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Research Article

A STUDY ON CUSTOMER PERCEPTION TOWARDS INPUT TAX CREDIT IN GST WITH SPECIAL REFERENCE OF ALWAR REGION

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Key Words:

- **Input** – Any goods other than capital goods used/intended to be used by a supplier for business purpose
- **Input Service** – Any service used/intended to be used by a supplier for business purpose
- **Input Tax** – IGST/CGST/SGST/UGST charged on supply of goods/services to a person and includes tax payable on imports and under reverse charge mechanism but excludes tax paid under composition scheme
- **Capital Goods** – capital goods mean goods, the value of which is capitalized in the books of accounts of the person claiming the credit and which are used/intended to be used for business purpose

ABSTRACT

GST is the major tax reform in Indian economy and Input Tax Credit (ITC) is the backbone of the GST regime. Input Tax Credit that make GST a value added tax i.e., collection of tax at all points after allowing credit for the inputs. The procedures and restrictions laid down in these provisions are important to make sure that there is seamless flow of credit in the whole scheme of transition without any misuse. Thus, the clarity of rules of an ailment and utilization have significant impact on making GST a taxpayer-friendly tax.

Input credit allows a seller to reduce the tax burden being paid by claiming offset for the taxes already paid on inputs. So ITC will play an important role in growth of Indian economy & it is one of the most important reasons for the introduction of GST

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INTRODUCTION

Goods and Services Tax (GST) is an integrated tax system where every purchase by a business should be matched with a sale by another business. This makes flow of credit across an entire supply chain a seamless process.

Input Tax Credit or ITC is the tax that a business pays on a purchase and that it can use to reduce its tax liability when it makes a sale. In other words, businesses can reduce their tax liability by claiming credit to the extent of GST paid on purchases.

The input tax credit (ITC) mechanism will reduce the indirect tax burden on their purchases. It will cause a paradigm shift from individuals paying more taxes to more individuals paying taxes. So, it means an increase in the overall tax base resulting in more revenue for the government. Input tax credit means that when a manufacturer pays the tax on his output, he can deduct the tax he previously paid on the input he purchased.

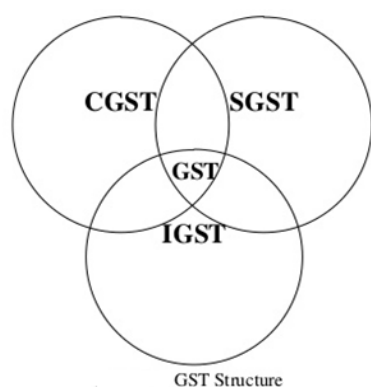
Here, while paying the tax on his output, he can deduct or take credit for the tax he paid while purchasing inputs.

Conditions for Credit allow ability

- Such person possesses Tax Invoice, Debit note, Bill of Entry, ISD Invoice, or Invoice issued by service recipient under Reverse charge mechanism
- Prescribed particulars are mentioned on the Invoice and the recipient furnishes relevant information in Form GSTR-2
- Goods/Services have been received by such person
- Tax charged in respect to such supply has been actually paid to the Government
- Return has been furnished

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Blocked Credits

Input Tax Credit shall not be available in respect of the following:

- motor vehicles and other conveyances, except when they are used for providing the taxable supplies of further supply of vehicles/conveyances, transportation of passengers/goods, or imparting training on driving, flying, navigating such vehicles/conveyances; or goods/services provided in relation to food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except when used for providing similar taxable supplies
- membership of club, health and fitness center;
- Rent-a-cab, life insurance, health insurance (except where mandated by Government), except when they are used for providing similar services
- Travel benefits extended to employees on vacation
- Works contract services supplied for construction of immovable property
- other than plant and machinery, except when used for similar service
- goods/services received for construction of immovable property (excluding plant & machinery) on own account
- goods/services on which tax has been paid under Composition scheme;
- goods/services received by a non-resident taxable person except on goods imported by him
- goods/services used for personal consumption
- goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples
- Any tax not paid/credit wrongly availed by reasons of fraud/willful misstatement/suppression, etc.

Credit on Capital Goods

- Input Tax Credit on capital goods used exclusively for effecting taxable/zero rated supplies shall be available
- Where depreciation is claimed on the tax component of the cost of capital goods under the provisions of the Income Tax Act, 1961, the input tax credit shall not be allowed on the said tax component
- Credit on common capital goods used partly for business and partly for Other purposes or partly for effecting taxable supplies and partly for non Taxable/exempt supplies shall be calculated as specified in rule 8 of input Tax credit rules

- A banking company/financial institution shall have option to comply with Aforesaid provisions or to avail 50% of eligible input tax credit in that month, with the balance being lapsed. This option once exercised cannot be withdrawn during the same financial year.

Time Limit of availing Credit

- Input tax credit in respect of any invoice/debit note for supply of goods/services, shall not be available after the due date of filing of the return for the month of September following the end of financial year to which such invoice pertains or relevant annual return, whichever is earlier
- However, in cases of credit in special circumstances on inputs in stock, credit shall not be available after the expiry of one year from the date of issue of tax invoice

Procedure for claiming credit of inputs in stocks/capital goods

- A declaration in Form GST ITC-01 shall be made by the registered person within thirty days of from the date of credit entitlement
- Details of inputs and capital goods on which credit is being availed to be specified
- Details shall be duly certified by a practicing Chartered Accountant or Cost Accountant if the aggregate credit claim exceeds Rs.2 lakhs
- Input Tax Credit claimed by the person in specified cases shall be verified with corresponding details furnished in the supplier's outward supply return

Credit Reversal under Special Circumstances

In specified cases where Input Tax Credit is required to be reversed, the same shall be calculated as below:

- For inputs in stock, the input tax credit reversal amount shall be calculated proportionately on the basis of corresponding invoices on which credit had been availed
- Where aforesaid tax invoices are not available, credit reversal amount shall be based on the prevailing market price of the goods on the date of relevant event, based on which reversal is required.
- For capital goods, the input tax credit involved in the remaining residual life in months shall be computed on pro-rata basis, taking the residual life as five years

Objective of the Study

- To study the impact of ITC(input tax credit) on business sector
- To study the mechanism of Credit
- To analysis the impact of ITC on Indian economy

REVIEW OF LITRETURE

The Institute of Companies Secretaries of India (ICSI) (2015) published a Reference on Goods and Service Tax to provide the information on the concept of GST in details.

Sijbren (2013): Sijbren and others suggested, A modern goods and services to alleviate the problems of India's current indirect tax system.

Amit kumar Royl (2014) in his article “Reverse Charge (Provisions) under service Tax” stated that the whole of the Service Tax is liable to be paid by the recipient of the service. The reverse charge payments have to be made by way of cash payments (and not by utilizing the Cenvat Credit) if input credit has to be taken in respect of the same for use in payment of tax of output services or excise duty for clearing excisable goods.

RESEARCH METHODOLOGY

This research work is fully based on primary and secondary data from various sources like reference books, articles from newspapers, research papers, talks in the parliament, various websites and questionnaire.

Research design

This project report is based on analytical research

Sample Size

100 people

Scope of Study

This study will help concerned people to know about the input tax credit on GST and to find out the problem areas associated with ITC and this study is also act as a basis for the further researches in the same area.

Limitation of the Study

- It is new tax system so People do not have indepth knowledge and information about ITC in GST
- The unavailability of data relevant for the conduct of a proper competitive analysis.

Documents Required

The documents required to avail ITC are:

- Invoice issued by the supplier
- Invoice issued similar to Bill of Supply, in cases where the total amount is less than Rs. 200 or reverse charge mechanism is applicable
- Debit note issued by the supplier (if any)
- Bill of Entry or similar documents issued by the Customs Department
- Bill of Supply issued by the supplier
- Document issued by ISD, could be an invoice or credit note

Time limits for claiming Input Tax Credit

ITC can only be claimed for tax invoices and debit notes which are less than a year old. In any other case, the last date to claim ITC is the earlier of the following:

Before filing valid GST returns for month of September following the end of the financial year applicable to that invoice. For example, for an invoice issued on June 26, 2018, ITC should be claimed by August 2018. Before filing a relevant annual return

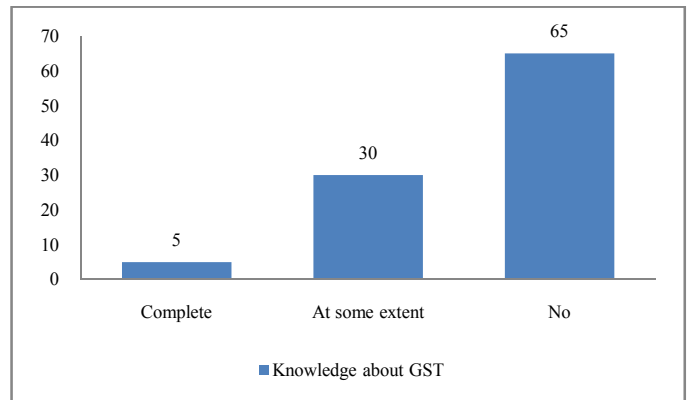
Data analysis and interpretation

Here we collect data of 100 person and all are businessman.

Q1. Do you have knowledge about the GST?

Sr. No.	Particular	Respondent	Percentage
1	Yes	5	50%
2	To some	30	20%

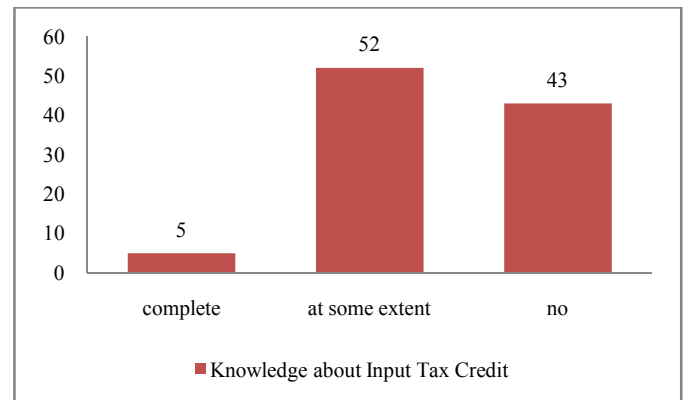
extent			
3	No	65	30%
	Total	100	100%



Interpretation: It is observed from the above table that most of the businessman 65% don't have the knowledge about GST remaining 30% have knowledge about the knowledge at some extent and 5% have full knowledge about GST

Q2. Do you have knowledge about Input Tax Credit?

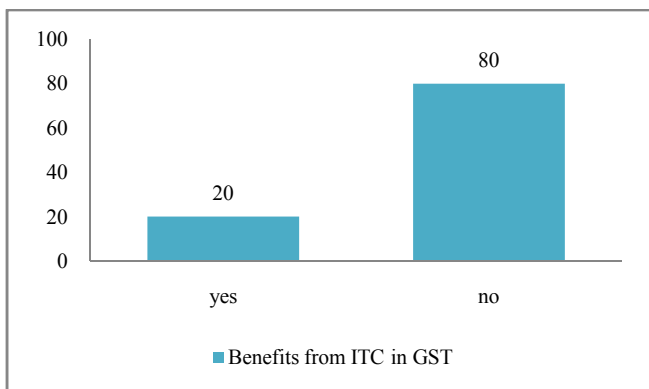
Sr. No.	Particular	Respondent	Percentage
1	Yes	5	50%
2	At some extent	52	20%
3	No	43	30%
	Total	100	100%



Interpretation: It is observed from the above table that 43% businessman don't have knowledge about input tax credit while 52% have knowledge at some extent and 5% businessman have full knowledge about input tax credit .

Q3. Are you getting benefits from ITC in GST in your business?

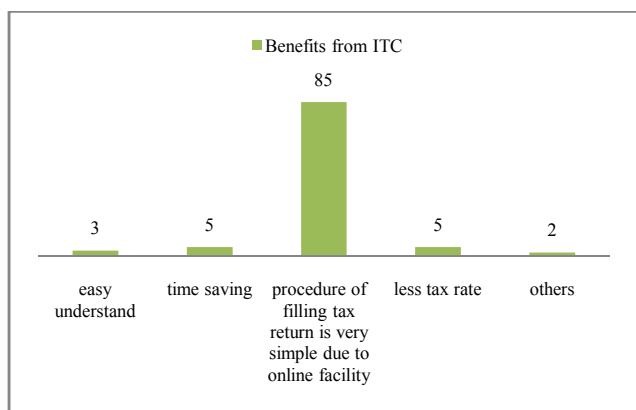
Sr. No.	Particular	Respondent	Percentage
1	Yes	20	50%
2	No	80	20%
	Total	100	100%



Interpretation: It is observed from the above table that 80% businessman do not the avail the benefit of ITC in GST while 20% are availing. Because they are retailer and wholesaler

Q4. Which type of benefits are you getting from ITC?

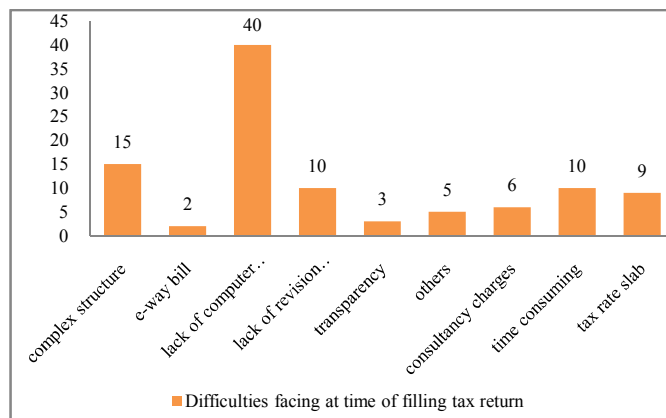
Sr. No.	Particular	Respondent	Percentage
1	Easy understandable	3	3%
2	Time saving	5	5
3	Procedure of filing tax return is very simple due to online facility	85	85%
4	Less tax rate	5	5%
5	Others	2	2%
	Total	100	100%



Interpretation: It is observed from the above table that maximum businessman 85% get the benefit of online filing of tax return while other 15% taking other benefits like less tax rate, easy understandable etc.

Q5. Which type of difficulties you are facing at the time of filling tax return?

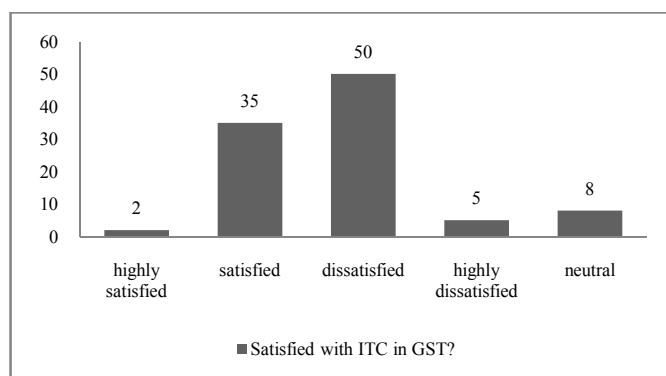
Sr. No.	Particular	Respondent	Percentage
1	Complex structure	15	15%
2	E-way Bill	2	2%
3	Lack of knowledge about computer software	40	40%
4	Lack of revision procedure in tax filing	10	10%
5	Transparency	3	3%
6	Consultancy charges	5	5%
7	Time consuming	6	6%
8	Tax rate slab	10	10%
9	Others	9	9%
	Total	100	100%



Interpretation: It is observed from the above table that major problem of businessman 40% is lack of computer software knowledge while 15% said that ITC has complex structure, 10% businessman said there is a big problem of lack of revision procedure in tax filing and according to 10% it is a time consuming procedure and for remaining 25% tax rate slab, consultancy charges, transparency and E-way bill are the problems.

Q6. Are you satisfied with the ITC in GST?

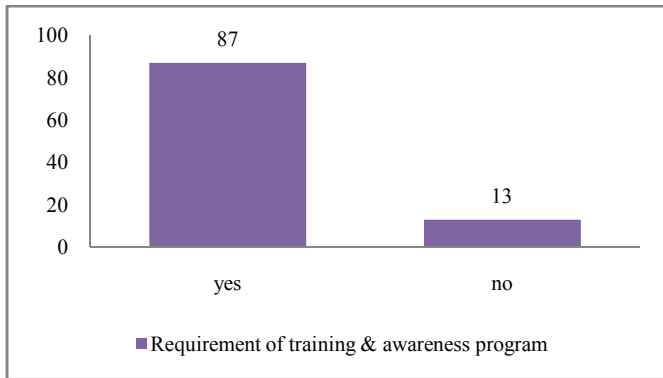
Sr. No.	Particular	Response	Percentage
1	Highly Satisfied	2	2%
2	Satisfied	35	35%
3	Dissatisfied	50	50%
4	Highly Dissatisfied	5	5%
5	Neutral	8	8%
	Total	100	100%



Interpretation: It is observed from the above table 50% businessman are dissatisfied with the Input tax credit system while 35% are satisfied and 5% highly dissatisfied, 2% highly satisfied and remaining 8% are in neutral mode.

Q7. According to you is there any requirement of training or any kind of awareness program regarding filing Tax Return.

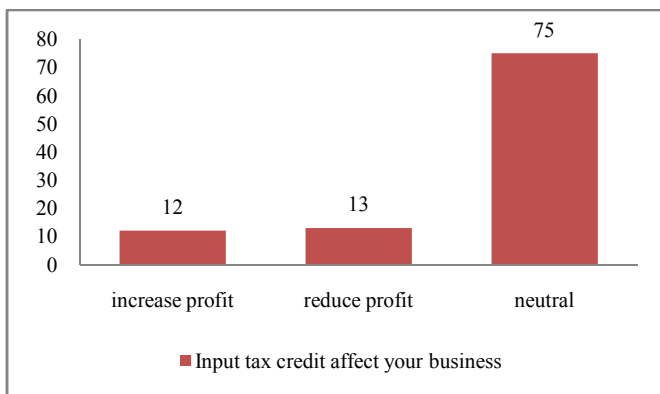
R. No.	Particular	Respondent	Percentage
1	Yes	87	50%
2	No	13	20%
	Total	100	100%



Interpretation: From the above table we conclude that 87% businessmen are in favor of training and awareness program while 13% think that this kind of programs are not required.

Q.8 How Input Tax Credit affects your business

Sr. No.	Particular	Respondent	Percentage
1	Increase profit	12	50%
2	Reduce profit	13	20%
3	Neutral	75	30%
	Total	100	100%



Interpretation: It is observed from the above table that most of the businessmen 75% said that ITC do not affect their business performance. While 12% said due to ITC their profit margin is increasing and remaining 13% assume that their business profit is reducing due to ITC in GST.

Findings

After analysis and interpretation of the data these are following findings were emerged:

- Most of the respondents are aware about GST but they do not have so much knowledge about input tax credit system.
- Lack of training and awareness program is the main cause of less knowledge about ITC.
- As per the findings 80% businessmen are satisfied with this tax system as per their opinion this tax system is more transparent and easy to file the online return.
- Major problems or difficulties with this ITC is lack of knowledge about computer software and it is time consuming because every month filing return is compulsory.
- Other problems are it has complex structure, lack of revision procedure in filing return. Along with these consultancy charges is also a problem.

- According to most of the businessmen they are dissatisfied with this tax system and they required training and awareness program regarding ITC.
- Most of the businessmen think that ITC does not affect their profit margin in business. And we can remove cascading problem.

CONCLUSION

It is concluded that according to Alwar region businessmen they are not so much satisfied with the ITC. They are facing some major problem regarding ITC like lack of knowledge about software and complex structure of ITC.

The implementation of input credit system not executed properly by the government. We can remove cascading effect by facilitating seamless flow of credit. The proper execution of the system will be a great reform for Indian economy.

Recommendation and suggestions

Create a common portal for all the employees of the company with FAQ's related to GST in a laymen language.

Conduct regular training sessions for employees to enhance their knowledge about ITC in GST.

Often, it is seen that suppliers file the GST return late which leads to delay in claiming ITC. So, the government should devise a proper mechanism so that suppliers file their return on time.

Businessmen suggested that there should be a smooth, transparent and simple provision which is easily understandable.

Special focus on awareness and training of all professionals and assesses should be given on GST credit.

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