

A Study on the Impact of GST on Restaurant Industry with Special Reference to Belagavi City

* Asha Nevagi,
** Shrirang Deshpande
*** Arif Shaikh

Abstract

This study is aimed at examining the perception of restaurant owners towards the implementation of GST (Goods and Service Tax). India's tax system has traditionally depended significantly on indirect taxes. The Indian indirect taxation system was defined by a cascading, distorting tax on goods and services production, which resulted in lower productivity and slower economic growth. To eliminate this multiplicity of taxes and reduce the taxpayer's burden, a simple tax, called the Goods and Services Tax, was introduced. GST is India's major tax reform, and it applies to restaurants and hotels as well. This research paper focuses on the impact of GST on restaurant businesses located in Belagavi city.

The findings of the paper suggest that free billing software and invoice formats should be made available on the GST portal, and the composition scheme should be extended to service providers and interstate supply.

The paper concludes that; the implementation of GST has resulted in a beneficial shift in the efficiency of the sectors studied. The GST is a positive measure that will increase business performance while also growing the economy. It will boost the economy and contribute to long-term development, which is expected to prove profitable in the long run, bringing the dream of "One Nation, One Tax" closer to reality.

Key Words: GST, SCST, CGST, IGST, UGST, GST Rates.

Introduction

GST stands for "Goods and Services Tax." It is an indirect tax that has replaced many subsidiary taxes in India, such as the excise duty, the VAT, the services tax, etc. On March 29, 2017, the Goods and Service Tax Act was passed by Parliament. In the year 2000, a committee was formed to develop legislation for the GST. The law took 17 years to evolve after that. The GST Bill was passed by both the Lok Sabha and the Rajya Sabha in 2017. On July 1st, 2017, the GST Law came into force. (Bhawan, 2020).

All of the previously mentioned taxes have been proposed to be merged into a single tax known as the Goods and Services Tax (GST), which will be levied on the provision of goods or services, or both, at each stage of the supply chain, from manufacturing to import to sale. In essence, any tax currently levied by the federal or state governments on the provision of goods or services will be converted into GST (Adhana & Raghuvanshi 2019).

This tax reform will lead to the formation of a single national market, a mutual tax base, and common tax laws for the Centre and States "Joseph, A. (2019)". Another very important feature of GST will be that an input tax credit (ITC) will be available at each stage of supply for the tax paid at the former stage of supply. This feature would reduce cascading or double taxation in a major way. The tax reform will be supported by extensive use of information technology [through Goods and Services Tax Network (GSTN)], which will lead to better transparency in tax burden, the responsibility of the tax administrations of the Centre and the States, and also improved compliance at a reduced cost of compliance for taxpayers.

Various Components of Goods and Services Tax

Under the GST, three categories of taxes can be applied:

- a) SGST/UTGST: The State/Union Territory Government collects this tax on intra-state / union territory sales.

* Student, KLS – Institute of Management Education and Research, Sy. No. 77, Vadagaon Road, Adarsh Nagar, Hindwadi, Belagavi 590011, (M) 8147074653, asha_nevagi@klsimer.edu

** Assistant Professor, KLS' Institute of Management Education and Research, S No. 77, Vadarsh Nagar, Hindwadi, Belagavi 590011, shrirangdeshpande@klsimer.edu

*** Professor and Director, KLS' Institute of Management Education and Research, Sy. No. 77, Vadagaon Road, Adarsh Nagar, Hindwadi, Belagavi 590011, arifshaikh@klsimer.edu

- b) CGST: This tax is levied by the Central Government on intra-state/union territory sales.
 c) IGST: This tax is levied by the Central Government on interstate sales.

The GST slab rates are 0%, 5%, 12%, 18%, and 28%, with half of the revenue going to the state government and the other half to the central government. (Saeeda 2019)

GST on the Restaurant Industry

Hospitality plays a major role in the restaurant industry. This industry plays a vast role in the development of the service sector. The development of foreign currency in the country is aided by tourism and hotels. Tourists from all over the world want to stay and enjoy themselves for the entire day. Star hotels can be found in a variety of locations near tourist attractions. (Panwar & Patra 2017)

According to industry sources, the average total tax rate is between 5% and 28%. If we stay in a five-star hotel, it will be more expensive under the new GST. Budget hotels, on the other hand, are classed as such, with room prices of less than Rs.1000/-being nil, between Rs.1000 and Rs.2500 being 12 %, between Rs.2500 and Rs.5000 being 18 %, and over Rs.5000 being 28 %. (Gautam, M.et. all. 2020)

Restaurants that provide alcoholic beverages

Restaurants serving alcohol will have to keep two different streams of transactions in this scenario, which will raise the cost of compliance for chains. Not only that but if alcohol is consumed, additional bills will be required: GST for the food component and VAT for the alcohol component. What's worse, different states will continue to have varying VAT rates, posing operational issues and a clear negative impact of the GST on eateries so, liquor service in restaurants being exempt from the GST is a significant disadvantage for restaurant owners. (Manoj, S et. all. 2020)

GST Rates on Restaurants:

Categories	Tax Rates	Input Tax Credit
Restaurants (without bar license) with Turnover less than 2 Cr. And opting for composition scheme.	5%	Not available
AC/Non-AC Restaurants (without bar license)	5%	Not Available
AC/Non-AC Restaurants (with bar license)	5%	Not Available
Restaurants include takeaway food /door delivery.	5%	Not Available
Outdoor Catering	18%	Available
Restaurants within hotels where room rate are below Rs.7500 per room per day.	5%	Not Available
Restaurants within hotels where room rate are above Rs.7500 per room per day.	18%	Available

Source: www.accounts4tutorial.com

Review of Literature

Singh, N. P., Bisen, J. P., Venkatesh, P., & Aditya, K. S. in their paper, "GST in India: reflections from Food and agriculture (2018)" the authors have attempted to highlight the likely impacts of GST on food and agriculture, particularly the cultivation of important crops. The data collected for this study was based on secondary sources, as the data collected was from various websites of the central government. The study concluded that GST is a significant change in the indirect taxation system and is a logical step toward full indirect tax reform in India. The paper states that GST is likely to increase the government's tax revenue by eliminating the inefficiencies of the excise and VAT systems, as well as providing a boost in openness, compliance, and efficiency. The government must answer the public's concerns. To put the agriculture industry on a path of long-term growth, in addition to achieving the enormous aim that by 2022, farmers' income will double.

Divya Verma Gakhar, in her study, “Goods and Services Tax (GST) in India: Towards Sustainable Economic Growth (2019)” the main objective was to understand the GST launched by the government and to analyze its impact on the financial performance of corporations. The study also examines the role of GST in achieving sustainable economic growth. A total of 78 companies were taken as the sample in this study. The analysis of the study showed that the introduction of GST has brought about a positive change in the performance of all the sectors selected for the study. There was an improvement in various financial parameters like net sales, net profits, and earnings per share of these companies. The paper concluded that GST is a welcome step that will advance the performance of companies and will also boost the economy and lead to sustainable progress.

Taru Maheshwari and Mukta Mani, in their article, “Consumer Awareness and Perception Towards Goods and Service Tax Implementation in India: A Study in National Capital Region (2019)” highlighted consumer awareness and perception towards goods and service tax implementation in India. The objective of this study was to analyze the consciousness and awareness of consumers towards the effectiveness of GST implementation in India. The data used for the study was from primary sources. The primary data was collected using a well-framed questionnaire. A sample of 200 was selected for the study. The findings of the study showed that the perception of consumers towards the acceptance of this taxation system is positive. The study concluded that the awareness is not significantly different based on gender, age, educational attainment, income, or career. GST has been enthusiastically adopted by India's consumers. The level of GST understanding among consumers is likewise high. Despite the positive results, the publicity should be increased, as 99 percent of people desire more awareness campaigns. The government should commit in this area and assume responsibility for informing taxpayers.

Peswani, J, & Pandey, A. in their study “A Review of Billing Structure in the GST Regime with Special Reference to Restaurant Industry (2021).” discussed billing structures in the GST Regime with special reference to the restaurant industry, where the objective of the study was to understand the impact of GST on restaurants and food service businesses in India and to provide information on how the GST would affect the restaurant business. In this paper, with the use of a fictitious bill, the charging system for a restaurant has been explained from both parties' perspectives. The study concluded that the GST Council has played a critical role in the seamless implementation of GST in India, regularly modifying GST rates and enforcement procedures to ensure that businesses can easily adapt to it, and has been important in its success. GST on food service or restaurants has been viewed as a win-win situation by both customers and restaurant owners. The impact of the GST on restaurants and food services has been demonstrated to be a successful government initiative.

Varalakshmi M. P., & Kumari K. S. in their paper “Impact of Goods and Service Tax (GST) On Hotel Industry in India. (2021)” investigated the impact of Goods and Service Tax (GST) on the hotel industry in India. In her study, she tries to examine the impact of GST on hotel and restaurant purchase bills and to analyze the pre and post-GST mechanisms of restaurants and food service businesses in India. She also tried to study whether the GST system has increased or decreased the burden on hotel management as well as tourists. The study was based on secondary data collected from various national and international journals and books. The study concluded that the boom in travel and tourism has led to the further development of the hospitality industry. Therefore, this industry is growing globally and promoting its growth in a changing multicultural environment.

Objectives of the study

- To examine the opinion of restaurant owners on the implementation of GST
- To identify the problems faced by restaurants in the implementation of GST
- To assess whether there is any change in turnover status on the implementation of GST

Hypothesis

H0A: There is no significant difference between the perceptions of the restaurant owners towards the implementation of GST and the tenure of the business

H1A: There is a significant difference between the perception of restaurant owners towards the implementation of GST and previous years' business

H0B: There is no significant difference between the perception of the restaurant owners towards the implementation of GST and the average turnover of the business

H1B: There is a significant difference between and perception of the restaurant owners towards the implementation of GST and the average turnover of business

Research Methodology

Sampling Design

A descriptive research design was used in this study. A well-structured questionnaire is used to obtain primary data consisting of 120 restaurants classified into four categories based on their annual turnover, viz. Small budget Restaurants: Less than Rs.10 lakhs, Restaurants in the medium price range: Rs 10 lakh–20 lakhs, Large Restaurants: Rs. 21 lakhs to Rs. 50 lakhs & Luxury Restaurants: Above Rs 50 lakh.

The convenience sampling techniques were used to select 120 restaurants from across the city for the study of the impact of GST on restaurants in Belagavi.

Sampling method

The research is based on primary data. The data was gathered solely from primary sources, and it was obtained through responses collected through samples using a survey questionnaire. Questionnaires were filled out in both online and offline mode. The questionnaire was designed and administered to 120 restaurants across Belagavi city.

Secondary data collection methods include data collected through journals, manuals, newspapers, and various research papers that have already been published and are available on various websites.

Data analysis tools-To test the hypothesis's significance, and the collected data were analysed using percentages, cross-tabulation, and ANOVA.

The Analysis – Descriptive

Cross Tabulation

Table 4.1 Number of years in Business v/s Difficulty in getting GSTN

Number of years in business	No	Yes	Total
Below 3 years	18	4	22
3 years- 5 Years	15	12	27
5 years- 10 years	34	8	42
Above 10 years	22	7	29
Total	89	31	120

Source: Authors Original Contribution

Interpretation: The above table represents the cross-tabulation of the number of years in business and the difficulty in getting the GSTN number. The descriptive data clearly shows that most businesses (all tenures) do not face much difficulty in getting a GSTN number i.e. out of 120 respondents 89 respondents do not face any difficulty in getting a GSTN number and 31 respondents do face some difficulty in getting GST Number.

Table 4.2 Number of years in Business v/s necessity to hire a professional accountant to file GST returns?

Number of years in business	No	Yes	Total
Below 3 years	16	6	22
3 years- 5 Years	14	13	27
5 years- 10 years	10	32	42
Above 10 years	10	19	29
Total	50	70	120

Source: Authors Original Contribution

Interpretation

The above table represents the cross-tabulation of the number of years in business and the need to hire a professional accountant. It is clear that, as experience in the business increases, the necessity to hire a professional accountant for filing the GST returns also rises. Out of a total of 120 respondents, 70 respondents believed that hiring a professional accountant to file GST is necessary, while 50 respondents believed that it is not necessary.

Table 4.3 Number of years in Business v/s problem in filling GST3B return

Number of years in business	No	Yes	Total
Below 3 years	11	5	16
3 years- 5 Years	11	3	14
5 years- 10 years	6	4	10
Above 10 years	7	3	10
Total	35	15	50

Source: Authors Original Contribution

Interpretation

The above table signifies the cross-tabulation of the number of years in business and the problem in filing the GST 3B. It is clear that out of 50 respondents, 35 respondents have no problem in filing GST returns for the taxpayers and also that there is no relation between experience in the business and the problems faced in filing the GST 3B returns as the procedure is similar for all the registered businesses irrespective of their experience.

Table 4.4 Number of years in business v/s Adequate arrangements while constructing interface to file return

Number of years in business	No	Yes	Total
Below 3 years	7	9	16
3 years- 5 Years	7	7	14
5 years- 10 years	5	5	10
Above 10 years	8	2	10
Total	27	23	50

Source: Authors Original Contribution

Interpretation

The table depicts the cross-tabulation of several years in business and taxpayers' perception toward the GST portal. Out of a total of 50 taxpayers who file GST on their own, 27 of them feel that the GST portal is user-friendly and no change must be made, whereas 23 respondents feel that some changes should be made so that it becomes more user-friendly.

Table 4.5 Number of years in business v/s Readiness to GST

Number of years in business	No	Yes	Total
Below 3 years	1	21	22
3 years- 5 Years	2	25	27
5 years- 10 years	3	39	42
Above 10 years	0	29	29
Total	6	114	120

Source: Authors Original Contribution

Interpretation

The table portrays a cross-tabulation of the number of years in business and the readiness for GST, as it is clear that out of 120 respondents, only 6 respondents were not ready to get registered under GST and 114 respondents were ready to get registered under GST.

Testing of Hypothesis

H0A: There is no significant difference between the perceptions of the restaurant owners towards the implementation of GST and the tenure of the business.

H1A: There is a significant difference between the perception of restaurant owners towards the implementation of GST and previous years' business.

Table 4.6 ANOVA

Number of years in business	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	30.736	14	2.195	2.339	.007
Within Groups	98.564	105	.939		
Total	129.300	119			

Source: Authors Original Contribution

Inference

Since the p-values are less than 0.05, we reject the null hypothesis and accept the alternative hypothesis. It does indicate that the mean satisfaction of various groups of perceptions of GST implementation has a substantial relationship with taxpayers' tenure in business. As the tenure of the business increases, the mean also increases, which means there is a direct relation. As a restaurant owner's experience or number of years in the industry grows, his or her perception improves.

H0B: There is no significant difference between the perception of the restaurant owners towards the implementation of GST and the average turnover of the business.

H1B: There is a significant difference between and perception of the restaurant owners towards the implementation of GST and the average turnover of business.

Table 4.7 ANOVA

Number of years in business	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	26.993	14	1.928	2.805	.001
Within Groups	72.174	105	.687		
Total	99.167	119			

Source: Authors Original Contribution

Inference

As the p-values are less than 0.05, we reject the null hypothesis and accept the alternative hypothesis. It does show that mean satisfaction with perceptions of GST implementation has a significant association with average turnover; as the average turnover grows, so does the mean, implying a direct relationship. Restaurant owners have a more favourable attitude if they have more turnover.

Conclusion & Recommendation

Recommendation

According to the findings, free billing software and invoice formats should be made available on the GST portal, and the composition scheme should be extended to service providers and interstate supply. Businesses must be able to function efficiently in the public interest and encourage economic growth through eliminating processes. GST rates should be

standardized to make India more competitive. Only a few commodities should fall into the 28 percent group, so the highest rate should be retained at 18 percent.

Additionally, if a clerical error is detected after the GST Return has been uploaded, there is no way to correct it. So, to allow return rectification, provisions should be established as soon as practicable.

The matching principle of input credits involves the matching of a huge volume of data from the supplier with that of the receiver. This technique should be shortened so that only broad basic measurements, such as invoice value and tax amount, are matched, and matching of detailed, precise wide variety of data, such as invoice number and date, should not be required.

The valuation rules are unclear and debatable. These principles should be updated, streamlined, and fair to everyone. It is suggested that another way of recognizing the rate-wise supplies being reported is to give relief to small traders who are otherwise not required to mention the digits of HSN codes in a tax invoice issued by them. It is also recommended that proper amendments be made to evade double taxation and cascading effects on supplies made by composition dealers to registered dealers.

Conclusion

According to the research, the implementation of GST has resulted in a beneficial shift in the efficiency of the sectors studied. The GST is a positive measure that will increase business performance while also growing the economy. It will boost the economy and contribute to long-term development, which is expected to prove profitable in the long run, bringing the dream of "One Nation, One Tax" closer to reality.

At first, the GST rates in the restaurant industry were presented confusingly. After the updated rates were executed, the biggest share of the restaurant owners expressed confidence in the framework. Despite the fact that they have resulted in additional costs as a result of the transition to the new framework, it is true that GST will prove to be a worthwhile regime over time.

The GST is regarded as a watershed decision in the history of India's indirect tax system. Small and medium-sized businesses, on the other hand, are still encountering numerous obstacles at the outset, such as obtaining a GST number, filing returns, and understanding the input tax credit system.

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