

# A Study on Problems Faced by Hoteliers After the Implementation of GST – With Special Reference to Shivamogga District

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## ABSTRACT

*GST or Goods and Services Tax, the best tax reform in India since independence which has been long pending. GST is supposed to simplify the taxation regime of India by replacing a number of taxes by one unified tax. GST is that the only revenue enhancement that directly connects all the world of Indian economy thus enhancing the economic process of the country by creating one unified market. Over 160 countries of the planet have implemented GST up to now follow by France. The thought of GST in India was proposed by Atal Bihari Vajpayee in 1999 and a committee was founded under the leadership of Asim Das Gupta the then minister of finance of state. It had been purported to be implemented from 1 st April 2010 under flagship of P Chidambaram the then government minister of UPA government but because of political issues and conflicting interests of assorted stakeholders*

## INTRODUCTION:

Tax policies play a vital role in any country's progress and have a direct impact on any country's economy in terms of efficiency and equity. A good taxation policy is that which takes care of the entire income distribution and also generates tax revenues in such a manner for central and state government's which can lead to overall benefit in the nation's

*it didn't came into force. In May 2016 the constitutional amendment bill for GST was lapsed Lok Sabha and deadline of 1 st April 2017 to implement GST was set by Arun Jaitley the minister of India. However, there's a large outcry against its implementation. After the implementation of GST in India Many sector faces various problems and Challenges, With this background the current study has been under taken to spot what are all the issues faced by hotel industry. For the study purpose we have taken 220 samples by using convenient sampling technique. This study found that majority of the respondents are facing difficulty in registration and practicing GST since it was a new taxation system in India*  
**Keywords:** Goods and Services Tax, Problems and challenges, Indian Economy, Implementation of GST, Tax reforms, Hoteliers.

infrastructure reference. Public amenities people security and country exports. The tax is a mandatory financial charge or some other types of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization to fund various public expenditures. A failure to pay, or evasion of or resistance to taxation, is published by law. Tax is a „financial charge“ or deduction from something you get or own. It is not

a penalty or fine for doing something wrong. Normally the government collects taxes so that benefits society as a whole. This might be law enforcement, including the policies and courts, infrastructure, like roads and pathways, and administration. This system was categorized into two main categories viz. Direct Taxes and indirect Taxes. In India, the taxation system is entirely controlled, imposed, and updated by central and state governments. The authority to levy tax is derived from the Indian constitution. GST means Goods and Services Tax. GST is a game-changing reform for the Indian economy by developing a common Indian market and dipping the pouring effect of tax on the cost of goods and services. It impacts the Tax Structure, Tax Incidence, Tax computation, Tax payment, compliance, credit utilization, and reporting leading to a complete overall of the current indirect tax system. Goods and Services Tax is a single unified tax system that subsumes several indirect central and state taxes under one umbrella and leads to creating a smooth market. This new regime aims to transform, the tax scenario of the country by streaming the system through a single tax for the supply of goods and services across the country. It is based on the principle of destination-based tax means tax is paid at the points of receiving. This is against an earlier regime where tax was paid at various points beginning with manufacturing, transportation, and

finally where it was sold. This means goods were being taxed multiple times which was creating a cascading effect, with the implementation of the GST Single Tax System, which is going to benefit the consumer, business and finally boost the growth of the economy. GST is meant to simplify the indirect tax regime of India by replacing a host of taxes by a single unified tax. GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST will bring a new dimension to the Indian economy by making a common market and reducing the cascading effect of tax on the cost of goods and services. It will affect the entire indirect tax system the tax structure, tax incidence, tax computation, compliance, input tax credit utilization, and reporting producers. GST is the most ambitious and remarkable indirect tax reform in India's Post-Independence History. Its objective is to levying a single national uniform tax across India. On all goods and services, GST has replaced several central and state taxes made in India more of a national integrated market and bought more producers into the tax net by improving efficiency. It can add substantially to growth as well as the government. Finances implementing a new tax encompassing both goods and services by the Centre and the states in a large and complex federal system are perhaps unprecedented in modern global tax history.

## REVIEW OF LITERATURE

1. **Shana and et. Al** made a study on "A Study on Problems of Goods and Services Tax on Hotel Industry in Mysore District". In this article, the author describes Goods and Services Tax is an indirect tax system, introduced in the year 2017. It is inclusive tax structure and final based tax Canada is the first country that introduced GST. It makes the citizen pay only at the time of consumption of goods and services. The concept of sharing the tax revenue among the State Government and Central

Government for stabilizing our economy. The introduction of GST helps the GDP growth rate to fly at a faster phase. It helps the exporters expecting their sales revenue from other countries to rise as the abolition of Custom Duty which is likely to be abolished at present. The GST is an indirect tax levied by Indian on the sale of goods and services to the final consumer. Goods and services separately have been bifurcating the rates into five categories such as 0%, 5%, 12%, 18%, & 28%. Petroleum

products and Alcoholic beverages are separately taxed by the state governments. The special rate for Rough Gemstones and Semi-Precious Gemstones is 0.25% and Gold is 3%, besides, the rate of tax above 28% of consumption tax is 22% or other tax rates apply to a few items such as Inflatable Drinks, Luxury Cars, and Tobacco Products. Taxes replace the existing multi cascade tax imposed by the Central and State Governments with no interstate checkpoints, travel time on existing multi cascade tax imposed by the central and state government with no interstate checkpoints, travel time on interstate highways has decreased by 20%. As per the analysis, it has been found that the impact of GST on the customers of various has on effect mainly on their income, gender, and age. At last reasonable GST rates fixed by hotels encourages maximum savings by the individual which in turn raises the per capita income of the country which finally helps in the overall standard of living of our people in the country.

2. **Aswathy Krishna and et. Al** made a study on “GST and its Effect on Hotel Industry”. In this article, the author presents the impact of GST on the Hotel Sector. The tax rate under GST for Hotels and Restaurant and mainly focuses on the services of the Hotel Industry. The concept of shelter in India is not a new 20th country is a turning point for the hotel industry in India. Hotel Industry is a service-oriented sector which offers many facilities/services hotel industry is one of the growing industry in the service sector and it will be a continuously growing sector. The Indian hotel market worth estimated around US\$17 billion and multiple taxes are replaced by single tax and comes to tax rates under GST some of the facilities provided to some extent it will be exempted in mainly on hotels 28%, 18%, 12%, the slab will be chargeable, in some extent cases 5% slab will be applicable. This will help the consumers and also leads to savings. The hotels falling under 18%, 28%, GAT slab bears the adverse effects of GST. It includes a uniform tax structure and through this, all

states have their taxes before the restaurant industry. Now, this is removed and it also helps in improving the financial management mainly this study denotes problems faced by the hotel sector after introducing GST.

3. **Dr. Kala Ganeson and et. Al** (2017) made a study on “A Case Study on GST in Service Sector Particularly concerning Hotel Industry”. In this article, the author discloses GST is the newest taxation system in India. It is indirect taxation has a huge impact on business both big and small and changes the way economy functions. This tax is combined with the central and state government. This tax was introduced by the constitution 101st, 1st amendment act 2017. The government introduced and implemented four types of GST bills, including Central GST, Integrated GST, GST bill of union territories, and GST bill section 1 deals with the introduction, objective, methodology, and limitations of the study.
4. **Prof. RanjanaUpashi** (2017) has made a study on “Study on Effects of Goods and Services Tax on Different Sector in India. In this article the GST aims to be One Nation One Tax system, that means a single is to be followed in all over the country the study explain benefits of GST and its effects on different sectors and impact on Indian Economy. The concept of GST is a trending issue in Indian tax system the GST cover all tax-related aspects has services indirectly it provides the fixed percentage of tax system the research paper will clearly explain the different services sector and it’s tax practices system and all so research study finds some issue relating GST concept and suggest to overcome these problems. Finally, the study clearly shows the concept of GST will be positive and use GST as properly it will create a good economic country.
5. **CMA MrityunjayAcharjee** (2018) made a study on “Impact of GST on the Travel and Tourism Sector in India”. In this article, the author states the tourism represents the world’s third-largest export avenue in terms of global earnings after fuel and chemicals,

and also hospitality sector is not a high foreign exchange grosser, it is also among the largest tax generators. There are multiple taxes charged on the same services/products offering by the central as well as state governments. It is an understanding that the taxes levied on inbound. Tourism is amongst the highest in the country and this is one of the major reasons for India laving foreign tourists to competing for south East Asian countries on the historic midnight of 30th June 2016. India's PM NarendraModi ushered the country into the age of GST "One Nation One Tax". The Indian Tourism Industry which was valued at US\$ 136.2in 2016 has also faced the impact of GST. Endeavors are placed in this article to highlight the GST impact on the travel and tourism industry in India. GST is going to be an efficient and harmonized destination-based tax system and will remove the problems faced by the sector leading to cost optimization and a free flow of transactions. GST is a glimmer of hope for the hotel and tourism industry if we can keep the GST rate

between 10-15% GST might herald with its uniformity of tax rates, better utilization of input credit which in turn benefits the end-user in terms of affordability.

6. **DikshaPanwar and et. Al** (2017) made a study on "Impact of Goods and Services Tax on the Restaurant and Food Services Business in India". The study identifies the GST impact on restaurant and food services and study results in both positive and negative aspects regarding GST. The major observation of the study is to be GST will function in this sector and will enable us to know the benefits and drawbacks. GST on restaurant and food services is a difficult task and more bourdon for small services industry people to maintain GST because of lack of technical knowledge and low-cost structure. Finally, the impact of GST and it's function is mandatory has an updating country it will very helpful but we can concentrate actual situation of country and business people and they need some time to adjust GST practices.

### **OBJECTIVES OF THE STUDY**

- a) To evaluate the advantages and challenges faced by the service sector like hotels.
- b) To examine the opinion of hoteliers on the implementation of GST
- c) To identify the problems faced by hoteliers on the implementation of GST.

### **STATEMENT OF THE PROBLEM**

Goods and Services Tax (GST) has influenced the various sector of the economy. Restaurants and Food services business is among one of the fastest-growing and revenue-generating industry in India. Consequently, the change in the taxation system will affect the development of the industry. This study concentrates on the differences that will be experienced by restaurants and foodservice businesses following before and after the implementation of GST. There are numbers of problems or challenges in India is likely to face in

the time of introduction of goods and services tax, especially in the service sector to maintain a good relationship with their customers, because in this sector customer satisfaction is a very important factor effect on their profit, in the time of GST introduction is a very difficult task.

### **SCOPE OF THE STUDY**

The main purpose of this study is to know about the overview of GST and the impact of GST on Hotel Industry and what are all the customer perception towards Goods and Services Tax. The geographical area for this study restricted to Shivamogga District.

### **RESEARCH METHODOLOGY**

- A) **Sources of Data:** The study is based on both Primary and Secondary Data. The data requires for the study has been collected from various sources.
- a) **Primary Data:** The primary data for this study is collected by distributing structured questionnaires to the respondents and also interview method to

collect the required information from selected hotels and customers and also interacting with them.

- b) Secondary Data: The secondary data requires for the study is collected utilizing various books, articles, websites, as well as journals and newspapers.

### **B) Sampling**

To collect data required for the study a total number of 220 respondents have been selected who are the residence of Shivamogga District. And Convenient Sampling technique has been used.

### **LIMITATIONS OF THE STUDY**

- a) Lack of knowledge regarding GST policy among the respondents.  
b) This study restricted only to Shivamogga District.  
c) Due to time constraints, it is not possible to collect information from all the hotels and customers.

### **CHALLENGES OF GST IMPLEMENTATION**

#### **1. Concerning Tax Threshold**

The threshold limit for turnover above which GST would be levied will be one area that would have to be strictly looked at. First of all, the threshold limit should not be so low to bother small scale traders and service providers. It also increases the allocation of government resources for such a petty amount of revenue which may be much more costly than the amount of revenue collected. The first impact of setting higher tax threshold would naturally lead to less revenue to the government as the margin of tax base shrinks; second, it may have on such small and not so developed states which have set low threshold limit under the current VAT regime.

#### **2. Concerning the nature of taxes**

The taxes that are generally included in GST would be excise duty, countervailing duty, cess, service tax, and state-level VAT among others.

Interestingly, numerous other states and union taxes would be still out of GST.

#### **3. Concerning the number of enactments of statutes**

There will two types of GST laws, one at a center called "Central GST (CGST)" and the other one at the "State GST (SGST)". As there seems to have different tax rates for goods and services at the Central Level and the State Level, and further division based on necessary and other property based on the need, location, geography, and resources of each state.

#### **4. Concerning rates of taxation**

A tax rate should indeed be devised following the state's necessity of funds. Whenever states feel that they need to raise greater revenues to fund the increased expenditure, then, ideally, they should have the power to decide how to increase the revenue.

#### **5. With respects to tax management and infrastructure**

It depends upon the states and the union how they are going to make a GST a simple one. The success of any tax reform policy or managerial measures depends on the inherent simplification of the system, which leads to the high conformity with the administrative measures and policies.

### **IMPACT OF GOODS AND SERVICES TAX ON DIFFERENT SECTORS**

#### **Food Industry**

The application of GST to food items will have a significant impact on those who are living under the subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish, and poultry, milk and dairy products, fruits and vegetables, candy and confectionery, snacks, prepared meals for home consumption, restaurant meals, and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to the small business registration threshold. Given the exemption of food from

CENVAT and 4% VAT on food items, the GST under a single rate would lead to a doubling of a tax burden on food.

**Information Technology enabled services**

To be in sync with the best international practices, the domestic supply of software should also attract GST, based on the mode of transaction. Hence if the software is transferred through an electronic form, it should be considered as Intellectual Property and regarded as a service. And if the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to

GST. 35 according to a FICCI – Technopak Report. Implementation of GST will also help in uniform, Simplified, and single point Taxation and thereby reduced prices.

**Impact of GST on hospitality industry**

The Indian hospitality and tourism industry, which was pegged at US\$ 136.2 billion at the end of 2016, is one of the sectors which will see major changes post-July 2017. Experts observe that the implementation of GST will help the sector by reducing costs for customers, harmonizing taxes, and reducing business transaction costs, but will also have its own set of challenges.

**Classification of Respondents based on after implementation of GST what are all the problems faced by the Hotel Industry (Table-1)**

SL.NO	Particulars	No.ofResponses	%ofResponses
1.	Difficultyin understandingthe registrationprocedure	46	20.9
2.	Difficultyinmaintainingdifferentbooks ofaccounts	27	12.3
3.	Delayinggetting arefundof theinput tax creditinGST	21	9.6
4.	Problemsinfillingmultiplereturnsin GST	32	14.5
5.	Theadditionalcostin upgrading software	28	12.7
6.	Hiringofexperts	27	12.3
7.	Trainingofpersonnelfor GST transaction	39	17.7
	<b>Total</b>	<b>220</b>	<b>100</b>

From the above table, it is clear that among 220 respondents, 20.9% of respondents faced the difficulty in understanding registration procedure, 12.3% of respondents faced difficulty in maintaining different books of accounts, 9.6% of respondents faced the problem of delay in getting a refund of the input tax credit in GST, 14.5% of respondents faced the problem in filling multiple returns in GST, 12.7% of respondents faced

the problem in additional cost in upgrading software, 12.3% of respondents faced the problem in hiring of experts, and remaining 17.7% respondents faced the problem in training their personnel for GST transaction. From the above information it can be concluded that majority of the respondents faced the problem in understanding the GST Registration procedures.

**Classification of Respondents based on after implementation of the GST Challenges that will be faced? (Table-2)**

Sl.NO	Particulars	No. of responses	% of Responses
1.	Yes	220	100
2.	No	0	0
	Total	220	100
<b>Challenges faced</b>			
1.	A sudden change in the tax system is difficult to adopt	117	53.18
2.	Burden on customers	15	6.81
3.	Food and services rate increases	47	21.36
4.	The fluctuation of rate effects on industries profit	41	18.63
	Total	220	100

From the above table it is clear all the respondents said that there will be a challenges after implementation of GST, among 220 respondents 53.18% of respondents said that there will be a difficulty in adoption of sudden changes in taxation system, 6.81% of the respondents opinioned that Implementation of GST May be burden on Customers, 21.36% of respondents felt that implementation of GST leads to increase in food and services rates, 18.63% of respondents said that Fluctuation of GST Slabs rates effects on profit of the hotels.

**RESULT AND DISCUSSION OF THE STUDY**

From the above study it is found that majority of the respondents facing problems like difficulty in registration and practicing of GST since it was new taxation system India. Therefore the government has to undertake suitable measures to solve the above mentioned problems. From the above study it can be suggested to government to simplify the registration procedures of GST and to organize some special training programs on practices of GST.

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