

PERCEPTION OF HOTEL AND RESTAURANT OWNERS REGARDING THE IMPACT OF GOODS AND SERVICES TAX WITH SPECIAL REFERENCE TO AHMEDABAD CITY

Faizanbhai A Saeeda, Dr. Sandip K Bhatt

Research Scholar, Sardar Patel University, Vallabh Vidyanagar
Professor and Head, Sardar Patel University, Vallabh Vidyanagar

Abstract

The implementation of the Goods and Services Tax has resulted in significant changes to the tax code, compliance requirements, and rates for several industries, including the restaurant and hotel industries. The regulations and rates of GST for restaurants and hotel businesses have undergone numerous changes since the tax's implementation on July 1st, 2017. Before the introduction of the Goods and Services Tax (GST), hotels and restaurants were subject to many indirect taxes. The VAT rate for hotel rooms was around 12% to 14.5% and additionally liable to pay a service charge of 15%. However, for restaurant business service tax rate was 6% and apart from that 12% to 14.5% VAT was levied. At the initial stage of the introduction of GST, the tax rates for restaurant and hotel business were quite high but with time various amendments have been made regarding tax rates and provisions regarding input tax credit and tariff-based GST rates for hotel rooms. This primary data-based study tries to measure the perception of hotel and restaurant owners regarding the impact of Goods and Services Tax on various areas such as taxation, owners and customers of hotels and restaurants, Accounting procedures, and the whole economy from the viewpoint of restaurant and hotel owners in Ahmedabad.

Keywords: GST, Taxation, Accounting Procedure, Nation, Economy, Customers.

INTRODUCTION

The Goods and Services Tax (GST) represents a significant and ambitious reform in India's tax landscape following its independence. Its primary aim is to impose a single, uniform national tax on all goods and services, replacing various Central and State taxes. This overhaul has transformed India into a more unified market and has expanded the taxpayer base by incorporating more producers. By enhancing efficiency, GST has the potential to substantially contribute to economic growth and government revenue. The implementation of this new tax, covering both goods and services, by both the Central and State governments within a large and intricate federal system is arguably unparalleled in modern global tax history.

GST operates as a tax on goods and services, offering comprehensive and continuous offset benefits throughout the supply chain up to the retailer level. It essentially taxes value addition at each stage, allowing suppliers to offset the GST paid on their purchases through a tax credit mechanism. Ultimately, the end-user bears the burden of GST. With GST's introduction, a continuous chain of offsetting from the original producer to the retailer has been established, eliminating the cascading effects of the previous indirect tax system.

Before GST, India's indirect tax system suffered from limitations such as tax-on-tax in the Central excise duty and State sales tax systems. GST has replaced numerous Central and State indirect taxes, integrating taxes on goods and services to provide relief through offset mechanisms. Additionally, it has addressed certain value additions in the distribution trade. The inclusion of almost all services under GST is justified, considering the significant untapped potential of the services sector in India. By reducing the multiplicity of taxes, GST has lowered the operating costs of the tax system and brought uniformity in tax rates and procedures nationwide, thereby reducing compliance costs.

In summary, GST is a comprehensive indirect tax levied on the manufacture, sale, and consumption of goods and services at the national level, aiming to create a unified common market in India. It aims to establish a world-class tax system and enhance tax collections, while also addressing historical disparities between the manufacturing and services sectors. GST facilitates seamless credit across the entire supply chain and all states under a unified tax base.

LITERATURE REVIEW

Poonam (2017) explored the significance of the Goods and Services Tax (GST) as a major reform in India's indirect taxation system. The study highlighted GST's role in eliminating cascading effects and double taxation by integrating central and state taxes. It was estimated that GST could potentially reduce consumer tax burdens by 25% to 30%, making Indian manufactured goods more competitive both domestically and internationally, thereby driving economic growth. The research also emphasized the transparent nature of GST, which simplifies

tax administration. The study aimed to provide insights into the concept, current status, benefits, and challenges associated with GST implementation in India.

Garg (2017) examined the core principles and characteristics of GST in India, emphasizing its role as a landmark indirect tax reform. The study explained that GST applies uniformly across different sectors, including industry, business, government, and services, impacting various stakeholders such as manufacturers, traders, professionals, and consumers. The introduction of a uniform tax rate for both central and state governments is expected to enhance economic growth by increasing tax revenue. The research further noted that reducing exemptions would help ensure that tax liabilities are equitably distributed across the manufacturing and service sectors.

Ann Abraham (2019) analyzed the impact of GST implementation on the Indian tax system, particularly in the hospitality sector. Initially, hoteliers resisted GST due to concerns about higher rates; however, after revised tax rates were introduced in November 2017, many industry players expressed confidence in the system. While businesses faced additional transition costs, the study suggested that GST would provide long-term advantages by creating a more streamlined and efficient tax framework aligned with the vision of "One Nation, One Tax."

Renuka (2018) assessed the pricing impact of GST, concluding that there was no significant increase in consumer costs post-implementation, unlike the previous service tax regime. The research suggested that GST offers more benefits than drawbacks for consumers, particularly in the tourism and hospitality sector. Although tour package costs increased slightly by 4.5% to 5%, this rise was relatively minor compared to the previous service tax hike from 4.5% to 9%. Given the projected growth of India's tourism industry to US\$280.5 billion by 2026, the study acknowledged initial concerns regarding GST but emphasized that its long-term impact on the sector remains to be fully assessed.

RESEARCH METHODOLOGY

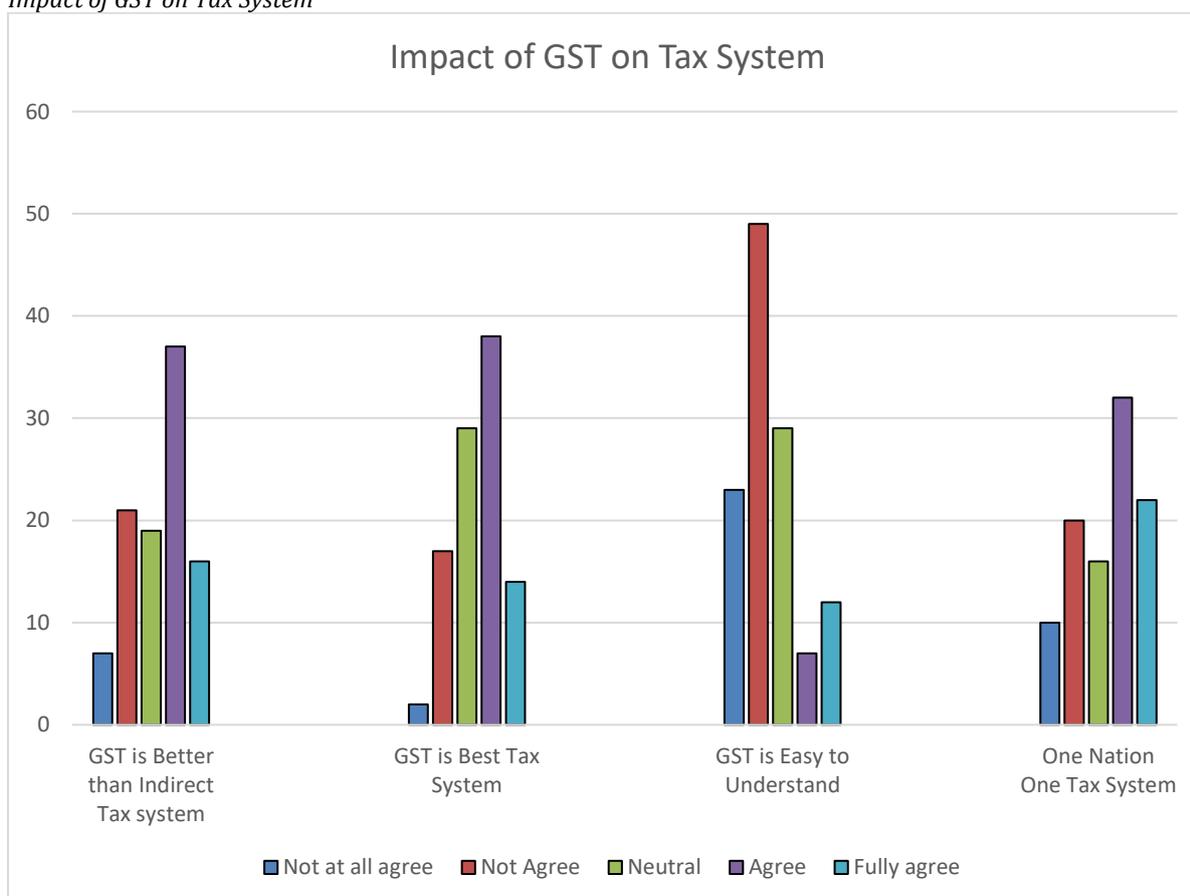
- 1.1. Objective of the Study:** The primary objective of this study is to investigate the perception of Hotel and Restaurant owners regarding the impact of Goods and Services Tax (GST) on Ahmedabad city.
- 1.2. Types of Data:** This study relies on primary data, which is data collected directly from the Hotel and Restaurant owners of Ahmedabad.
- 1.3. Method of Data Collection:** The primary data for this study was gathered through the use of structured questionnaires.
- 1.4. Sampling Size and Method:** A convenient sampling method was employed to select a sample size of 100 hotels and restaurants from the total number of establishments located in Ahmedabad.
- 1.5. Data Analysis:** The collected data was analyzed using SPSS (Statistical Package for the Social Sciences) software to derive meaningful insights and draw conclusions regarding the impact of GST on the restaurant and hotel businesses in Ahmedabad.

DATA ANALYSIS

No.	Particular	Not at all agree	Not Agree	Neutral	Agree	Fully agree
1.	GST is a better taxation system compared to the Indirect tax system	7	21	19	37	16
2.	For India, the GST is the best tax system.	2	17	29	38	14
3.	Understanding the GST system is not difficult.	23	49	29	7	2
4.	The "one country, one taxation system" goal will be achieved with GST.	10	20	16	32	22
5.	The GST will spur economic growth.	3	18	21	42	16
6.	Over time, GST will have a positive impact on GDP.	1	15	37	29	8
7.	The GST may keep the rate of inflation low.	17	39	26	13	5
8.	The tourism business is positively affected by GST.	5	35	13	37	10
9.	The GST has made accounting operations easier.	14	20	20	40	6
10.	The accountant finds it simple to report under the GST.	9	19	20	45	7
11.	The entire accounting process has become simpler because of the GST	7	27	19	36	11
12.	The entire tax system has become simpler because of the GST.	6	27	16	40	11

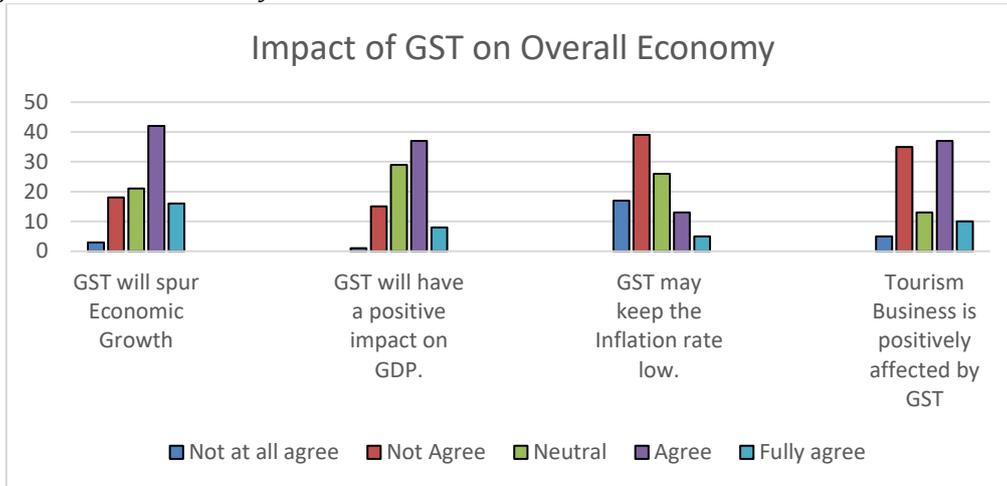
13.	Overall restaurant and hotel business have increased as a result of GST.	12	36	23	21	8
14.	Business transaction costs have decreased as a result of GST.	14	39	16	24	7
15.	The owners of restaurants and hotels are pleased with GST.	7	44	20	24	5
16.	For hotels and restaurants, the cost of compliance and technological burden has decreased due to GST.	9	46	18	22	5
17.	GST has a positive impact on the overall nation.	8	25	16	34	17
18.	The GST will result in more foreign investment.	12	31	11	31	15
19.	GST will attract more foreign tourists.	14	23	14	29	11
20.	GST is going to help make our country corruption-free.	9	20	15	38	18
21.	GST has a positive impact on customers of Restaurants and hotels.	11	31	9	38	11
22.	GST has reduced costs (tax burden) for customers.	11	26	9	40	14
23.	The GST has raised customer satisfaction levels.	14	22	16	35	13
24.	GST has brought clarity for customers regarding the taxation system.	6	28	19	38	9

Table 1
Impact of GST on Tax System



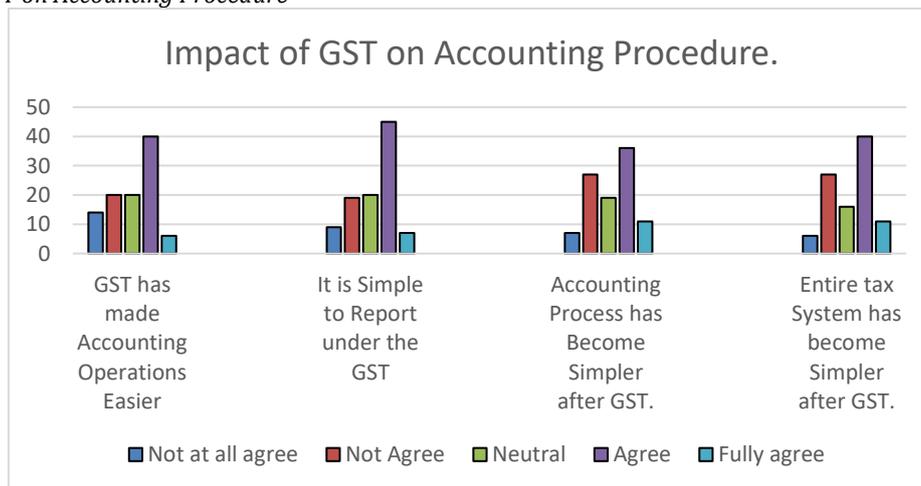
The above chart indicates that the Hotel and Restaurant owner of Ahmedabad has a positive perception of GST regarding overall GST law, as the majority think that GST is a better taxation system than the indirect tax system and for a country like India it is the best tax system. It will help to achieve the goal of One country one tax system. However, they disagree that it is easy to understand GST.

Table 2
Impact of GST on Overall Economy



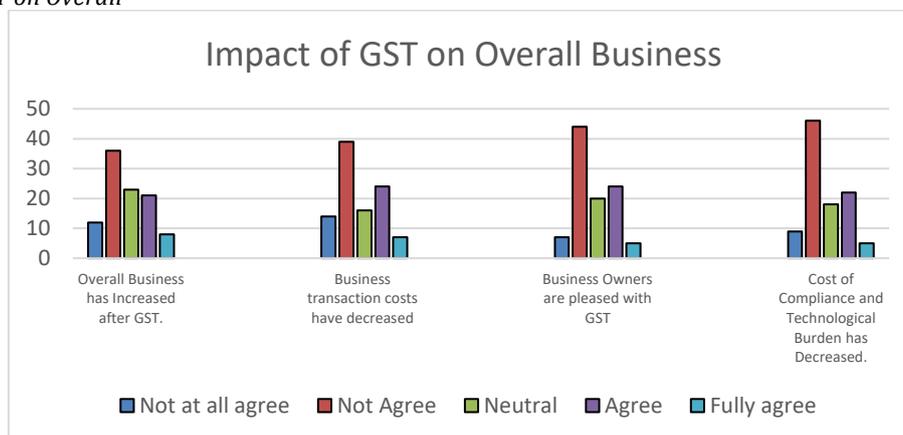
The majority of respondents mention that GST will bring economic growth and the transportation sector will also grow but they don't think that GST will help to curb the inflation rate down.

Table 3
Impact of GST on Accounting Procedure



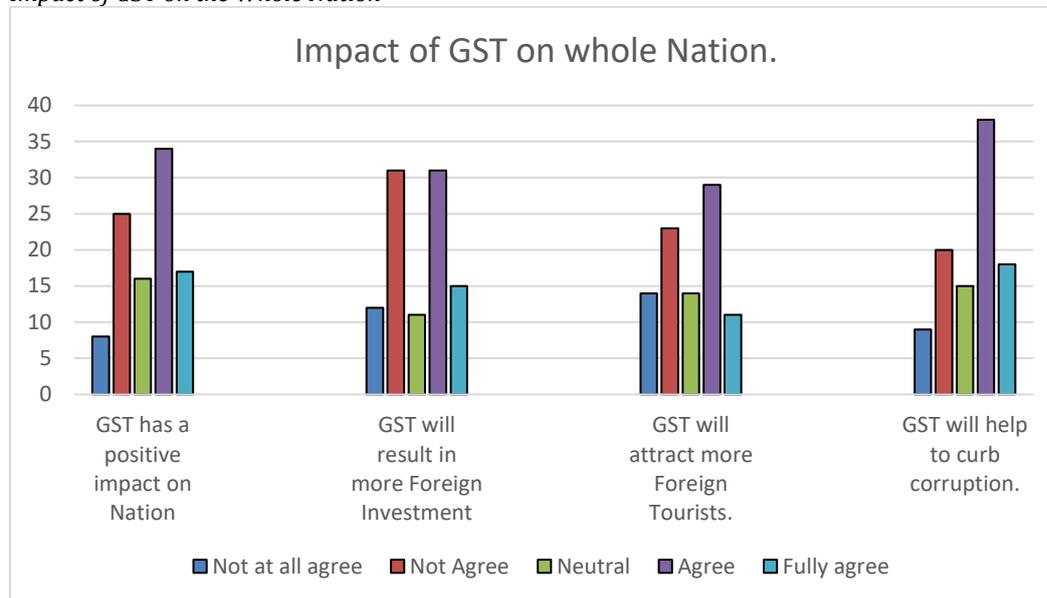
According to the hotel and restaurant owners, GST has an overall positive impact on their accounting procedures. They agree that accounting procedures have become easy and simple, it has become easy to report under GST and the entire taxation system has become simpler due to GST.

Table 4
Impact of GST on Overall



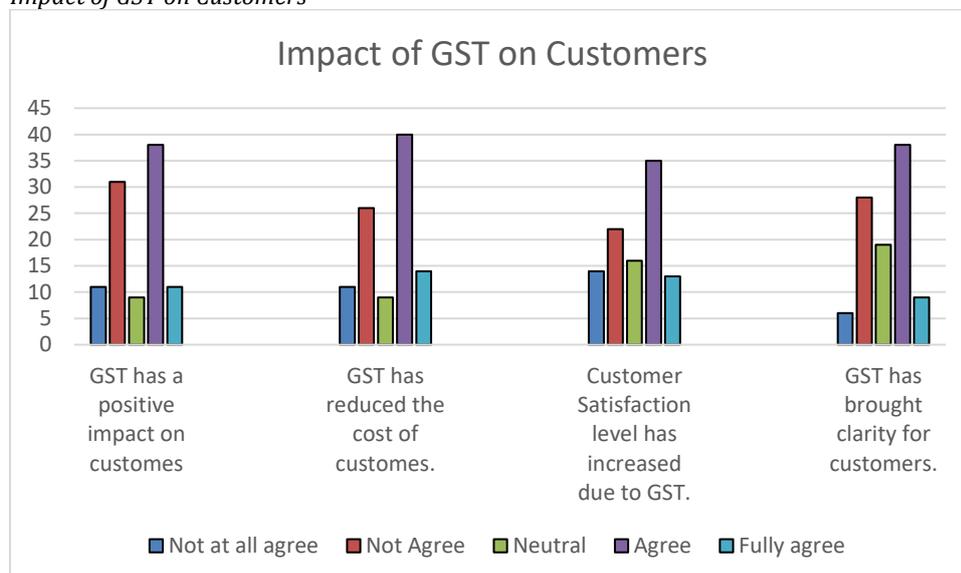
However, hotel and restaurant owners don't think that their overall business has increased due to GST and their compliance cost and business transaction costs have decreased after the GST.

Table 5
Impact of GST on the Whole Nation



According to the hotel and restaurant owners of Ahmedabad GST has an overall positive impact on the nation, it will bring more foreign investment and tourists as well as it will help to make India corruption-free.

Table 6
Impact of GST on Customers



As well as they also mention that GST has a positive impact on the customer and hotel, it reduces costs for customers, raises customer satisfaction, and brings clarity to customers regarding the tax system.

FINDINGS AND SUGGESTIONS

As per the perception of hotel and restaurant owners in Ahmedabad GST has a positive impact on the taxation system but still many people find it hard to understand. Also, GST has a positive impact on the whole nation but they don't think that GST will help to reduce the inflation rate. GST has also a positive impact on the accounting procedure of hotel and restaurant businesses. However, GST has a negative impact on various aspects of the hotel and restaurant business but it will push our nation toward growth and development it has a positive impact on customers of hotels and restaurants and it has brought clarity for customers regarding taxation.

REFERENCES

- [1] Jonathan, G., & Gabriel Prabhu. (2017). Impact of GST on hotels and restaurants. *International Journal of Academic Research and Development*, 2(5), 736–739.
- [2] Poonam, M. (2017). Goods and Services Tax in India: An overview. 6th International Conference on Recent Trends in Engineering, Science, and Management.
- [3] Garg, N. (2019). Impact of GST on various sectors of the Indian economy. *Research Review International Journal of Multidisciplinary*, 4(3), 668–673.
- [4] Renuka, R. (2017). Impact of GST on the tourism and hospitality sector. *International Journal of Recent Scientific Research*.