

The Impact of GST on Corporate Taxation

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Abstract: *In India, by introducing the GST will change the spectrum of taxation and provide a uniform tax practice for country. It will spurred by festive demand for one tax system for country. Currently in India there are multiple of indirect taxes that suffer or cause differences across state boundaries and fragments the national markets. The data for the present study being used will primary and secondary form in nature. This system of taxation giving the chance to revisit the tax implications and variant practices to shape a new and uniform system for country. Taxation in India has varied aspects according to the current taxation system and every aspect has their specific consequences on corporate taxation. This paper constituted the various aspects regarding new taxation policy and measures their consequences on corporate taxation. The new taxation policy replaces all these taxes with a simple levy, lowering effective tax on goods and creating a national market for goods and services. This paper intended to know the incidence of GST on corporate taxation and seeks comments and suggestion for further study.*

Keywords: GST, Taxation, Corporate Taxation

1. Introduction

Indian Tax System is the most intricate one in globe having varied taxes I.e, centre, state and local bodies taxes, which having powers to levy taxes to earn revenue. Multiple types of taxes are collected on various levels like directly and indirectly. Direct taxes which impact directly to mankind such as income tax and wealth tax and indirect taxes which the common man paid for goods and services availed of like VAT and service tax, corporate tax etc. The common man expects better form the present system. The constitution one hundred and first Amendment Act 2016 passed the present Bill. It has been proposed for proving a uniform national market for keeping in view the security for tax payer and better taxation system in country.

1.1 GST (Goods and Services Tax)

1.1.1 Concept

Goods and services tax law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. Under the GST regime the tax will be levied at every point of sale. In case of intra-state sales, Central GST and State GST will be charged. Inter-state sales will be chargeable to integrated GST. The GST journey began in the year 2000 when a committee was set up to draft law. It took 17 years from then for the law to evolve. In 2017 the GST bill was passed in the Lok Sabha and Rajya Sabha. GST is also mainly technologically driven. All activities like registration, return filing, application for refund and response to notice needs to be done online on the GST portal. This will speed up the processes. In simple words, where you are selling from does not matter. Where your goods are going is relevant.

1.1.2 Meaning

GST stands for Goods and services tax .It is an indirect tax levied in India on the sale of goods and services. The GST was launched at midnight of 1st of July 2017 by the President of India Pranab Mukherjee and the Prime Minister of India Narendra Modi. The launch was marked by a historic midnight (30th June – 1st July) session of both the houses of

parliament convened at central hall of the parliament. It is actually an individual tax which is applied when a customer buy a good or service. This tax is an individual tax for the whole country. The main theme of this tax is to apply a single tax on the supply of goods and services. This tax system applies a single tax from manufacturer to retailer and then to customer. It is levied at every step in the production process in the chain of production other than the final consumer. Goods and services are divided into 5 slabs for collection of tax and are 0%, 5%, 12%, 18%, and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% .This tax replaced the existing multiple cascading taxes levied by the central and state government. Thus GST removed different layers of taxes such as VAT, Entertainment tax etc.

GST is an indirect tax which will subsume almost all the indirect taxes of central government and state governments into a unified tax. It will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and state goods and service tax (SGST). CGST will subsume central indirect taxes like central excise duty, central sales tax, service tax, special additional duty on customs, counter veiling duties whereas indirect taxes of state government like state vat, purchase tax, luxury tax, octroi, tax on lottery and gambling will be replaced by SGST. Integrated goods and service tax (IGST) also called interstate goods and service tax is also a component of gst. It is not an additional tax but it is a system to examine the interstate transactions of goods and services.

1.2 Taxation

1.2.1 Meaning

A tax is a mandatory financial charge or some other type of levy imposed upon a taxpayer by a government organization in order to fund various public expenditures. It is a compulsory extraction made by general government from the hard earned income of the general public for their purposes. It is a financial charge or other levy imposed on an

individual or legal entity by government in pursuant to legislative authority. The proceed from taxes constitutes a major source of revenue to government and a large chunk of these taxes is spent for the common benefit of the society.

1.2.2 Types of Taxes

Taxes are of two types and are as follows:

1) **Indirect taxes:** Indirect taxes are those taxes which are levied on one person and collected from another person. For example:

- Service tax - Most of the services offered in business such as software companies, restaurants, travel agents etc. charges service tax for offering paid services. Services provided by businesses such as travel agents, tour operators, health centers, banks and financial services and more are liable to pay service tax.
- Value Added Tax- VAT is an important tax for State Government as it's a major source of revenue for State Government. VAT is applicable o the sale of goods and product. Every state has this respective Sales tax. The VAT rates also differ based on the item in India from one state to another.
- Custom Duty- Goods imported into India from a foreign country will attract custom duty. Custom duty is collected at port of entry by the custom department.
- Central Excise Duty- Central Excise duty is a form of indirect taxation levied through the Central Excise Act, 1944. The central excise duty is levied on goods and products which are manufactured or produced in India . Excise duty is payable when the goods are removed from the manufacturing premises.

2) **Direct taxes:** Direct taxes are levied on one person and collected from the same person, both impact and incidence of tax are on same person. Direct taxes are obligatory and have to be paid directly to the government of India. For example:

- Income tax- it is a important type of tax which is found practically in almost all countries of the world. It is imposed on income, gain or profits. It is imposed on the person who earns income, such person may be individual or other artificial entities engaged in earning income like firms, companies etc. It is charged by the central government on all income other than agricultural income. It is an annual tax because it is the income of the particular year which is chargeable to tax.
- Wealth Tax- A wealth tax is a tax levied o the total value of personal assets including bank deposits, real estate, assets in insurance and pension plans, ownership of unincorporated businesses, financial securities and personal trust.
- Fringe Benefit tax- Fringe benefit tax is a tax payable by employees for benefits paid to an employee (or an employee associate for example a family member) in place of salary or wages. This is separate to income tax and is calculated taxable value of the fringe benefits provided.
- Capital Gain Tax- The capital gain tax is a tax on capital gains, the profit realized on the sale of non-inventory asset that was greater than the amount realized from the sale of stocks, bonds, precious metals and property. Not all countries implement capital gain

tax and most have different rates of taxation for individual and corporations.

1.3 Corporate Taxation

1.3.1 Meaning

A corporate tax is also called as corporation tax or company tax imposed by a jurisdiction on the income or capital of corporation. Corporation tax refers to the taxation of a company (under income tax act, 1961) and is a major source of revenue to the government. Under this act a company is liable to pay tax on its income at a flat rate (just as partnership firms) without any basic exemption limit as applicable to an Individual or Hindu Undivided Family.

A company incorporated in India or having its entire control and management in India is treated as resident company and is taxed on its global income. A non-resident company is taxed only in respect of income derived from Indian operations. Corporate tax is levied on the income earned by the companies, whether domestic or foreign. The Income Tax Act, 1961 is liable for charging corporate tax in India. Worldwide income of the companies registered in the country is taxed under this. Whereas in the case of foreign companies, only the income received or accrued in India is taxed under corporate taxation.

A country's corporate tax may apply to:

- Corporations incorporated in the country,
- corporations doing business in the country on income from that country,
- foreign corporations who have permanent establishment in the country, or
- Corporations deemed to be resident for tax purposes in the country.

Company income subject to tax is often determined much like taxable income for individual taxpayers. Generally, the tax is imposed on net profits.

1.4 Impact of GST

On 3rd November, 2016 a four tier GST rate structure has been passed, the final slab rates being agreed upon are 5%, 12%, 18% and 28%.

- Zero rated items: Food grains used by common people.
- 5% rate: Items of mass consumption including essential commodities will have low tax incidence.
- 12% and 18 % rate: Two standard rates have been finalized as 12% and 18%.
- 28% rate: White goods like Air conditioners, washing machines, refrigerators, soaps and shampoos etc. that were taxed at 30-31% shall be now taxed at 28%.
- Services that are now taxed at 15% shall be taxed at a higher rate of GST @ 18%. The tax rate on Gold is yet to be decided.
- Demerit goods like tobacco, tobacco products, pan masala, aerated drinks and luxury cars shall be charged at the highest rate of 28%. An additional cess on some luxury goods shall also be imposed.
- Taxes on service would increase from present 14% to 20%

S.No.	Author	Year	Objectives	Conclusion
1	Mawuli, Agogo	2014	To conduct a comprehensive review of taxes and make recommendations for reforming the tax regime.	GST is not good for low income countries and does not provide broad based growth to poor countries
2	Dr. Vasanthagopal, R	2011	To study GST as a big leap in the indirect taxation system.	He concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy.
3	Kumar, Nitin	2014	To study GST one step ahead in new paralances.	Implementation of GST in India with context to recent reforms in indirect taxes will help in removing economic distortion.
4	Mansoor	2013	To study the reaction of various sections of society after introduction of GST.	People will readily accept GST as it will help the government to generate more revenues and reduce the budget deficit.
5		2014	To study GST as a solution for all the difficulties in the indirect tax system in India.	The new Modi government is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure
6	Ahmed, Ehtisham and Poddar, Satya	2014	To study the intergovernmental considerations in relation to GST.	Concluded that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India.
7	Garg, Girish	2014	To study the basic concept and features of GST in India.	Introduction of GST will make Indian products competitive in the domestic and international markets and will instantly spar economic growth.
8	Chronicle, Deccan	2016	To study the impact of GST in the logistics industry.	Logistic cost will come down and efficiency will increase both within India and exports.
9	Gupta, Nishtha	2014	To study the impact of GST on the Indian economy.	Implementation of GST in Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development.
10	Jaiprakash	2014	To study the impact of GST on various taxpayers.	GST at the central and state level is expected to give more relief to industry, trade, agriculture and consumers.
11	Venkadasam, Saravanan	2014	To analyze the post effect of GST on national growth of ASEAN nations	In ASEAN nations, 7 out of 10 countries are implementing GST and the effect differs in each country.
12	Aggarwal, Megha	2016	GST the road ahead	GST will transform the economic landscape in India and the impact of tax regime and probable reaction of industry to shift into new system.

Research Design

The research is descriptive and analytical in nature. The design is based on the objectives of the study and the hypothesis of the study. Data in relation to provisions for taxing of financial services and collected from the existing law. The data collected through the questionnaires are subject to further statistical methods of analysis.

Sampling

The sample of 50 corporate businessmen individuals was selected and questionnaires were distributed to the respondents. A larger sample size was not practically possible because of time constraints; hence the sample size was restricted to 50 corporate person, also based on convenient sampling.

Tools for Data collection

The study involves collection of both primary and secondary data. Primary data is being collected by using questionnaires. The questionnaires were distributed to the selected sample. Secondary data is collected through existing legislations, proposed legislations on GST floated in public domain, published/unpublished reports on the GST impact in India and globally, various websites on GST and financial services.

Data Analysis

Data collected through questionnaire is analyzed. Quantitative data is subjected to descriptive as well as parametric tests.

Methods of reporting

The data collected is reported using tables, text, bar diagrams, histogram and pie diagrams for successful understanding.

Importance of Study

The importance of studying GST is that it helps us to know the good and bad consequences of GST on corporations. It makes us aware of difficulties faced by corporations after implementation of GST.

Objectives of the Study

- To study about the demographic profile of the respondents
- To identify the level of awareness among the respondents about the implementation of GST
- To give suitable suggestions on the basis of the findings of the study.

Hypothesis of the Study

H0: There is no association Impact between socio-economic profile of the respondents such as age, gender and education status and on the issue of GST.

Ha: There is association Impact between the socio-economic profile of the respondents such as age, gender and education status and on the issue of GST.

Limitations of the Study

- The sample size is very small, which is unable to represent the population.
- Due to time constraints, the area of research is limited to Shimla only.

- Taxpayers are not very much familiar and rational towards GST and its applicability. Subsequent changes/ amendments in GST during and after research period are ignored

2. Data Analysis and Interpretation

Descriptive Statistics Tools

Mean Deviation, Standard Deviation, Skewness and Kurtosis. For the categorical variable i.e. Age, the Mean is 2.4200 and the Standard deviation is 1.01197 for 50 respondents. The Skewness Z value is calculated by dividing 0.042 by 0.337 which is 0.124 and the Kurtosis Z value (-1.062/0.662) which is -1.604. Hence it is concluded that the data is normally distributed because the values fall within -1.96 and +1.96. Therefore, the null hypothesis is accepted.

Table 4.1: Gender of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	33	66.0	66.0	66.0
	Female	17	34.0	34.0	100.0
	Total	50	100.0	100.0	

From the table 4.1 depicted above the total respondents for the present study taken from population are 50, out of that the male respondents are 33 and females are 17. The percentage for male is 66% and for female is 34%.

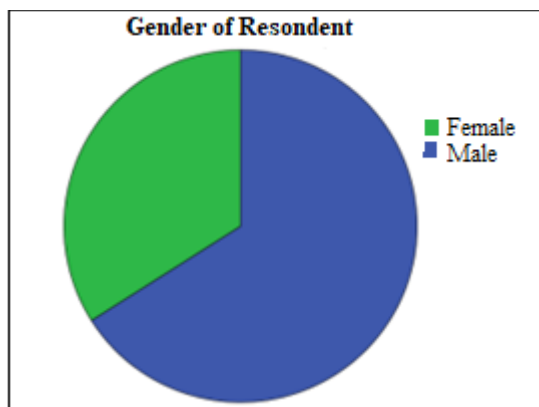


Table 4.2: Age of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
	20-30	11	22.0	22.0	22.0
	30-40	15	30.0	30.0	52.0
	40-50	16	32.0	32.0	84.0
	Above 50	8	16.0	16.0	100.0
	Total	50	100.0	100.0	

From the above table 4.2 it is analyzed that the different age groups of the respondents fall under four categories i.e. 20-30, 30-40, 40-50 and above 50. The age group of 40-50 has the highest number of respondents and the group of above 50 has the least number of respondents.

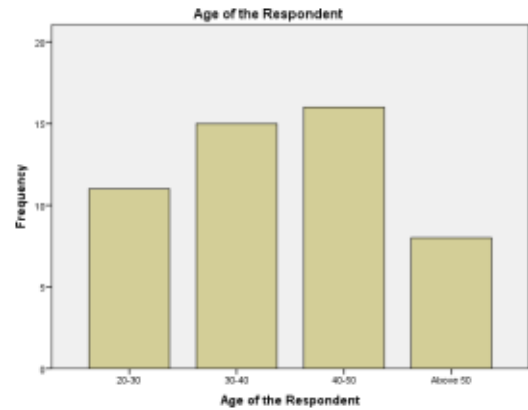


Table 4.3: Educational Qualification of Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
	Matriculation	5	10.0	10.0	10.0
	Senior Secondary	8	16.0	16.0	26.0
	Graduate	24	48.0	48.0	74.0
	Post Graduate	13	26.0	26.0	100.0
	Total	50	100.0	100.0	

The above table 4.3 depicts that four categories for educational qualification of the respondents are selected for the study out of which the percentage of graduate respondents is highest and lowest for matriculate respondents.

Table 4.4: Descriptive Statistics

	N	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Std. Error
Gender of the respondent	50	1.3400	.47852	.697	.337
Age of the Respondent	50	2.4200	1.01197	.042	.337
Educational Qualification of Respondent	50	2.9000	.90914	-.645	.337
Valid N (list wise)	50				

From the table 4.4 above, details regarding Mean, Standard Deviation, Skewness and Kurtosis value which shows that the mean of our sample data of 50 respondents is 1.3400 for our categorical variable i.e. Gender and the standard deviation is 0.47852. The Z value is calculated by dividing the statistical measure by the standard error. In this case, the Skewness Z value is calculated by dividing 0.697 by 0.337 which is 2.068. The Kurtosis Z value is calculated by dividing -1.580 by 0.662 which is -2.386. These values do not fall within the span of -1.96 to +1.96. Therefore, we can conclude that the data is not normally distributed and the alternative hypothesis is accepted.

For the categorical variable i.e. Educational Qualification, for 50 respondents, the Mean value is 2.9000 and the standard deviation is 0.90914. The Skewness Z value (-0.645/0.337) is -1.913 and the Kurtosis Z value (-0.173/0.662) is -0.261. Hence it is concluded that the data is normally distributed and therefore the null hypothesis is accepted.

Inferential Statistics

One Way Anova

Table 4.5: Awareness Regarding GST

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Awareness regarding GST	Between Groups	.082	1	.082	.759	.388
	Within Groups	5.198	48	.108		
	Total	5.280	49			

The above table shows that the calculated value of F is 0.759 which is less than the table value of 4.00 at 5% level with df being V1=1 and V2=48 and hence could have arisen due to chance. This analysis supports the null hypothesis of no difference in means. So therefore, concluded that the difference in awareness regarding GST is not significant and is just a matter of chance. On the basis of ANOVA the critical difference, we keep the null hypothesis (H0), i.e. there is no significant difference between gender and awareness level regarding GST.

Table 4.6: Supporting GST

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Supporting GST	Between Groups	.566	1	.566	2.311	.135
	Within Groups	11.754	48	.245		
	Total	12.320	49			

From the above table, it is analyzed that the calculated value of F is 2.311 which is less than the table value of 4.00 at 5% level with df being V1=1 and V2=48. We can conclude that there is no difference in the means, thus we accept the null hypothesis. So therefore, concluded that the difference in supporting GST is insignificant and is just a matter of chance. On the basis of ANOVA, we keep the null hypothesis (H0), i.e. there is no significant difference between gender and support for GST.

Table 4.7: Fair Tax System

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Fair Tax System	Between Groups	.566	1	.566	2.311	.135
	Within Groups	11.754	48	.245		
	Total	12.320	49			

The above table depicts that the calculated value of F is 2.311 which is less than the table value of 4.00 at 5% level with df being V1=1 and V2=48 and hence could have arisen due to chance. The difference in fair tax system is insignificant and is just a matter of chance. On the basis of ANOVA, we keep the null hypothesis (H0), i.e. there is no significant difference between gender and fair tax system. This analysis supports the null hypothesis of no difference in means

Table 4.8: Proper Knowledge of GST

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Proper Knowledge of GST	Between Groups	.004	1	.004	.018	.892
	Within Groups	11.216	48	.234		
	Total	11.220	49			

The above table signifies that the difference in proper knowledge of GST is insignificant and is just a matter of chance. The value of F is 0.018 which is less than the table value of 4.00 at 5% level with df being V1=1 and V2=48. This analysis supports the null hypothesis of no difference in

means. So therefore, we can conclude that there is no significant difference between gender and Proper Knowledge of GST.

Table 4.9: Difficulty in GST

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Difficulty in GST	Between Groups	.000	1	.000	.002	.964
	Within Groups	7.380	48	.154		
	Total	7.380	49			

From the above table, we can interpret that there is no difference between the means because the value of F is 0.002 which is less than the table value of 4.00 at 5% level. So therefore, concluded that the difference in difficulty in GST is insignificant and is just a matter of chance. On the basis of ANOVA the critical difference, we keep the null hypothesis (H0), i.e. there is no significant difference between gender and Difficulty in GST.

Table 4.10: Appropriate Legislation

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Appropriate Legislation	Between Groups	.217	1	.217	.976	.328
	Within Groups	10.663	48	.222		
	Total	10.880	49			

The above table shows that there is no significant difference between gender and appropriate legislation because the calculated value of F is 0.976 which is less than the table value of 4.00 at 5% level and hence could have arisen due to chance. This analysis supports the null hypothesis of no difference in means. Therefore, we accept the null hypothesis i.e. there is no significant difference between the gender of the respondents and appropriate legislation.

Table 4.11: Awareness regarding CGST and SGST

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Awareness regarding CGST and SGST	Between Groups	0.004	1	.004	.014	.905
	Within Groups	11.996	48	.250		
	Total	12.000	49			

The table above shows that the calculated value of F is 0.014 the value is less than the table value (4.00 at 5% level). On the basis of ANOVA, we can conclude that the null hypothesis is accepted because there is no difference in means. The difference in awareness regarding CGST and SGST is insignificant and is just a matter of chance.

Table 4.12: Uniform Tax System

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Uniform Tax System	Between Groups	1.633	1	1.633	.943	.336
	Within Groups	83.087	48	1.731		
	Total	84.720	49			

It is depicted from above table that the value of F is 0.943 which is less than the table value of 4.00 at 5% level. This analysis supports the null hypothesis of no difference in means. So therefore, concluded that the difference in uniform tax system is insignificant and is just a matter of

chance. There is no significant difference between gender and Uniform Tax System.

Table 4.13: Refine in Existing Taxation Policy

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Refine in Existing Taxation Policy	Between Groups	7.742	1	7.742	4.878	.032
	Within Groups	76.178	48	1.587		
	Total	83.920	49			

The above table shows that the calculated value of F is 4.878 which is more than the table value of 4.00 at 5% level with df being $V_1=1$ and $V_2=48$. On the basis of ANOVA, we accept the alternative hypothesis and hence we reject the null hypothesis. There is significant difference between Gender and Refine in Existing Taxation Policy.

Table 4.14: Better Implication for Corporation

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Better Implication for Corporation	Between Groups	2.300	1	2.300	1.877	.177
	Within Groups	58.820	48	1.225		
	Total	61.120	49			

The above table shows that the calculated value of F is 1.877 which is less than the table value of 4.00 at 5% level with df being $V_1=1$ and $V_2=48$. On the basis of ANOVA it is analyzed that this analysis supports the null hypothesis of no difference in means and the difference between gender and better implication for corporation is insignificant and is just a matter of chance.

Table 4.15: Transparent and Adequate

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Transparent and Adequate	Between Groups	.522	1	.522	.424	.518
	Within Groups	59.098	48	1.231		
	Total	59.620	49			

The value of F is 0.424 from the above table, which is less than the table value of 4.00 at 5% level (with df being $V_1=1$ and $V_2=48$). Therefore, it is concluded that the difference in transparency and adequacy is insignificant and is just a matter of chance. On the basis of ANOVA the critical difference, we keep the null hypothesis (H_0), i.e. there is no significant difference between gender and transparency and adequacy.

Table 4.16: Difficult in Practicality

Aspect	Source of Variance	Sum of Squares	Df	Mean Square	F Ratio	Sig.
Difficult in Practicality	Between Groups	2.429	1	2.429	1.479	.230
	Within Groups	78.791	48	1.641		
	Total	81.220	49			

The above table shows that there is no significant difference between gender and difficulty in practicality because the calculated value of F is 1.479 is less than the table value of 4.00 at 5% level. This analysis supports the null hypothesis of no difference in means. So therefore, concluded that the difference in difficulty in practicality is insignificant and is just a matter of chance.

3. Conclusion

The Impact of GST on Corporate Taxation. The present study concluded that there is an awareness and proper knowledge among respondent regarding GST, the system is fair enough no difficulty to understand GST and there is a proper legislation to govern GST, uniformity transparency and adequacy is good enough to support the GST. The significant difference between respondent under GST and corporate taxation is not vary too much. The new taxation policy under GST provides enough guidelines and implement properly. Further the study also points to polish the present structure to make it more practical and fair in nature, to make it uniform in the required time and management.

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