



A Study On Awareness Of GST Compliance In Selected Textile Firms Based At Delhi NCR Region

Mrs. Ritika Srivastava, Research Scholar, School of Business Studies, Sharda University

Dr. Sunil Joshi, Professor, School of Business Studies; Sharda University

Abstract

Goods and service tax was introduced by the government of India as flagship initiative under which the government decided to do away with the indirect tax regime system and introduced goods and service tax with a tagline of **one nation, one tax**. The main purpose was to bring all the indirect taxes under one umbrella and ensure that the taxpayer have limited liability.

GST Collection includes Central GST, State GST, Integrated GST in the form of collections. Under GST law, various processes were made for Registration, Refunds, Filing returns, E-billing, claiming Input tax credit etc. These were categorized under GST compliances and also mentioned as parameters for calculating GST compliance rating scores. Due to GST implementation, various sectors were affected, but Indian Textile sector could be considered as the most affected sectors amongst all. Also textile industry is one of the oldest and has a larger share of GDP than other industries. The tool used for this study is questionnaire and interview method. In this paper, firstly we will understand the concept of GST compliance costs and its awareness among persons working in textile firms located in Delhi NCR regions. Secondly, we will compare the GST compliance system in India with the other selected countries.

KEYWORDS : GST Compliance, Input Tax Credit, Awareness, Textile sector, Revenue, E-invoicing

Objectives:

- ✓ To understand various tax compliances and compliance rating under GST system
- ✓ To analyze GST compliance awareness or knowledge among small textile firms in Delhi NCR region

Introduction

4539 | Mrs. Ritika Srivastava A Study On Awareness Of GST Compliance In Selected Textile Firms Based At Delhi NCR Region

This paper tries to explain about the GST compliance and its related terminologies; also analyzing the GST compliance awareness among small textile firms.

If we talk about GST compliance, it is the pillar of the GST taxation system which makes it easy and transparent among all taxpayers. GST compliance is meant for making timely payment of taxes and also helps in managing future tax payments. After the introduction of GST, compliances has helped in increasing digitization in the indirect taxation system.

If we talk about GST compliance in detail, we have to discuss each and every contents under GST compliance system.

GST compliance comprises of the following contents:-

- Registration under GST system
- Invoices, Debit and Credit Notes
- E-invoicing
- Maintaining Records and Auditing
- Time incurred during supply
- Area of supply
- Reverse Charge Mechanism
- Input Tax Credit
- Billing and Return and refund Fillings related process
- Job Work
- E-Way Bills

Registration under GST system is divided among various categories as follows:-

- ❖ Based on Aggregate Turnover
- ❖ Voluntary Registration

Registration based on aggregate turnover:-

If the total turnover of all goods and services supplied by a supplier during a financial year crosses INR 10 lakh for suppliers based in special category states, and along with this when it crosses Rs. 20 lakh for the suppliers located in other states; the provider must register.

Voluntary Registration :

Even if a person is not required to register, he/she can still choose voluntarily registration.

It will help the businessmen to take the benefit of input tax credit; who is not eligible for compulsory registration. Businesses that are GST-registered can sell over state lines with

few limitations. As a result, it expands the market for SMEs. These SMEs can also use an e-commerce platform to offer their products online.

If we talk about personal opinions of small textile firms in Delhi NCR region with respect to registration process under GST system, it was **Lack of awareness** regarding the use of portal registration process in previous taxation system where it was not so much compulsory as compared to present taxation system, GST. Firms are required to register themselves according to the eligibility criteria. If they are not registered, then they have to face various consequences related to payments, refunds, supply of goods, etc.

Debit and Credit Notes:

Credit Note:

The supplier of goods/services may issue a credit note in following cases:

- When the taxes levied on the invoice surpasses the real tax paid during that period.
- When the customer returns the goods.
- Deficit found in the goods which was supplied by the supplier.

Debit note :

When the value of taxable supply or tax charged on the invoice issued is less than the real value/tax payable in respect of such supply, the provider of goods/services is obligated to produce a debit note.

Debit notes must be recorded in the monthly returns for the month in which they are issued.

Multiple invoices can be covered by a single consolidated credit note/debit note.

E-Invoicing :

For some category of companies, the GST Council has introduced an electronic invoicing (e-invoicing) and quick response (QR) code system. The notion of an electronic invoice for products and services given by registered entity is known as e-invoice. It is the process of sending a standard invoice to the GST system, which generates an invoice reference number (IRN) and a QR code.

Applicability:-

In respect of supply to registered people (i.e., business-to-business or B2B transactions) or exports QR, registered persons whose aggregate turnover in any prior financial year (from 2017-18 onwards) exceeds 50 crore are obliged to submit an e-invoice and generate IRN.

Partially cancelling an e-invoice is not possible. On IRP(Invoice Registration Portal), it would need to be totally cancelled within 24 hours. In compliance with the GST legislation, changes to e-invoices will be made on the GST website.

Inward and outward supplies of goods and services & Input tax credit availed:-

Every registered person is required to keep and maintain records for inbound and outbound goods and services. Persons who provide services must keep accurate records of the commodities they use, the input services they utilise, and the services they provide.

The taxpayer must self-certify the reconciliation statement rather than having it certified by Chartered Accountants/Cost and Management Accountants.

For taxpayers with an annual revenue of up to INR 2 crore, filing an annual return on Form GSTR-9 / 9A will be optional for FY 2020-21.

The reconciliation statement in Form GSTR-9C for FY 2020-21 will be required to be filed by taxpayers with annual aggregate turnover above INR 5 crore.

Reverse Charge Mechanism :-

A person who supplies products and services is generally responsible for paying tax. However, under some circumstances, the tax responsibility gets shifted to the recipient of the goods or services. The reverse charge mechanism is a method of tax payment by the recipient.

Situations covered under RCM Procurement of notified supplies :-

The government has issued a list of suppliers (goods and services) for which the receiver must pay tax on a reverse charge basis.

Purchasing of defined supplies by a certain type of registered individual.

The government notifies a certain class of registered people when an unregistered provider supplies defined types of goods or services, or both.

Time and Place of Supply :

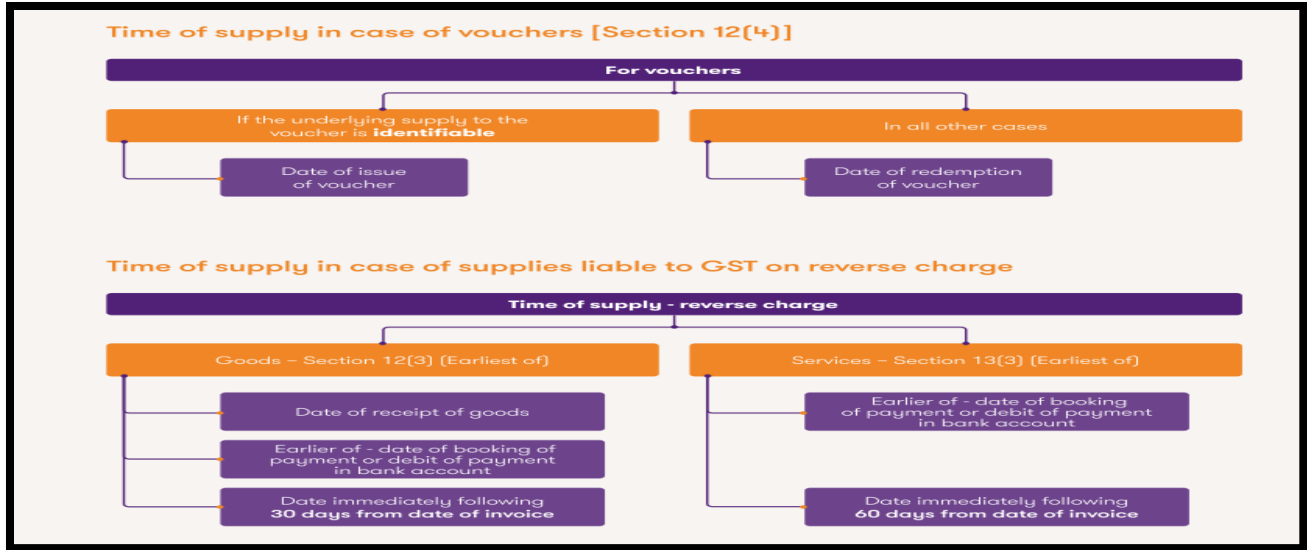


Figure 1; Source : 'GST compliance booklet 2021' (2021), (August).

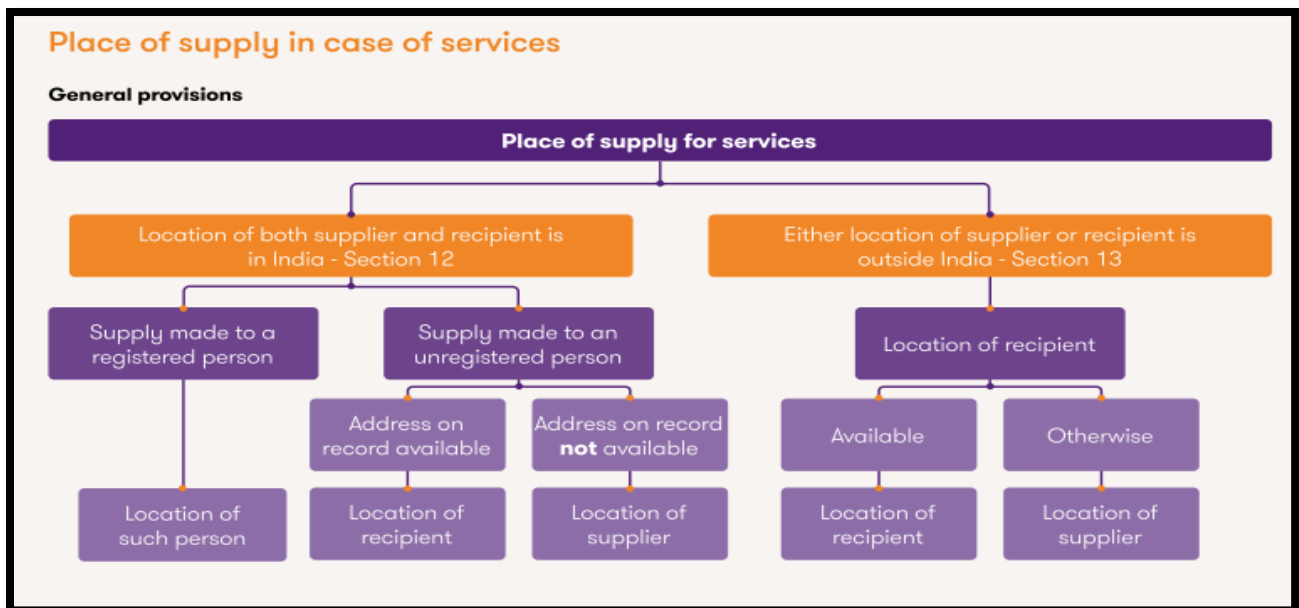


Figure 2; Source : 'GST compliance booklet 2021' (2021), (August).

Input tax credit :-

In the GST legislation, an input tax credit (ITC) is defined as any tax (CGST, SGST, or IGST) charged on any supply received by the receiver. It also includes IGST on items imported and taxes paid via the reverse charge method, but it excludes taxes paid under the composition levy.

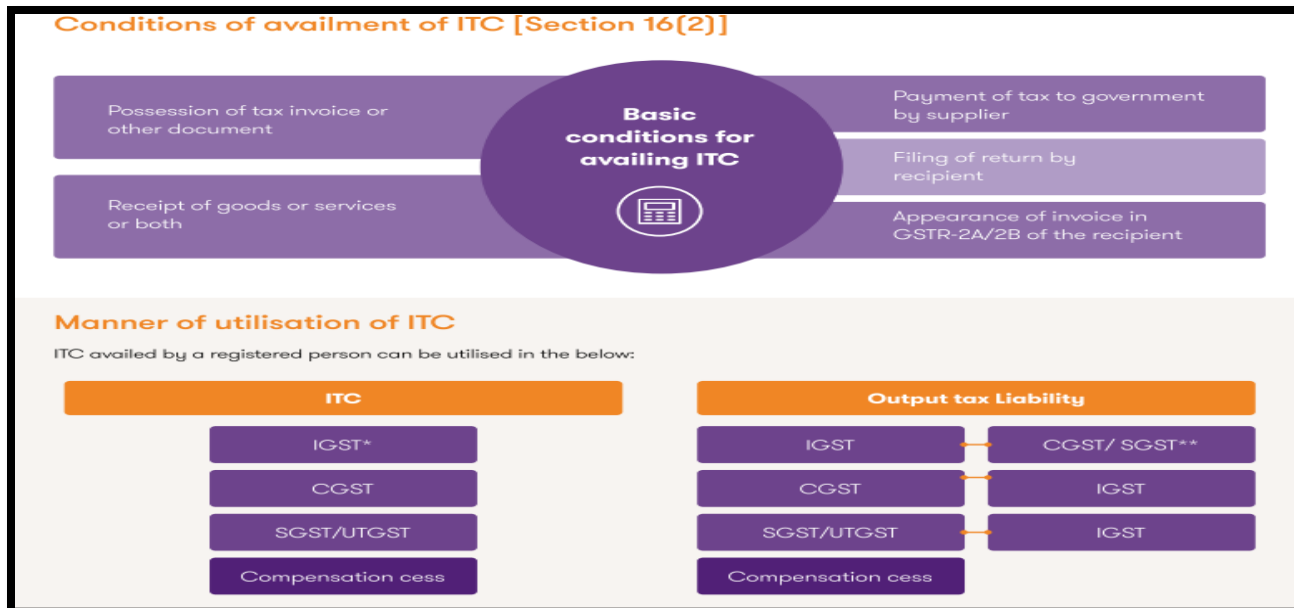


Figure 3; Source : 'GST compliance booklet 2021' (2021), (August)

NEW RETURN SYSTEM:

The GST Council has decided to begin implementing the new return filing procedure on October 1, 2020, or as soon as possible thereafter. Form GST RET 1, Form GST RET 2, and Form GST RET 3 are the proposed return forms, including annexures in FORM GST ANX-1 and Form GST ANX 2.

Key features of new return system:

Procedure for refunds has been simplified. • It would be feasible to make changes to returns. • Bills may be posted at any moment during the month, i.e. 24 hours a day, 7 days a week, and the buyer has the ability to examine the invoices on a continual basis. The purchase invoices do not need to be uploaded. • Taxpayers with an annual aggregate revenue of more than INR 5 crore must report six-digit HSNs for supply to registered people (B2B).

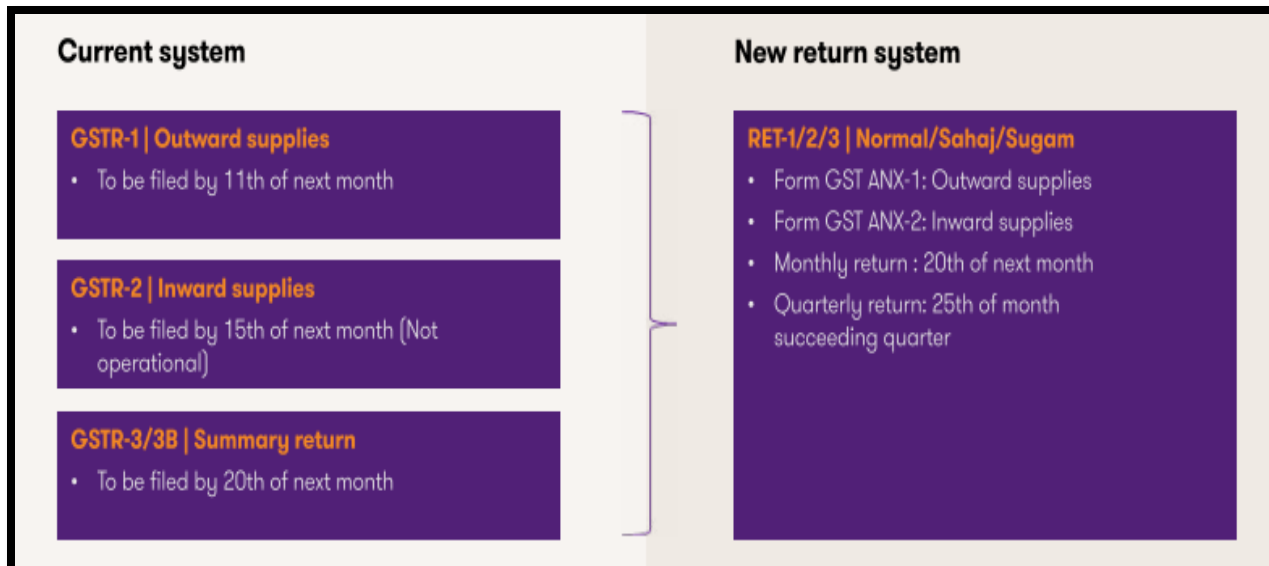


Figure 4; Source : 'GST compliance booklet 2021' (2021), (August).

E-way Bill :-

Prior to the start of goods transportation and creation of an E-way Bill, information must be provided (Rule 138)

Before moving goods worth more than INR 50,000 i) in relation to a supply, ii) for reasons other than supply, or iii) due to an inbound supply from an unregistered person, every registered person must fill out Part A of FORM GST EWB-01 on the common site electronically.

The transporter on an authorisation received from the registered person, may furnish information in Part A of FORM GST EWB-01, electronically, on the common portal and a unique number will be generated on the said portal.

If the goods to be transported are supplied through an e-commerce provider or a delivery agency, the information in Part A of FORM GST EWB-01 may be furnished by such e-commerce operator or delivery agency, a unique number will be generated on the said portal, based on a proper authorization received from the shipper. The E-way Bills must be created by the principle or registered job worker, regardless of the amount of the consignment, when products are transported from a principal in one state to a job worker in another state.

The E-way Bill will be made accessible to the registered receiver, who will have 72 hours to accept or reject the consignment.

If he does not respond with an acceptance or rejection within 72 hours, it is assumed that he has accepted E-way bill. Any bill created under this regulation or rule 138 of the GST rules of any state is valid in all states and territories.

GST Compliance Rating :

The GST compliance rating is similar to a performance ranking for all registered taxable persons, and it indicates how compliant they are with GST laws. This will apply regardless of the nature, size, or turnover of the company. For instance, a grading system on a range of 1 to 10 can be created, with 10 being the most compliant and 1 being the least compliant.

It also refers to a rate which is ascertained by the GST Department for each and every registered tax payers, which is evaluated on the basis of their compliance record.

Taxpayers will get an updated score on a regular basis, and they will be able to examine it in the public domain.

Following factors affecting GST compliance rating:

- GST Returns filling time to time.
- Payment of GST taxes,
- GST tax, fine, and other accrued expenses must be paid on time.
- Proper documentation and recording is mandate under GST laws rules.
- Promoters historical records is needed for managing compliances.

GST audits or inspections, in addition to timely GST compliance, may be required by GST authorities from time to time to verify various elements of GST compliance. As a result, ensuring that the firm issues suitable tax invoices, makes accurate tax due determinations, reconciles returns, and other variables might have an influence on compliance rating.

Importance of GST Rating :

It brings up transparency in GST system procedure which will help the business in a positive way. Along with this, it will also benefit its employees, consumers, creditors and government. Through the help of individual compliance history, we will be able to understand and determine the creditworthiness of a company quickly.

It also helps the promoters and other stakeholder to know about the improvement which is needed in their compliance.

How will GST rating impact my business?

All together we can say that GST compliance rating will help to improve basic operation and functioning of the companies and it will also increase recruitment rate in each and every company along with increase in their customer satisfaction.

Currently, the individuals and entities can assess the CIBIL score only by Banks and Financial Institutions for the purposes of lending credit. Hence, the public domain restricts publishing the CIBIL scores. These ratings for GST compliance will be made public. Persons such as customers, workers, creditors, vendors, and investors, would be able to look at the GST compliance rating of the companies.

Therefore, a low GST compliance rating would mean that the company would have to increase credit, increase recruitment of workers and sales etc.

How GST Compliance rating is beneficial to business?

Only businesses with an average score of 5 on a scale of 10 are eligible for refunds. For example, if a company's compliance rating is 8 out of 10, it will be entitled for an instant provisional return of 80% of the entire refund due to them.

Research Methodology :

The data was collected through primary and secondary sources. The sufficient and relevant literature is available pertaining to the selected firms in Delhi NCR. The primary data was collected with the help of questionnaire through surveys and emails. The association between the two variables were tested through hypothesis testing and Chi Square method. The secondary data was collected through the government reports, journals and information available on internet was considered for the study.

Questionnaire
GST will reduce transaction costs for taxpayers through simplified tax compliance
Have you faced any technical hassles or difficulty while moving on to Goods and Services Tax Network (GSTN)?
Most of the businessmen facing technical glitches while filling for the GST refunds. Do you agree?
From the following, On the Scale of (1-5), how will you rate the refund mechanism under GST? [Easy and Time Saving]
From the following, On the Scale of (1-5), how will you rate the refund mechanism under

GST? [Difficult and Time Taking process]
From the following, On the Scale of (1-5), how will you rate the refund mechanism under GST? [Confusing]
On the scale of (1-5), which type of compliance cost for business is more expensive for entering into GST Network. [Legal Cost]
On the scale of (1-5), which type of compliance cost for business is more expensive for entering into GST Network. [Time Cost]
On the scale of (1-5), which type of compliance cost for business is more expensive for entering into GST Network. [Technical Investment Cost] GSPs(GST Suvidha Provider) helpful for small textile firms for maintaining GST compliance costs. Do you agree?
Modification in compliances under GST system improving profitability of textile firms. Do you agree?
"Supplier has generated e -invoice, Invoice Reference number (IRN) have been immerse in Quick Reference (QR) code, in that case there is no need to carry physical copy of the invoices during the movement of goods". Is this digitalization making payment easy and transparent for suppliers and firms?
Rate the problems faced in claiming refund under GST system [GSTN Portal having major technical issues]
On the scale of (1-5) On the scale of (1-5) Rate the problems faced in claiming refund under GST system [GSTN Portal not in consonance for refunds]
On the scale of (1-5) Rate the problems faced in claiming refund under GST system [Processing of Claim is still a Tedious process]
On the scale of (1-5) Rate the problems faced in claiming refund under GST system [Computation of refunds still unclear]
On the Scale of (1-5) Rate the various Compliance issues faced by you after GST implementation. [Cost of Compliance]

On the Scale of (1-5) Rate the various Compliance issues faced by you after GST implementation. [Issues with Goods and Services Tax Network Portal]
On the Scale of (1-5) Rate the various Compliance issues faced by you after GST implementation. [Difficult Procedures and Documentation] On the Scale of (1-5) Rate the various Compliance issues faced by you after GST implementation. [Inadequate Support Service]
Advance ruling mechanism under GST regime bring in friendly environment to businesses. Do you agree on this fact?
Compensation Levy under GST system benefitted more to small scale textile firms than large textile firms. Do you agree?
Under GST system, All firms cannot rely only on online methods for return filing. In some areas, there is a requirements of offline facility for return filing. Do you agree?
GST compliance awareness among small textile workers improving profitability and increasing efficiency in production. Do you agree?

HYPOTHESIS TESTING AND ANALYSIS

H₀: There is no significant association between awareness and compliance cost

H₁: There is a significant association between awareness and compliance cost

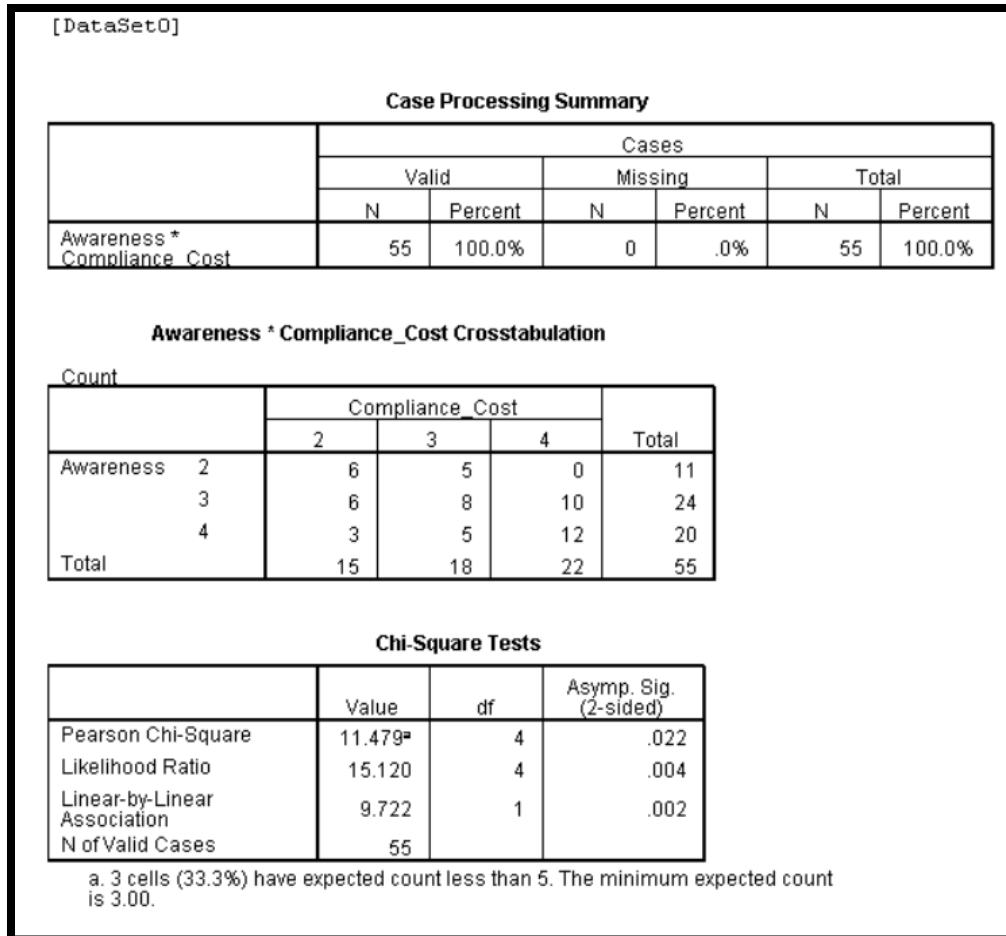


Figure 5 : Analysis Report; Edited by me 1

p value = .022 < 0.05=α, the level of significance

Therefore we reject H₀

Thus one can say with 95% confidence that there is significant association between Awareness and Compliance Cost.

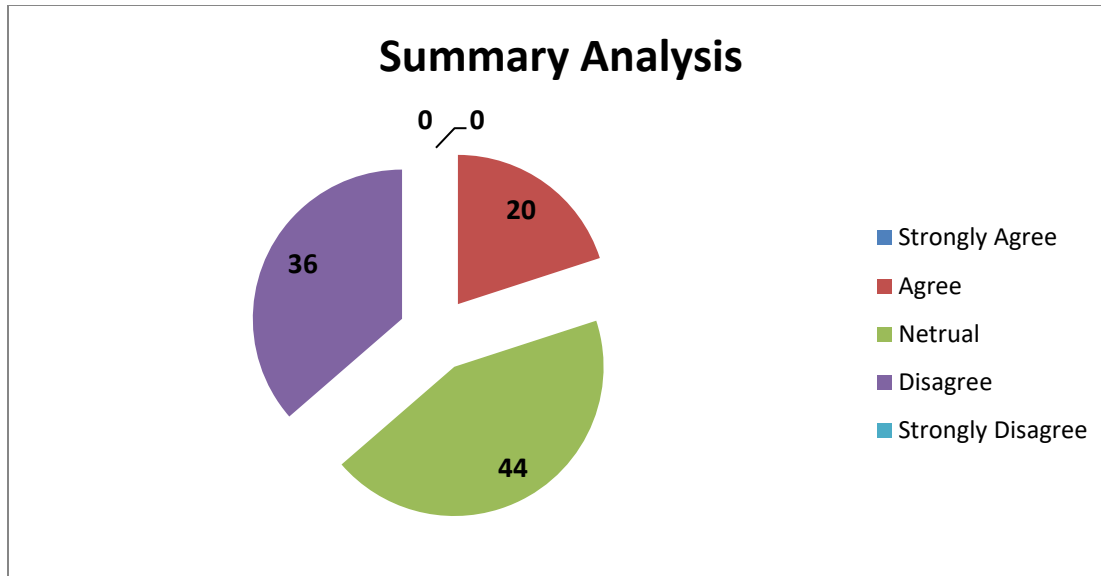


Figure 6: Analysis Summary Chart; Edited by me 2

The above pie-chart shows that the highest % of responses indicate “neutral” i.e 44% of the responses from the firms are not aware of the compliance cost and the GST procedure under new taxation system.

Secondly, 36% of the respondents indicate “disagreement” which means they do not agree with the fact that GST compliance brought transparency and ease in the current taxation system. This shows that in Delhi-NCR region, there is a lack of awareness related to compliance cost along with this GST system among the textile firms since its compliances seems to be difficult and time taking procedure for them.

Lastly, 20% of the respondents indicate “Agree” which means they agree with the fact that GST compliance brought transparency and ease in the current taxation system.

CONCLUSION

This paper tries to explain all the terminologies and concept related to GST compliances. Secondly, it aims at analyzing awareness of GST compliance among textile firms located in Delhi NCR region.

After studying the responses we can conclude that though the GST system is good for all the stakeholders but it still requires more efforts on the part of **GST Council of India** to further bring down and explain the concept, logic, awareness and benefits to the textile firms.

References

1. ('International Journal of Exclusive Global Research - Vol 3 Issue 2 February Input Tax Credit under GST in India: An Overview Dr.S.V.Ramana Rao Professor and Area Chair – Finance, Siva Sivani Institute of Management, Secunderabad', 1947;
2. 'GST compliance booklet 2020', 2020;
3. 'GST compliance booklet 2021', 2021;
4. India GST: The mechanics of compliance - ProQuest
5. GST: Rising cost of compliance to hurt SMEs the most - ProQuest
6. Mintz, Wilson and Gendron, 1994;
7. Tran-Nam, 2001;
8. Chattopadhyay, 2002;
9. Bird, 2012;
10. Rosiati Ramli et al., 2015;
11. Ling et al., 2016;
12. Department of Economic Affairs, 2018; Ghosh, 2018; Issn, 2018; Khan, 2018; Com et al., 2018; Jagetia, 2020; Kessler, 2020; Rao, 2020; Arora, 2020; Compliance, 2021; Associate and Mohapatra, 2021)
13. (Gupta and Agarwal, 2018)
14. ('Sharma and 'Saini, 2019)
15. (Das et al., 2020)