, despite the immense potentiality borne by GST towards a higher growth trajectory of Indian economy, reportedly various business, industry and exporters are facing enormous problems due to the same.

This study has been initiated to understand the ground level reality over the implication of GST on Restaurant business.

Key Words: GST, Problems, implementation.

## Introduction

GST is the biggest tax reform in the history of Indian Economy. The spillover effects of GST are immense from increase in Government revenue vis-a-vis better tax compliance and reduced tax evasion, enabling greater control and facilitating efficient monitoring than the traditional taxation system. The increased tax revenues of Government would create scope for enhanced public investments in various social and physical infrastructural activities creating further scope for employment generation. However, despite the immense potentiality borne by GST towards a higher growth trajectory of Indian economy, reportedly various business, industry and exporters are facing enormous problems due to the same.

To understand the ground level reality over the implication of GST on Restaurant business, the researcher has initiated this study.

## Reviews on Problems due to Implementation of GST

**Priya, (2018)**, from her research, she opined that GST will give Indian economy a strong and smart tax system for economic development. But for gaining those benefits country will need to build strong mechanism. The objective of GST is to replace VAT; GST will be solving all the complexities present in the current indirect tax system. It will be giving relief to various parties like consumers, producers and Government.

**Kumar, (2014)** discussed that GST regime is a half-hearted commit to rationalize indirect tax. As per research worker government of India should study the GST regime started by numerous countries and additionally their fallouts before implementing GST. It's the requirement of hour that, the government should create an effort to insulate the large poor population of India, against

the inflation because of implementation of GST. GST are levied on all the products and services except those exempted, dual model of GST are there, which will embody Central GST collected by Center and State GST collected by State .

**Gowtham Ramkumar (2017)** concluded that consumers are left with less money after GST, rise in inflation level and fall in prices of certain goods after GST implementation. He further concluded that GST rates will have a significant impact on the spending ability of the consumers and suggested that benefits of input tax credit must be transferred by the companies to the consumers.

**Manoj Kumar Agarwal, (2017)** found that people feel that GST has increased the legal compliances and it will increase the tax collection of the government. He further found that GST has increased the tax burden of businessmen and suggested that efforts should be made on the part of the government to ensure people have a proper understanding of the goods and services tax implemented in India.

**Garg, (2014)** found that the challenges faced for the implementation of GST bill are with respect to tax threshold, nature of taxes, variety of enactments of statutes, rates of taxation and tax management and infrastructure whereas the opportunities are – end to cascading impact, growth of revenue in States and Union, reduces transaction costs and unnecessary wastages, one point single tax, avoids the multiplicity of taxes, reduces average tax burden and reduces corruption. All sectors of economy ought to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and customers shall be directly affected by GST .

**Bindal & Gupta, (2018)** stated that an industry that has been facing challenges for the past two years is due to the continued global uncertainties and a domestic decline. The long-term potential of the industry is growing rapidly and the introduction of GST will help this fast growing industry. Conversely, the setting of high tax rates will be burdensome to the consumers. The introduction of the bill is fully supported by Federation of Hotels and Restaurants Association of India (FHRAI) only with a request of capping the composite rate burden at 8%. According to the president of the association this will help the growth of the industry.

**Abraham and Mathew (2019)** focused to identify the problems faced by hoteliers on the implementation of GST. This study also assesses whether there is any increase in the compliance cost on the implementation of GST and he found that majority of the hoteliers have expressed faith in the system even though the majority of hotels have incurred additional costs in transitioning towards the new system as it is expected by them that in the long run GST will be proved beneficial.

**Chouhan & Shakdwipee, (2017)** opined that the main areas to be focused include Training and Computer software availability. Most of the respondents' have predicted that issues like Client/customer refuse to pay GST and having problem to submit report to Authority will be increased. The Small business owners are also more interested in making and joining Training rather redressing for the grievances by using consumer protection law.

**Diksha panwar and Sidheswar Patra (2017)** dissected the effect of GST on Restaurants and nourishment administration business in India , the target of the examination was to discover the experiences in execution and to feature the unfavorable impacts of cafés and nourishment industry. The investigation presumes that incessant change in charge rates and backward tax collection strategy disheartens the new contestants in the café business.

**Objectives of the study**

- To explore the problems faced by the restaurant owners due to the implementation of GST.

**Research Methodology**

This research considered only restaurants in Coimbatore city. Restaurant owners/Managers are considered to be the sample unit for the study. 200 questionnaires had been distributed among the restaurant owners and 183 had been considered as complete and considered for the study. Kendall's W Test is used to analyse the problems due to implementation of GST.

**Data Analysis and Results**

The following hypotheses are used to check significant agreement in ranking.

$H_0$ : There is no significant agreement between the respondents regarding the ranking of problems due to GST implementation.

$H_1$ : There is a significant agreement between the respondents regarding the ranking of problems due to GST implementation.

**Table: 1**
**Kendall's W Test for ranking of problems due to GST implementation.**

<b>Factors</b>	<b>Mean Rank</b>	<b>Assigned Rank</b>
Increase in overhead expenses	3.87	6
Supply Chain restructuring	3.57	9
Liquidity crunch due to lock-in period under GST	4.03	3
Furnishing bank guarantees instead of bond	3.27	11
Excessive compliances and filings	3.98	5
Delays in refund	4.32	1
Wholesalers reluctant to provide their GSTIN to apply for input tax credit	3.19	12
Service Tax	3.16	13
Decline in business	3.64	7
GST filing	4.02	4
Refund mechanism	4.21	2
Rise in input/intermediate cost	3.61	8
Allotment hassles for GSTIN	3.41	10

**Table: 2****Kendall's W Test for ranking of problems due to GST implementation.–Test statistics**

<b>N</b>	183
<b>Kendall's W(a)</b>	.943
<b>Chi-Square</b>	5732.76
<b>Df</b>	12
<b>Asymp. Sig.</b>	.000

It has been clear from the Table 2 that the value of the Kendall's W has been 0.943 and the significance level has been 0.000. This significance value has been less than 0.01. It clearly shows that there is a highly positive agreement between the respondents regarding the ranking of problems due to GST implementation.at 99 percent confidence level. The ranking of Problems are: Delays in refund got the ranking of 1, Refund mechanism got the ranking of 2, Liquidity crunch due to lock-in period under GST got the ranking of 3, GST filing got the ranking of 4, Excessive compliances and filings got the ranking of 5, Increase in overhead expenses got the ranking of 6, Decline in business got the ranking of 7, Rise in input/intermediate cost got the ranking of 8, Supply Chain restructuring got the ranking of 9, Allotment hassles for GSTIN got the ranking of 10, Furnishing bank guarantees instead of bond got the ranking of 11, Wholesalers reluctant to provide their GSTIN to apply for input tax credit got the ranking of 12 and Service Tax got the ranking of 13.

## Discussion and Conclusion

The present research analyzed the problems due to implementation of GST. The results revealed that the major problems of GST are Refund, liquidity crunch and Filing. Hence, these problems should be addressed by the government and suitable modification and simplification would lead to effective implementation and bring reforms in Indian Economy.

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