

A STUDY ON IMPACT OF GOODS AND SERVICES TAX ON MSME SECTOR IN DINDIGUL DISTRICT

Dr. M. Ponniah

Associate Professor, POST Graduate and Research Dept. of Commerce,
GTN Arts College, Dindigul

Mrs. M. Eswari

Research scholar, Dept. of Commerce(CA)
NPR Arts & Science College, Natham, Dindigul

Abstract: A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017. It is the biggest tax reform ever happened in India. Now we are witnessing, how this tax reform reshapes our economy and business dynamics for Micro, Small and Medium Enterprises. The Micro Small and Medium Enterprises sector is a major constituent of our economy and contributes significantly to manufacturing output, employment and exports of our country. This paper look into how GST impact and what are its implications on the Micro, Small and Medium sector in dindigul district.

INTRODUCTION

The goods and services tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The Goods and Services Tax Bill or GST Bill, also referred to as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, initiates a Value added Tax to be implemented on a national level in India. GST will be an indirect tax at all the stages of production to bring about uniformity in the system. On bringing GST into practice, there would be amalgamation of Central State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden which is currently estimated at 25-30%. Under this system the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes tax on tax paid on inputs that go into the manufacture of goods

ORIGIN OF GST

GST is framed based on the Value Added Tax (VAT) principles. Value Added Tax was first devised by a German economist named Dr. Wilhelm Von Siemens during 18th century. France was the first country to introduce VAT system in 1954. At present VAT based tax regime has been introduced in more than 150 countries. Most of the countries have a unified GST system. Brazil and Canada follow a dual system where GST is levied by both the Union and the State Governments.

BENEFITS OF GST

- It would introduce two tiered one country one tax regime
- It would subsume all indirect taxes at the center and the state level
- It would not only widen the tax regime by covering goods and services but also make it transparent
- It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost competitiveness of goods and services.

- It would bring down the prices of goods and services and thus by increased consumption
- It would create business friendly environment, thus by increase tax GDP ratio.
- It would enhance the ease of doing business in India.

GST SCENARIO IN INDIA

The Micro, Small and Medium Enterprises [MSMEs] have been the solid backbone of our country's economic development. It is estimated that in terms of value, the MSME sector accounts for about 45 percent of the manufacturing output and 40 percent of the total exports of the country. The sector is estimated to employ about 69 million employees in over 26 million units throughout the country (MSME Development Institute, 2015).

MSMES AND THE TAX SYSTEM

The former taxation system in India was not very user friendly for MSMEs as they need to keep track of various indirect taxes like Octroi, Central Sales Tax[CST], tax on transportation of goods and services, state wise VAT, service tax, stamp duty charges and many others. With the introduction of the GST there is an end to all such indirect taxes. The GST will benefit MSMEs and large corporates by simplifying procedures, thus saving time and improving productivity.

IMPACT OF GST ON MSME'S

In the earlier taxation system, any manufacturer with a turnover of Rs 1.5 crore or less was not required to comply with the rules of excise duty. Under the GST realm, any manufacturer with a turnover of Rs 20 lakh (others) /10Lakh (Specialcategory states) or more will have to comply with GST, and that results in the increase of taxpayer base. Accordingly majority of MSME's working now in the unorganized sector fall under GST regime and will put a burden of compliance and associated costs to them.

OBJECTIVES OF THE STUDY

The following objectives are framed for the study

- To analyze the constitutional and legislative

protection to the MSME sectors

- To overview the Goods and Services Tax System and the industrial profile of the entrepreneurs
- To study the various problems faced by the MSME Units after the implementation of Goods and Services Tax.
- To identify the factors influencing the Impact of GST on MSME Sectors.

STATEMENT OF THE PROBLEM

With the Goods and Services Tax (GST) making rapid progress over the last few months, the technology leveraged, unified indirect tax regime is all set to be introduced by 1stJuly. While the MSME sector is likely to benefit from the far reaching tax reform, there are some concerns regarding its various clauses and processes. A complicated compliances system and a rigid taxation regime place added limits on the growth potential of small enterprises. Uncertainty about claiming the Input Tax Credit (ITC), multiple registrations and returns, transference of tax liability complex procedures, etc. are some of the problem areas for MSMEs.

To build technical literacy in MSMEs to make optimal use of the technology-enabled platform for GST, CII, under the Technology Facilitation Center (CII-TFC) initiative, is working to enhance awareness on GST and its provisions amongst MSMEs through webinars, roadshows and policy roundtables across the country.

The government has also set up the GST Network (GSTN) for online administration of the dealer registration process, tax payment and tax return filing and refund to tax payers with respect to GST. This is paradigm shift in the taxation system and will result in a simplified and transparent tax regime which is easier to administer and monitor. Taxpayers registered under VAT, services tax, central excise duty, etc. are being automatically migrated to the GSTN.

Existing Status of Industrial Areas in the District, Dindigul.

S.No.	Name of Ind.Area	Land acquired (in hectare)	Land Developed inHec.)	Prevailing rate Per sqm (in Rs.)	No.of plots	No.of allotted plots	No.of vacant Units in plots	No.of production
1	Din-digul	39.910 acre	39.910 acre	-	78	78	-	73
2	Batla-gundu	4 acre	4 acre	-	5	5	-	5

INDUSTRIAL SECENARIO OF DINDIGUL DISTRICT

The district is home to textile spinning industry. Chinnalapatti, which is located 11 kilometres from Dindigul, is known for its flourishing hand loom industry. Silk art, known as Sarees, and Sungudi produced in Chinnalapatti are well known throughout India. More than 1000 families are engaged in this industry. Nilakkottai town is known for Brass Vessels, Jewellery and also for flowers and Grapes. Ottanschatram is a noted market centre for vegetables. It is known for the export of butter, manufactured in the nearby villages using cream separators. Vathalagundu is a market centre for tomato. Pattiveeranpatti in Vathalagundu Block is known for Cardamom and Coffee enterprises. Nagalnagar area hundreds of Sourashtra community people are doing hand loom sarees manufacturing. Dindigul is known for its leather tanning Industry. Tanneries are thickly situated in this District. The finished and semi finished leather and other leather products have a good export market.

DINDIGUL LOCKS

Locks & steel safes made in Dindigul are known for good quality and durability. Locks manufacturing is operated as a co-operative sector. Locks manufactured here are sold to national and international markets. Dindigul locks — are likely to get Geographical Indication (GI) for establishing their place of origin. The Tamil Nadu State Council for Science and Technology, through its research officers wing, has initiated steps to get GI Tobacco. Dindigul has been a centre of tobacco trade and a manufacturer of cigars from the time of British rule. A favorite cigar of Winston Churchill called Churut, the ‘Light of Asia’, was produced in Dindigul. The tobacco

industry is one of the main sources of employment for the inhabitants of Dindigul. The central government has a research center for tobacco in vedasandur. This is one of the two centers in India, the other one is Rajmundri.

Dindigul is primarily an agro-based town of Tamil Nadu. About 70% of the total population earns their livelihood directly or indirectly through Agriculture. There are about 165 Rice mills in and around Dindigul. Famous flour mill Naga, Viskalakshi are located there. Anil Semia, Savorit Semia, Nandhini Saamburani industries are located in Dindigul. Dindigul city is an important wholesale market for Cotton, onions and groundnuts (peanuts). Panneer Grapes which is a special type of black grapes is specific to Dindigul.

Industry at a Glance

S.No	Food Industry	Food Industry	Food Industry
1	Leather and leather-Tanneries	Dindigul	60 leather tan-neries
2	Lock Industry/ Iron scraps	Dindigul	50 safety lock and cash box
3	Coir and Coir Products	Battalagundu/ Pattiveeranp-athy/Dindigul and Natham	40 units
4	Sungudi Sarees	Chinnalapatty	1500 weaving units
5	Panchamiruth-am&Veputhi (thiruniru)	Palani	25 units
6	Food Industry	Dindigul, Palani, Battalagundu	100 units
7	Cotton Spin-ning, Power looms	Dindigul, Palani, Vedasandur and Vadamadurai, Nilakkottai	200 Units
8	Paper & Paper prod-ucts	Swaminatha-puram, Din-digul, Tho-pampatty and Vilampatty	40 units
9	Brass Metal Products	Nilakottai, Dindigul	20 units
10	Eucalyptus oil & Essential oil	Kodaikanal, Thandigudi and Dindigul, Nilakottai	200 Units
11	Rice Mills	Sithayankottai, Dindigul and Palani.	50 units

Year wise trend of Units registered

Year	No. of Units registered (EM-II) –			DINDIGUL	
	MICRO	SMALL	MEDIUM		TO-TAL
2007-08	95	11		0	106
2008-09	293	17		0	310
2009-10	692	22		3	717
2010-11	1002	75		1	1078
2011-12	785	89		18	892
2012-13	1083	145		8	1236
2013-14	1038	276		20	1334
2014-15	987	365		88	1440
	Total Units registered under UAM				
2015-16	1251	199	13		1463

CONCLUSION

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 MSME 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 MSMEs have grown faster than organised peers because of lower cost structures stemming from tax benefits, (if turnover is less than Rs.1.5 crore). India's paradigmshift to the Goods and Services Tax (GST) regime brought majority of MSME's into the indirect tax net for the first time and thereby increased compliance costs for MSME's. Complying with GST is bit complex for MSME's at present. However in the long run it will benefit small and medium businesses as well as consumers. The overall impact of GST on MSME sector has to be reviewed by the Centre and the States periodically, and any adverse impacts observed should be addressed at appropriate times for the success of new tax regime.

BIBLIOGRAPHY

1. Alain Charlet, J. O. (2010). An International Perspective on VAT. *Tax Notes International*, 943-948.
2. Bidin, Z. (2014). The Perception of Manufacturing Companies towards the Proposed Goods and Service Tax in Malaysia. *Research Gate*.

3. Bolton, T. (2004). *An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand*. England: School of Economics, University of England.
4. Chadda, R. (1998). *Impact of Trade Policy Reforms: ACGE Modelling Approach*. University of Michigan Press.
5. Jaswal, S. S. (2014). Problems and Prospects of Micro, Small and medium Enterprises. *International Journal of Innovative Research and Studies*, 140-161.
6. John, P. V. (2009). *Reforms in Sales Tax Structure :Study with Reference to VAT in Kerala*. Cochi: Department of Commerce, Cochin College.
7. Mathew, A. (2012). *Study on the Role of MSME Di In the Development of MSMEs in Kerala*. Kanjirappally: Research and Post Graduate Department of Commerce, St Dominics College.
8. MSME Development Institute. (2015). *State Profile of Kerala 2014-2015*. Thrissur.
9. Online Resources
10. <http://www.nipfp.org.in> <http://www.idtc.icai.org> <http://www.caa.in/image/23ugstb.pdf>
11. www.unionbudget.nic.in/ub2006-07/bs/speecha.html <http://www.finmin.nic.in/kelkar/report.pdf> http://indiabudget.nic.in/FM_Speech_Delhi_budget_2014_2015.pdf.
12. <http://www.dcmsme.gov.in/CII.pdf>.