



A Study of Goods and Service tax (GST) in Small Scale Industries (SSI) in India

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ABSTRACT

Goods and Services Tax (GST) is the biggest tax change in Indian taxation system. Goods and Service Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017. Major intention behind introduction of GST in India is to eliminate multiplicity of indirect taxes, cascading effect and reduce tax burden these can possible through only by levying GST. Because the name indicates, the GST can be levied each on items and offerings. GST is a tax that needs to pay on supply of products and offerings. Any person, who is presenting or supplying goods and services, is legally responsible to pay (Goods and Service Tax) GST. The paper highlights the impact of GST on Indian Small Scale Industries (SSIs). Small Scale Industries (SSIs) are an important part of Indian economy, contributing to, it accounts for nearly 40% of the country's industries production, 42% of exports and 65% of the employment opportunities. Therefore, an attempt made to address the impact of GST implementation on SSIs. This paper explain the benefits of (Goods and Service Tax)GST on (Small Scale Industries)SSIs, and problems faced by (Small Scale Industries(SSIs)by the implementation of (Goods and service)GST in India .I used secondary data in my study.

Key words: GST, SSIs, Cascading effect, Taxation

INTRODUCTION

Small Business Enterprises (SBEs) sector has emerged as a highly exciting and energetic sector of the Indian economy over the last six decades. SBEs is the backbone of rural and backward industries areas. India's concern and support for SBEs can be traced back to the special concern of Mahatma Gandhiji for handicraft and village based industries. SBEs are complementary to large industries as supplementary units and this sector contributes extremely to the socio- economic development of the country. The SBEs sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth and sustainability. The SBEs Sector has emerged as a dynamic, vibrant sector of the economy and holds the key to economic prosperity in an economy like ours. In fact, it accounts for nearly 40% of the country's industries production, 42% of exports and 65% of the employment opportunities. Almost 27 years have passed since the process of(Liberalization ,Privatization ,Globalization) LPG and it has in a way opened the doors of fortune for (Small Business Enterprise) SBEs. Start- ups are the engines of exponential growth, manifest the innovation with catalytic effect of technology. Technology empowers the less empowered and pave the way for reaping rich economic benefits of the country. India is at crossroads, where it now has to cater to the aspiration of a billion people. Existing frameworks can prove to be insufficient and there is a great need to leverage a billion minds and become a global power. At Present (Small Scale Industries) SSI are known as modern (Small Scale Industries) SSI. Modulations as widely accepted by SSI with heavy range of product by this industries .The product which are modernly manufacture in SSI are includes product like plastic , chemicals , glass, ceramic ,mechanical items hardware, electronic items, automobile parts , bicycle parts ,sports goods , stationery items ,

watches agriculture product, fishery product, infrastructure products, cotton and handloom, railway support product, technology support product, research and development instrument etc. Economic development of a country is directly related to the level of industrial growth. The expansion of industrial sector leads to a greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement in the general standard of living.

Start-ups and entrepreneurship are the best way forward in becoming a knowledge superpower. In recent years, the Indian start-up ecosystem has really taken off and come into its own—driven by factors such as huge funding, consolidation activities, evolving technology and a growing domestic market, a home to a new type of young Start-ups, has clearly evolved to become the third largest base of technology Start-ups in the world. There are about 50 crore SBEs in India where 47.78 lakhs SBEs are in Maharashtra State alone. Out of which, 35% have become sick due very many reasons. At present they are facing many challenges in many spheres. It is high time focus our attention to basically save them.

Goods and Services Tax (GST) is a single tax to be levied on the supply of goods and services. Goods Service Tax Reduces all kind of taxes that why it called as ONE TAX, ONE NATION. It will be borne by each part of the goods and services supply chain, right from the manufacturer to the consumer. Taxes paid on the purchase of goods or services (called Input Tax), whether for resale or for producing/ manufacturing a new item, will be utilised as credits to offset the tax to be paid on sale of the said goods. This process will be repeated as many times as the said goods change hands in the original form or in a new form.

Taxes are merged with GST

The new GST will subsume or merge within itself the following Central, and State taxes

Central taxes: Central Excise Duty (CENVAT), Service Tax, Additional Excise Duties ,Additional Customs Duty or Countervailing Duty (CVD), Special Additional Duty (SAD) on Customs, all Surcharges and Cess, Central Sales Tax(CST).

State Taxes: State VAT or Sales Tax, Central Sales Tax (CST), Luxury Tax, Entry Tax (all forms), Entertainment and Amusement Tax (except when levied by the local bodies), Taxes on advertisements, Purchase Tax, Taxes on lottery, betting and gambling, State Surcharges and Cess so far as they are relate to supply of goods and services.

Taxes will still remain outside the purview of GST

The following Taxes will continue to be levied as before: Central Taxes (outside GST): Basic Customs Duty, Duties on imports such as Anti-dumping Duty, Safeguard Duty, etc. or Export Duty. State Taxes (outside GST): Property Tax, Road and Passenger Tax, Toll Tax, Stamp Duty, Electricity Duty, Tax on Entertainment and Amusement levied and collected by local bodies such as Panchayat/ Municipality/ Regional or District councils. But before this study analyse the impact of GST on Small & Medium Enterprises; this study helpful to 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. However, with the merging of all State and Central level taxes into the ambit of GST, any manufacturer with a turnover of Rs 20 lakhs (others) /10 Lakh (Special category states) or more will have to comply with GST and its procedures.

All the compliance procedures under GST — Registration, Payments, Refunds and Returns will now be carried out through online portals only and thus SMEs need not worry about interacting with department officers for carrying out these compliances, which are considered as a headache in the current tax regime.

STATEMENT OF THE PROBLEM

SSIs are a most important part in the Indian economy, contributing almost more than, it accounts for nearly 40% of the country's industries production, 42% of exports and 65% of the employment opportunities. But in the last year government of India made great reform in indirect taxation system by introducing GST. From onwards major changes and challenges occurred in the functioning of SSIs. Hence this study concentrated to explore how that GST imposing challenges and created opportunities to the SSIs sector in India.

OBJECTIVES OF THE STUDY

1. To study the role of SSIs in Indian economy.

2. To analyse positive impacts of GST on SSIs.
3. To examine the challenges faced by SSIs towards GST.
4. To provide suitable suggestions in concern of SSIs

RESEARCH METHODOLOGY

The present study is carried based on purely secondary sources of data such as books, journals, magazines, newspaper, and earlier studies etc. this study has been focused on impact of GST on functioning and regulatory aspects of SSIs in India. Particularly this paper discovered positive outcomes of GST implementations in India and its benefits towards SSIs in India. Further this study also revealed negative impact of GST implementation on SSIs in India.

ROLE OF SMALL SCALE INDUSTRIES IN INDIAN ECONOMY

Employment Generation

The basic problem that is confronting the Indian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small-scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth

Mobilization of Resources and Entrepreneurial Skill

Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent. Thus, a huge amount of latent resources are being mobilized by the small-scale sector for the development of the economy.

Equitable Distribution of Income

Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive and without being politically disruptive. The small-scale industries ensure equitable distribution of income and wealth in the Indian society which is largely characterized by more concentration of income and wealth in the organized section keeping unorganized sector undeveloped.

Regional Dispersal of Industries

There has been massive concentration of industries in a few large cities of different states of Indian union. People migrate from rural and semi urban areas to these highly developed centres in search of employment and sometimes to earn a better living which ultimately leads to many evil consequences of over-crowding, pollution, creation of slums, etc

Provides Opportunities for Development of Technology

Small-scale industries have tremendous capacity to generate or absorb innovations. They provide ample opportunities for the development of technology and technology in return, creates an environment conducive to the development of small units. The entrepreneurs of small units play a strategic role in commercializing new inventions and products.

Indigenization

Small-scale industries make better use of indigenous organizational and management capabilities by drawing on a pool of entrepreneurial talent that is limited in the early stages of economic development. They provide productive outlets for the enterprising independent people. They also provide a seed bed for entrepreneurial talent and a testing ground for new ventures.

Promotes Exports

Small-scale industries have registered a phenomenal growth in export over the years. The value of exports of products of small-scale industries has increased to Rs. 393 crores in 1973-74 to Rs. 71, 244 crores in 2002-03. This contributes about 35% India's total export. Thus they help in increasing the country's foreign exchange reserves thereby reduces the pressure on country's balance of payment.

Supports the Growth of Large Industries

The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing,

components, accessories and semi-finished goods required by them. In fact, small industries can breathe vitality into the life of large industries.

Better industrial relations

Better industrial relations between the employer and employees helps in increasing the efficiency of employees and reducing the frequency of industrial disputes. The loss of production, and man-days are comparatively less in small-scale industries. There is hardly any strikes and lock out in these industries due to good employee-employer relationship.

IMPACT OF GST ON SSIS AS A BOON

The following points elaborating how GST is beneficial to SSIs in relation to their compliance cost, prices of their products, expansion of business, and requirement of training and finance.

Ease of starting a business:

A business having operations across different states needed VAT registration. Different tax rules in different states only added to the complications. GST tax rules are uniform across different states which enables starting a business easier and an added advantage for SMEs.

The entire process of taxation becomes simpler:

The GST was implemented to remove cascading taxation. It reduces the complications caused by the overlap between Central taxes (Excise duty, customs duty, service tax, etc.) and State taxes (VAT, purchase tax, luxury tax, etc.). The taxes on goods and services levied under VAT, purchase tax, and luxury tax are now merged into one single tax with one common return. Previously, business owners had to deal with many different tax authorities depending on the nature of their business and transactions. Under GST, the relevant authority is always either the Centre or the State government.

Improved logistics and faster delivery of services:

Under the GST bill, no entry tax will be charged for goods manufactured or sold in any part of India. As a result, delivery of goods at interstate points and toll check posts will be expedited.

Relief for small businesses:

For the small business with a turnover of within Rs. 1.5 Crore the return filing compliance has been amended to file quarterly returns instead of monthly returns.

Lower logistical overheads:

As GST is tax neutral it will eliminate time-consuming border tax procedures and toll check posts and encourages supply of goods across borders. Accordingly, the logistical cost for companies manufacturing bulk goods will be reduced. Such costs can be crucial for the survival of SSIs.

Aids SSIs dealing in sales and services:

GST will not distinguish between sales and services. This is good news for the SSIs that deal with sales and services model of business, for them the taxation is simplified and will be calculated on total.

Unified market:

GST will allow flexibility in transfer of goods across states and reduce the cost of doing business, as the reform will cut down multiple taxes imposed by state and central government.

Purchase of Capital Goods:

In the current system, only 50% of the input tax credit against purchase of Capital Goods is available in the year of purchase and the balance amount in subsequent years. Under GST regime, entire amount of input tax credit can be availed in the year of purchase itself. This will support "Make in India" campaign.

Reduction of tax burden on new business:

As per the current tax structure, businesses with a turnover of more than rupees 5 lakh need to pay a VAT registration fee. The government mulls the exemption limit under GST to twenty-five lakhs giving relief to over 60% of small dealers and traders.

Improved logistics and faster delivery of services:

Under the GST bill, no entry tax will be charged for goods manufactured or sold in any part of India. As a result, delivery of goods at interstate points and toll check posts will be expedited. According to an estimate by CRISIL.

CHALLENGES FACED BY SSIs TOWARDS GST

The following points elaborating how GST is negatively impact to SSIs

Lower Threshold

Under the previous excise tax regime, no duty is paid by a manufacturer with a gross turnover of less than Rs 1.50 crores. However, after GST implementation, this exemption limit gets considerably lowered to Rs 20 lakhs. 10 lakhs (special category states) as a result, a large number of MSME's and start-ups come under the network of the GST.

Selective Tax Levying

GST is not applicable to Alcoholic liquor for human consumption and petroleum products, which creates further gap and does not support the 'unified market' ideology of GST.

Compliance Cost

GST regime operates on a self-assessment model, requiring SSIs to file several returns and execute other compliances with monthly frequency. Increase in compliances would lead to increase in costs.

Technological Preparedness

Upgrading IT systems by SSIs require a sizeable investment. In addition, expenses incurring for training employees for the new GST regime is also lead to increased overhead costs for the SSIs.

Financial Preparedness

Since outward and inward supplies would be electronically matched every month, availing of input tax credit by the buyer would be based on the compliances of the supplier. Any failure by the supplier to declare his outward supplies correctly would lead to mismatch of returns leading to reversal of credits availed by the SSIs.

Multiple registrations for Pan-India businesses

Under the GST regime, businesses will have to register online for GST in every state involved in its sales process. If business is carried out across 5 states, then it should be registered under GST in those 5 states to carry out the business activities. Since the entire registration process takes place online, small business owners who are not used to working online might not find the transition easy.

Excess Working Capital Requirement

Taxation of stock transfer will primarily impact the working capital requirements. The quantum of impact will vary depending on stock turnaround time at warehouse, credit cycle to customer, quantum of stock transfer, etc. Higher amount of Capital Requirement will increase interest cost which ultimately will increase the price of Finished Goods.

Dual Control

In recent GST Council Meeting it was decided by the Ministry that those assesses having turnover of less than 1.5 Crores will be assessed by Sate Government and existing Service Tax assesses, irrespective of turnover will be assessed by Central Government as there is lack of expertise with the State Government in relation to Service Tax matters. Because of this, small traders dealing in both goods and services will have dual administrative control both by Centre and State.

SUGGESTIONS

- Government has to create awareness regarding rules, regulations, and compliances of GST by arranging workshops, seminars, conferences to educate proprietors of SSIs.
- Government of India should have to increase threshold limit from 20 lakhs to 1.5 crores hence that reduces tax burden to small businesses.
- Government has to take initiative measures to reduce compliance cost. This will help full to lower their product prices.
- GST is IT backed infrastructure that needs necessary training to the employees hence Government should provide necessary training facility to employees and proprietors of SSIs.
- The business is in different states needs separate registration may increases compliance cost hence one registration should be there for entire business. That encourages business to diverse their business activities beyond their states.
- Government must ensure easy compliances of GST because that reduces errors and confusions in the minds of traders of SSIs.

- Exemption should be given to certain products of small industries in order encourage small traders in the country.
- Government has to minimise tax rates imposed on small scale industry produced products.

CONCLUSION

Unarguably, GST rollout will open up a can of worms and the effect on SMEs throughout numerous industries will vary substantially. It's far quite herbal for a pervasive, country-wide tax reform, as GST is, to have a blended opinion. Moreover, the revolutionary tax regime may have reputation with a view to range from kingdom to kingdom. The only nation, one tax principle underlying Goods and Services Tax (GST) roll out is predicted to benefit Small scale businesses (SSIs) in long run. Presently, majority of SSIs gamers are unregistered in order to avoid paying tax and meeting compliance requirement. If they reach threshold restrict underneath a tax law, it looks to cut up the firm there was a dire need to integrate India into one economy and get rid of the multiple taxes and its cascading effect. Introduction of GST resulted in simplification of indirect tax system in the country and thereby ensures seamless business transactions across our nation and world over. On the arrival of GST, the SSIs sector has forced to revamp their strategies, systems, supply chains and costing apart from meeting the quality standards as per international norms. So far, unorganised SSIs have grown faster than organised peers because of lower cost structures stemming from tax benefits, (if turnover is less than ₹1.5 crore). This paper will be help full for other science stream also.

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