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To Detailed Study of Impact of Goods and Services Tax (GST) on Restaurants

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Abstract: *The state's taxes must be the same throughout, levelling the playing field for competitors. As a result, the cost of purchasing commodities will be significantly reduced overall, making the restaurant industry a profitable and manageable undertaking. Natural gas, alcoholic beverages intended for human use, petroleum products, etc. are examples of goods not covered by the GST. Persons conducting interstate taxable supplies, casual taxpayers, operators of e-commerce sites, and others are examples of services that are not included in the GST (schedule 3 negative list). In the case of regular states in the financial year, registration is required if the total revenue exceeds Rs. 20 lakhs, and Rs. 10 lakhs in the case of states under the special category. The supply of commodities is not restricted for regular tax payers, however it is for composition tax payers only within the same state. There were several taxes imposed on restaurants before to the implementation of the GST, including service fees, VAT, and service taxes. All other taxes have been replaced by the GST since it went into effect. Different GST rates will apply to different eateries, such as an 18% GST rate for AC restaurants and a 12% GST rate for non-AC restaurants. This study report emphasizes the impact of GST on the restaurant industry.*

Keywords: GST.

I. INTRODUCTION

A tax is a fee that the government imposes on a good, an income, or an activity. It is a required financial charge or other sort of levy imposed by a government agency on a taxpayer (an individual or other Legal) in order to pay for certain public expenses. Taxes provide the government with income. Failure to pay taxes, as well as tax evasion or resistance, are both prohibited by law. Taxes can be direct or indirect and can be paid in cash or in the labor equivalent. The funding of public goods and services, such as street lighting and street cleaning, is one of the most significant uses of taxes. Since there cannot be a market for public goods and services because they cannot be excluded by a payer or by a consumer, they must be provided by the government or a quasi-governmental organization, which often finances itself primarily through taxes.

India imposes an indirect tax on the delivery of goods and services known as the Goods and Services Tax (GST). Every stage of manufacturing involves the imposition of GST, which is intended to be returned to all parties—aside from the final consumer—throughout the process.

Consumers pay GST, but companies that sell the products and services are responsible for remitting it to the government. GST brings in money for the government. The tax became operative on July 1, 2017, as a result of the Indian government's application of the Constitution of India's One Hundred and First Amendment. The tax replaced the numerous cascading levies that the federal and state governments had previously imposed. The GST Council, which is made up of the central and state finance ministers, sets the tax rates and rules and regulations.

1.1 Objective

- To study about goods and service tax
- To study about goods and service tax on restaurants
- To study advantages and disadvantages on GST

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II. DISCUSSION

On July 1st, 2017, at midnight, the Indian President and government announced the GST. A historic midnight session of both chambers of parliament (30 June–1 July) that was held in the Central Hall of the Parliament served to commemorate the launch. High-profile visitors from business and the entertainment world, including Ratan Tata, attended the session, but the opposition boycotted it because of the issues that were expected to arise for Indians of the middle and lower classes as a result.The only previous midnight sessions that the parliament has convened were for the occasions of India's independence declaration on August 15, 1947, and its silver and golden jubilees. The most recent revision to the GST rates since they were introduced took place on December 22, 2018, when a panel of federal and state finance ministers voted to change the rates for 28 commodities and 53 services. Congress members abstained entirely from the GST rollout. Members of the DMK, Trinamool Congress, and Communist Parties of India joined them.

The parties said that the government was only attempting to rebrand the present taxing system and that there was really no difference between the GST and it. In addition, they claimed that the GST will have a negative impact on many Indians, particularly those in the middle and lower middle income brackets and those with lower incomes, by raising existing rates on basic necessities while lowering rates on luxury products.

2.1 Features of GST

As opposed to the current idea of tax on the manufacturing of products, on the sale of goods, or on the provision of services, GST would be payable on the "supply" of goods or services. As opposed to the current premise of origin-based taxes, the GST would be based on the concept of destination-based consumption taxation. It would be a dual GST, imposed concurrently on a shared foundation by the Centre and the States. The tax to be levied by the States (including Union territories with legislatures) would be known as State GST (state tax- SGST), whereas the tax to be imposed by the Centre would be known as Central GST (central tax- CGST). Union territory GST (UTGST) would be assessed in union territories without a legislature.

On the inter-State supply of goods or services, including stock transfers, an integrated GST (integrated tax—IGST) would be assessed. To prevent a break in the credit chain, this would be collected by the Centre. Common Markets: Previously, each state had the ability to set its own tax rates, which resulted in varying tax rates throughout the economy and the negative consequences or reduction of double taxation or taxation on tax. As a result of the federal and state governments agreeing on a single tax rate for the whole nation's states under the GST (goods and services tax), a single market was created.

Make in India: The GST converts India into a single, sizable market by eliminating the confusion caused by several complicated levies and state-specific distinctions, therefore supporting the make in India programme. Since the implementation of GST, all other indirect taxes have been replaced by GST, and CST has been abolished.

income for the Government: The GST has replaced all previous taxes with a single tax, increasing product demand and, as a result, the state's and the federal government's income, which will further boost the nation's economy and its residents' well-being.

Elimination of numerous taxes: Elimination of multiple taxes or the cascading effect (i.e., tax on tax) is the main advantage of the GST. The prior taxes are not all included in this. All taxes, including service tax, sales tax, VAT, and others, will be included in the GST.

Increasing demand for a product leads to a rise in the supply of diverse items, which is facilitated by the GST. The availability of various credit options for consumers to buy things on credit raises demand, which then affects supply.

rise in GDP: The GST contributes to a rise in GDP (gross domestic product). Because output will expand organically as demand rises, the gross domestic product will rise as well. According to estimates, GST will cause the GDP to increase by 1-2%.

2.2 Types of GST

Both the federal and state governments now rely on the GST for their indirect tax collection because the GST absorbed the indirect taxes of both the federal government (excise duty, service tax, custom duty, etc.) and the state governments (VAT, Luxury tax, etc.). Consequently, there are two rates that make up the GST rate. Intra-state transactions will be

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subject to either CGST and UTGST (for union territories) or CGST and SGST (for states). As a result, while making an intra-state transaction (that is, a sale within the same state), the CGST collected will go to the federal government and the SGST collected will go to the appropriate state government in which the sale is made. Similar to this, when intra-state transactions are involved, SGST or UTGST are switched out for IGST.

CGST(Central Goods and Service Tax)

Tax imposed by the Indian central government on all transactions involving goods and services taxes that take place within a state. It is one of the two taxes—the other being SGST (or UTGST for Union Territories)—that are levied on every intrastate (inside one state) transaction. All current Central taxes, including as Service Tax, Central Excise Duty, CST, Customs Duty, SAD, etc., are replaced by CGST. CGST rates are typically equal to SGST rates. The product's base price is subject to both taxes. See the example below for a better understanding of this.

In the aforementioned example, Suresh must pay two taxes while selling a product to Pradeep in the same state (Rajasthan). While SGST is for the state, CGST is for the federal government. The rates for both the CGST and SGST are 9%. The ultimate price of the goods would be Rs 11,800 after the application of CGST (9% of Rs 10,000).

As you might have guessed, the end user pays all taxes in the circumstances listed above, not the seller or the maker of the good or service. The state where the goods was originally made is not entitled to the tax revenue because GST is a consumption-based tax. If the manufacturing state imposes a tax, the central government will transfer that tax to the consuming state.

SGST (State Goods and Services Tax)

One of the two taxes assessed on every intrastate (inside one state) transaction of goods and services is the SGST (State GST). The other is called CGST. The state where the products are being sold or bought is responsible for collecting SGST. It will take the place of all current state taxes on all transactions involving goods and services, including the State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cesses, and Surcharges. The State Government is the only party that may claim the money made from the SGST. to further understand this, let's look at an example.

For instance, Suresh from Rajasthan wishes to offer Pradeep in Rajasthan certain things. The item, which had a starting price of Rs 10,000, would be subject to GST at an 18% rate, which consists of 9% CGST and 9% SGST. The Rajasthan State Government has claimed the entire amount of the SGST tax, which in this case is Rs 900 (9% of Rs 10,000). After SGST, the price of the item will be Rs 10,900.

IGST (Integrated Goods and Services Tax)

Interstate (between two states) transactions of goods and services as well as imports are subject to the Integrated GST (IGST). The central government will be in charge of collecting this fee, which would then be divided among the several states. When a good or service is transported from one state to another, IGST is levied. The purpose of the IGST is to save a state from having to settle interstate tax amounts with many states individually, but rather with just the Union government. Let's use an illustration to try to comprehend IGST.For instance, Ramesh, a producer in Rajasthan, sold Suresh items valued Rs 10,000 in Rajasthan. The IGST will be applied in this case since it is an interstate transaction. Assume that the specific item's GST rate is 18%. Therefore, the Central Government will charge Rs 1800 (18% of Rs 10,000) for IGST, and the product's refined pricing would be Rs 11,800. Now that GST is a consumption tax, only the state where the items are actually consumed would benefit from the tax benefits, regardless of the state where they were manufactured.

UTGST (Union Territory Goods and Services Tax)

The GST that is applicable to the provision of goods and services in any of India's five union territories, including the Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Lakshadweep, and Daman and Diu, is known as the Union Territory Goods and Services Tax (UTGST). In addition to the previously mentioned Central GST (CGST), this UTGST will also be imposed. Any purchase of goods or services within a Union Territory will be subject to CGST plus UTGST.

The common State GST (SGST) cannot be imposed in a Union Territory without legislative approval, which is why a separate GST was created for them. Since the UTs of Delhi and Puducherry already have their own legislatures, SGST applies to them as well.

2.3 Criticism Faced by GST in India

International financial institutions, some Indian media outlets, and opposition political parties in India have all criticised the technical aspects of the GST implementation in India. According to the World Bank's 2018 India Development Update, India's GST system is overly complicated and has a number of drawbacks when compared to GST systems used in other nations, most notably having the second-highest tax rate (28%) among a sample of 115 nations.

The GST's implementation in India has also drawn criticism from Indian entrepreneurs for problems including sluggish tax refunds and an excessive amount of paperwork and administrative overhead. When the first GST returns were submitted in August 2017, the system reportedly collapsed due to the volume of submissions, according to a partner at PWC India. The opposition Congress party has constantly been one of the most outspoken opponents of the introduction of the GST in India, with Rahul Gandhi, the party's president and the leader of the opposition, accusing the BJP of "destroying small businessmen and industries" in the nation.

He continued by derogatorily referring to GST as "Gabbar Singh Tax" in reference to a notorious fictional dacoit from Bollywood flicks. Rahul has called the implementation of the claimed Gabbar Singh Tax a "big failure" and accused it of being a "way of removing money from the pockets of the poor." If elected to power, the Congress Party would implement a single slab of GST rather than several slabs.

However, a major issue with achieving such a significant change was that GSTN, the software with which all of the aforementioned was to be executed, regularly crashed and was ineffective. Hopefully, a solution will emerge over time.

2.4 Impact of GST on Restaurants

The nation's F&B (Food and Beverage) business has been rattled by the passage of the GST (Goods and Service Tax) law. Both the manufacturer and the customer are impacted by this. Both the working restaurateurs (restaurant owners, businesspeople, investors), as well as the clients (consumers ranging from cafe goers to people who like fine dining), are directly affected by the GST on the restaurant sector.

As a single tax will be processed at checkout, restaurants and motels may enhance their entire service. Consumers are no longer need to rack their brains trying to figure out various taxes that will be applied to the final bill. It goes without saying that the payment system would be more efficient and quick with a single tax under the GST for eateries.

2.5 Effects of GST Bill On Restaurant Business (Owner)

Prior to the establishment of the GST, consumers had to pay taxes on the whole cost of the products and services, which included: the cost of the material; the tax on the material; the value added by the manufacturer; the manufacturer's tax; and the retailer's profit margin on the sale of the good.

Since the introduction of GST, the producer is now required to pay GST on value added by them, but the customer will only be required to pay GST on the retailer's profit margin.

2.6 Benefits

Instead of needing to bargain, owners may purchase the raw materials at subsidised costs from farmers and agriculturalists in a single step. Additionally, since taxes are similar throughout all states, the competition is level.

As a result, the cost of acquiring commodities will be significantly reduced overall, making the restaurant industry a profitable and manageable operation.

There would be more transparency in business as everything from the purchase to the sale of the good or service would be recorded, which has a number of benefits. For example, oilseeds, pulses, and cereals have been placed under the light of a structured tax and are therefore easily accessible by the manufacturer.

2.7 Effects of GST Bill on Consumer

It is crucial to understand how the GST would help consumers because they are the last link in the supply chain and the ones who use these goods and services. Reduction in price of goods and services:

Value-added taxes, such as GST, are gathered along the whole supply chain. In some circumstances, under the previous indirect tax system, the tax paid on purchases was ineligible for use in reducing the output tax obligation. Input Tax Credit (ITC) would be accessible for all products and services at every point in the supply chain under GST, eliminating the cascading impact. Due to the smooth transfer of ITC between the producer, retailer, and service provider, it is currently anticipated that the ultimate price of products and services would be cheaper. This will result in lower costs, which will result in lower pricing passed on to the final customer.

Uniform prices throughout the country:

State Value Added Tax (VAT), which was assessed on the sale of products, was a component of the former tax system. There were variations in costs since tax rates varied from State to State. Additionally, some taxes and levies (such the entrance tax) were only imposed in a few states. There are no such complications because GST is "ONE NATION, ONE TAX," meaning that all goods and services are priced the same across the country.

Trust in Simpler Tax System:

The former indirect tax system was quite difficult for the average person to comprehend. Because everything is computerized under GST, the consumer's level of transparency and trust in tax administrators as well as business will increase. This will increase customers' faith in a straightforward tax system.

Better accessibility of goods and services

The customer does not need to travel between states to make purchases in order to save tax because all products and services are taxed at the same rate across the country. The online retailers will also organise their business processes to shorten lead times while managing the warehouse facilities, which are now constrained by the complexity of the current tax system.

GST Rate on Restaurants

SR. NO	TYPE OFRESTAURANT	GST RATE (%)
1	Non AC restaurant	12%
2	AC restaurant	18%
3	5 star hotel restaurants	28%
4	Restaurants with turnover less than rs 50 lakhs	5%
5	Dhabas and small restaurants	5%

On the top of the bill of supply and on every notice or signboard prominently placed at their place of business, restaurants that choose the composition scheme must state that they are "composition taxable persons, not eligible to collect tax on supplies."

GST Composition Scheme Rules

Under the Composition Scheme, restaurants are required to pay GST at a discounted rate of 5% on their total revenue, subject to the following limitations.

Turnover must not exceed Rs. 1.5 crores, or Rs. 1 crore in the case of States falling under a specific category.

Should not engage in any activities besides running a restaurant (with the exception of exempt and special services).

Restaurants are unable to export goods across state lines.

Cannot supply any goods that are GST-exempt.

They cannot use an online retailer to source items, and restaurants are not eligible for input tax credits.

The consumer cannot be charged taxes.

The GST Council

Due to their classification as luxury goods, aerated drinks are subject to the highest rate of tax, which is 28%. These items also attract a cess, which puts these beverages at a disadvantage. Turning to the alcoholic beverage industry, this area has been significantly impacted since suppliers and vendors will be subject to both GST and Non-GST regimes based on the input and output.

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Working of restaurant taxes on before and after GST
Before GST came into force there were many taxes which were charged on restaurants, such as:
Service charge
VAT
Service tax
These rates were charged on the bill and the bill used to look like:

XYZ Restaurant	
	Date:_____________
Particulars	**Price(rupees)**
Shahi paneer	300
Butter naan	50
Cold drinks	50
TOTAL	**400**
Service charge @10%	40
Service tax@14%	26.64
KKC @0.5%	0.88
SBC@0.5%	0.88
VAT@14.5%	58
Total Amount Payable	**524.4**

Following the implementation of GST, all taxes formerly levied in restaurants, including VAT, Service tax, and others, were merged into the GST. As a result, taxes were placed on eateries following the GST. Service charge
CGST(Central goods and service tax)
SGST(State goods and service tax)
As stated above GST council has divided the restaurant into two categories such as AC restaurant and Non-AC restaurant.
The bill looks like(in case of AC restaurant)

XYZ RESTAURANT	
DATE:_______________	
Particulars	**Price(rupees)**
Shahi paneer	300
Butter naan	50
Cold drinks	50
TOTAL	**400**
Service charge@10%	40
CGST@9%	39.6
SGST@9%	39.6
TOTALAMOUNT PAYABLE	**519**

Filling GST return

A return is a statement of income that a tax payer must submit to the relevant tax administrative bodies. Tax officials use this to figure out how much money they owe in taxes. It is essential to submit a GST return under the GST regime since failure to do so might result in fines, have an impact on your compliance score, and delay in issuing refunds. A registered dealer is required to submit GST returns that include the following information: Purchases Sales Output GST (on sales) Input tax credit (GST paid on purchases).

Details of Outward Supplies
GSTR 1:
For the sales generated,
It must be submitted on the 10th of the next month.
Rectification can be carried out in September or March. The beneficiary should be informed of acceptance or rejection between the 15th and 17th of the month.

GSTR 2:
Details of Inward Supplies
It must be filed by the 10th of the next month.
Filing for the reverse charge mechanism is possible from the 11th to the 15th of the month.

GSTR 3B:
Monthly Returns
The deadline to submit a monthly return is on the 20th of the following month.
Most large businesses with high turnover file monthly returns.
The date for TDS deductor is October 10.In case of input service distributor, the date is 13th

GSTR 4:
Quarterly Returns
Quarterly returns is filed on 18th of the next month

GSTR 9:
Annual Returns
Every year on December 31st, it is completed.
It provides information on the materials created and received.

GSTR 10
Final Returns
A taxable person who surrenders their GST registration is required to submit final returns.
It must to be submitted within three months after the cancellation date.

Penalty
Rs 100 per day
Or rs 5000
Maximum they can charge is rs 5000,itcannotexceed this amount

III. CONCLUSION

It was the most logical course of action to boost economic growth. GST, the biggest tax reform in the country, has begun. Although the goods and services get cheaper due to ITC available to most of the goods and services, and certain exemptions available thereon, there has been a drastic increase in prices.
GoingtoMcDonald‘s,Dominos,restaurantscangetcostlierforamiddleman.
It's as if the government believes that if someone can afford to eat out, they can also afford to pay a small premium for it. However, wealthy or upper middle class individuals can afford to pay that small premium. Lower middle class families cannot afford this rate rise. Even everyday substances like tea and coffee will have an impact.
Customers who previously paid Rs 5 for a cup of tea or coffee would now have to spend Rs 5.60, which, although being a modest amount, will hurt their wallets.

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Although most restaurant owners are happy with the implementation of the GST, there are still others who are dissatisfied. Goods and services tax with end-to-end IT enabled tax mechanism is expected to bring buoyancy to government revenue.

In order to benefit both the government and the customer, it is anticipated that under the Goods and Services Tax framework, deliberate tax evasion will cease.

Considering the typical GST rate of 18%, each diner may save about 55 rupees on a bill of 2200 rupees.

If we look at the effective tax rate under the existing system, it comes to around 20.5%, and the GST effect will reduce it to about 18%.

Therefore, it would be beneficial if a customer conducts an analysis of the applicable rates before making purchases or using services in accordance with his or her pattern of income. Thereturnfilingprocess shouldbemadesimpleandeasytounderstand

The payment mechanism has to be improved easier to use and more effective. Processes must be streamlined to enable company to function effectively for the benefit of the populace and economic development. Each GSTIN may need the filing of 37 returns, which could be an extremely time-consuming task that not everyone would have the time to do. To improve tax consistency, more changes should be done.

The restaurant industry should strive for greater openness. No returns for individuals who fall inside the threshold Limit, filing may be deemed "Optional". They must respond in the same manner (but only if the Department issues a Notice).

It system has to be upgraded to the point that greater societal advantages result from it. The sole viable remedy in the event that IGST is paid in place of CGST and SGST, and vice versa, is a refund. In such circumstances, assesses should be let to self-adjust.

A decrease in the price of raw materials is necessary. There should be new processes put in place to make filing taxes easier. Rates need to be lowered and rationalised. The problems that the exporters are having should be resolved, and the reimbursement process should start right away. System of reconciliation simplification The public should be provided more concise information regarding the GST rates. There are many GST rates that are assessed based on the type of restaurant and its location; they should be abolished, and the number of rates should be minimised. Additionally, alcohol and petroleum goods have to be included in the GST's coverage area. The service sector needs to be considered in the composition plan.

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