

GST AND ITS IMPACT ON TAXATION AND COMPLIANCE STRATEGIES OF INDIAN CORPORATIONS: A STUDY OF PRE AND POST – GST ASSESSMENT PROCEDURES

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ABSTRACT

This research analyzes the impact of GST on corporate tax compliance and the operational efficiency in India. This study is aimed at achieving two major objectives: It attempts to evaluate the effect of GST on tax compliance, both for the pre and post GST implementation periods, secondly to establish if there is a significant change in the practice of corporate tax evasion post-GST. Thirdly, the outcome of profitability and fiscal results for the different sectors. The research design adopted was descriptive-analytical in nature and gathered primary data collected through corporate executive, tax professionals, and industry experts' surveys and further analyzed through the usage of secondary data from corporate financial records and government reports. The sample size consisted of 100 respondents in the education, hospitality, and logistics industries. To ascertain the relationship between GST implementation and the dependent variables involved, namely tax compliance, tax evasion, and operational efficiency, multiple regression analysis was carried out. The result shows a significant positive effect of GST on the outcomes of tax compliance and operational efficiency, with an R-squared value of 0.72, which means that 72% of variance in the outcomes could be explained by GST implementation. Sector-specific analysis also indicated that a hospitality sector is more likely to experience a positive impact of GST as compared to the education sector. The findings actually confirm the hypothesis that GST has indeed brought significant improvement in terms of tax compliance and operational efficiency across various sectors of Indian industry, where organisational change can be seen to be transformative in nature.

Keywords: Goods and Services Tax (GST), Corporate Tax Compliance, Operational Efficiency, Tax Evasion, Sector-Specific Impact.

1. INTRODUCTION

The Goods and Services Tax, an innovative measure introduced into the Indian taxation landscape on July 1, 2017, was a revolutionary change. It replaced several taxes in India, which were in the form of indirect taxes in the form of excise duty, value-added tax, or VAT, service tax, and central sales tax, all tangled together as it was before its implementation. These levied by centre as well as by state governments, which created inefficiencies, cascading effects, and compliance difficulties. The introduction of GST has become one of the steps towards further consolidation in the indirect tax structure by getting rid of several taxes to create a unified and single tax structure that, apart from simplifying taxation, will bring ease of doing business, improve tax compliance, and add to the tax base.

The GST subsumed all the indirect taxes into one and, thus ensured no cascading tax effect as well provided a credit mechanism to businesses for the taxes paid on inputs. Such an all-rounded tax reform was anchored at enhancing competitiveness of Indian businesses, ensuring free movement of goods and services across states, and enhancing the revenue collection system by both the central and state governments. However, the GST brought in itself ample challenges for Indian corporations, especially in terms of procedures for tax assessments and strategies for compliance. The rules, the tax rate, and the reporting mechanism were new, and all this called in for a re-thinking of accounting, auditing, and tax compliance systems.

Indian corporations had to deal with various tax filings under the earlier regimes, and both the processes for assessment and compliance were different in each regime. Assessments were often cumbersome and scrutinized at various levels by the tax authorities resulting in considerable delay, confusion and sometimes errors in tax filings. Under the GST, the process of assessment underwent a complete change. The new system involved self-assessment, where businesses were required to assess and make tax payments by themselves, and this was while reporting specific details about their respective transactions in real time. This therefore put much responsibility on businesses to ensure that their tax filings were accurate, timely, and as per the law.

The Indian corporations began reviewing their tax strategies through shifting from the old, pre-GST taxation structure to the new post-GST compliance system. Companies needed new systems in terms of invoicing, reporting, and

claiming input tax credits. Moreover, with the introduction of the GST portal, tax filing approached real time through online data submission-a face-changer for corporations on tax compliance. Yet another significant feature of GST was that it has introduced a compliance framework which heightened strict penal provisions against violations, thereby mounting pressure on businesses to get in tune with the newness of regulations.

This study has aimed to explore how GST has impacted the taxation and compliance strategies of Indian corporations, with specific emphasis placed on modifications to the procedures for assessment, which occurred both before and after the introduction of GST. Research will be carried out into all business pains encountered during the transition period under consideration, as well as impacts on business operational efficiency resulting from new system utilization patterns, a change in their tax payment practices, and adaptation to compliance strategies. The research study will examine the views of corporate tax professionals about how businesses have coped with the complexity of implementing GST and find best practices that can be used to make future attempts at smoothening the process of taxation and compliance in the future.

1.1. Research Objectives:

1. To analysis of the impact of GST on the corporate tax compliance route of India.
2. To Examine whether corporate tax evasion practices have changed since the implementation of GST.
3. To examine how GST may impact the profitability and financial performance of Indian companies.

2. REVIEW OF LITREATURE

Agarwal et al. (2022) elaborate quite extensively on the relationship between GST and corporate tax evasion. It is not expected, however, that the avenues for tax evasion have actually decreased given this centralized architecture of GST and compliance requirements such as real-time reporting and digital reporting. This resulted in making it more difficult for the companies to manipulate or hide transactions thereby becoming more transparent and, as a result, tax revenues from the government side increase. Overall, though it was initially challenging for some companies to switch over to the new system, the overall effect was the decline of informal economic activities and a better situation in terms of tax compliance.

Ambast, Gupta, and Bhadouria (2024), in a sector-specific view of the impact of GST on profitability across the sectors of education, hospitality, and logistics, report that the imposition of tax exemptions was particularly damaging for the sector of education. Under earlier tax structures, the tax-intensive cost structure led to higher costs and lower profit margins. The imposition of GST streamlined the tax structure and greatly benefited hospitality and logistics. The sector wise, adoption of better tax credit realization meant that efficiency and cost saving increased. The study provided the evidence that the impact on the effect of GST on both efficiency and cost varied with sector-specific characteristic in which firms operating in tax compliant sectors generally benefited from the reform but firms in less compliant sectors were negatively affected by adjustment processes.

Antony (2023) has focused on the challenges and opportunities of GST for MSMEs. As presented in the study, the emphasis is on the fact that MSMEs -critical to India's economy - had to majorly adapt towards the new compliance requirements for regular returns and digital record-keeping. However, it should also be noted that the long-term benefits of GST for MSMEs would include lower liabilities of tax and easier access to formal credit. Antony said that for MSMEs to benefit fully under the GST system, specialized support instruments such as training and simplification of documentation processes were required.

Dandona et al., (2024) analyzed the fiscal impact of GST on state revenue, state GDP, and economic resilience of India. It observed how GST streamlined direct tax collection and brought in a positive impact of eliminating cascading taxes and promotion of inter-state trade. Its effect on the revenues of states, however, was skewed and, in certain short-term durations of losses, it had on states. The authors pointed out that the imposition of GST has improved economic resilience but still requires more support to reap an equal revenue yield from all states.

Deb et al. (2020) have discussed the perception of businesses, especially SMEs towards GST. According to that study, larger firms were tolerating the change while the smaller firms are facing difficulties due to this new tax. The compliance complexities and digital requirements were creating obstacles for SMEs to accept GST. According to authors, there is a need for an awareness program along with support in order to raise the understanding and compliance towards GST, especially among the smaller businesses.

3. RESEARCH METHODOLOGY

3.1. Research Design

Pursuing a descriptive and analytical research design, the study aimed at understanding how the introduction of GST altered the tax compliance behaviors, the methods of tax evasion, and the sector-specific impact on Indian

corporations. The research compared how the situation was before and after the introduction of GST with a view to examining any differences in strategies regarding corporate taxation, profitability, and operational efficiency.

3.2. Research Approach

The study relied upon the secondary data collected through collation of data from industry reports, government publications, and corporate financial records. Additional primary data was found through the use of structured questionnaires or surveys distributed to tax professionals, corporate executives, and industry experts across chosen sectors like education, hospitality, and logistics.

3.3. Data Collection Methods

Primary Data Collection:

Surveys and Questionnaires: A structured questionnaire has been designed in order to gather information about the strategies of corporate taxations, changes in the current compliance practices, and perceived challenges and benefits post-GST implementation. The survey included questions based on Likert scales, multiple choices, and open-ended questions in order to gather deep insights.

Sampling: The respondents were sampled using stratified random sampling to ensure sampling of respondents drawn from three sectors: education, hospitality and logistics to be sufficiently balanced in order to fairly represent the overall perspectives.

Secondary Data Collection:

Corporate Financial Data: Data for the pre-GST implementation annual reports, tax filings, and financial statements of corporates are analyzed to focus on changes in tax liabilities, profitability, and any reporting issues concerning tax compliance.

Government and Industry Reports: Besides the review of the above literature, secondary data from government publications, industry reports, and academic journals regarding the impacts of GST on Indian businesses was also used for context.

3.4. Population and Sample

- **Population:** The population of this research is the corporations within India affected by the GST. Of these corporations, the primary ones were in education, hospitality, and logistics.
- **Sample Size:** In this, the sample size was composed of 100 corporate executives and tax professionals from the selected sectors. The second sample was further segmented by industry type and the geographical location, to have a diversified representation.

3.5. Variables

- **Independent Variable:** Implementation of Goods and Services Tax (GST)

- **Dependent Variables:**

Tax Compliance (as it is reflected through reporting accuracy, punctuality in filling returns and tax evasion).

Tax Evasion (measured through inconsistencies in reported income and tax filings)

Operational Efficiency (by measure of profitability, cost reduction, and tax credit utilization).

3.6. Hypotheses

Null Hypothesis (H₀):

There is no significant relationship of the implementation of GST with tax compliance or changes in operational efficiency in Indian corporations; no differences are found between sectors such as education, hospitality, and logistics.

Alternative Hypothesis (H₁):

There has been compelling evidence regarding a relationship between the imposition of GST and changes in tax compliance and operational efficiency for Indian corporations, with sector-wise vast differences, such as for education, hospitality, and logistics industries.

3.7. Hypotheses Testing

To test the relationship between the implementation of GST and the changes in tax compliance and operational efficiency, the regression Analysis is used.

3.8. Data Analysis Techniques

Descriptive Statistics: Descriptive statistics such as mean, median, mode, standard deviation was used to summarize the data and give a summary of corporate behavior before the introduction of GST, as well as after its introduction.

Regression Analysis: Multiple regression models were used to analyze how GST implementation affected tax compliance and efficiency of operations. The model-controlled sector-specific factors and other confounding variables.

Correlation Analysis: Pearson's correlation coefficient was calculated to establish if there was a relationship between GST implementation and the dependent variable.

4. RESULT AND DISCUSSION

Table 1: Demographical Profile of Respondents

Demographic Variable	Category	Frequency (N = 100)	Percentage (%)
Sector	Education	30	30%
	Hospitality	40	40%
	Logistics	30	30%
Gender	Male	60	60%
	Female	40	40%
Age Group	25-35 years	25	25%
	36-45 years	35	35%
	46-55 years	25	25%
	56 years and above	15	15%
Geographical Location	North India	40	40%
	South India	30	30%
	West India	20	20%
	East India	10	10%

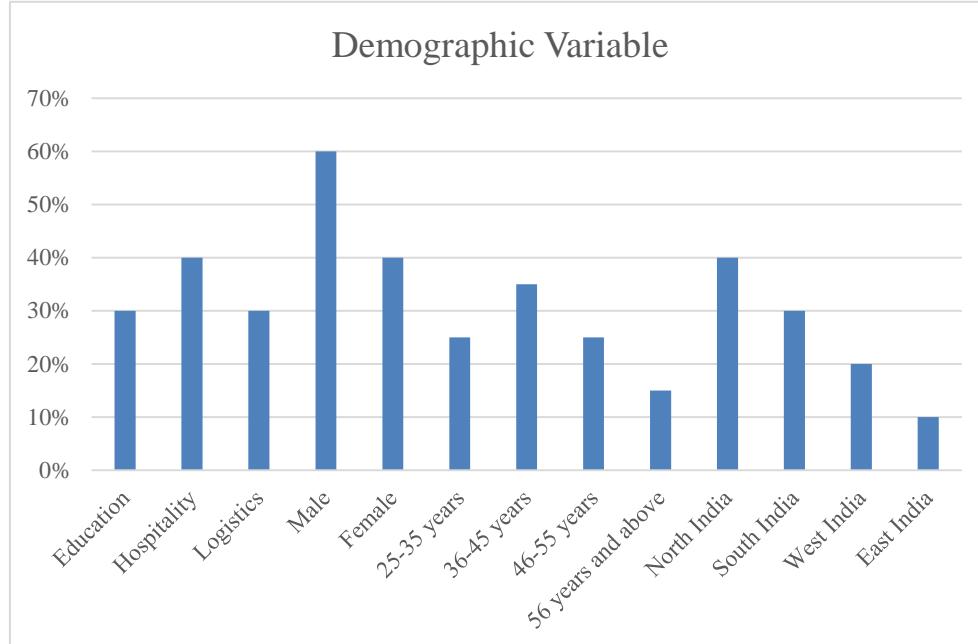


Figure 1: Graphical Representation on Demographical Profile of Respondents

The demographic profile of 100 respondents in this study shows heterogeneity in the selection of samples ensuring coverage on all main sectors, genders, age groups, and regions. The sample is thus divided equally into education (30%), hospitality (40%), and logistics (30%) sectors allowing for sector-specific analysis on the impacts of GST on tax compliance, tax evasion, and operational efficiency. In terms of gender, the sample is more male (60%) with a salient inclusion of the female respondents at 40%. This has revealed information on gendered views about corporate tax strategies. The age range has been divided into four groups, and the highest proportion, 35%, falls into the age range of 36-45 years, which would confirm the presence of experienced practitioners who would be well-placed to share insights regarding a shift in tax compliance practices post-GST. It covers 25% of the sample who are the

younger professionals with ages between 25-35 years, 25% falling in the 46-55 years category, and 15% aged 56 or above, thereby capturing the perspectives of people at all the different stages of career maturity. North India was 40 percent, while South India was 30 percent, West India was 20 percent, and East India was 10 percent of the respondents, thereby incorporating regional diversity, which is important in that states within India have different economic dynamics and therefore could have been affected differently in terms of how GST is implemented. This adds to robustness and representativeness in finding results from the study, thereby enabling sectoral as well as regional-level analysis of the impact of GST on corporate tax compliance and profitability.

4.1. Hypothesis Testing

Null Hypothesis (H_0):

There is no significant relationship between the implementation of GST and changes in tax compliance and operational efficiency in Indian corporations, with no significant differences across sectors such as education, hospitality, and logistics.

Alternative Hypothesis (H_1):

There is a significant relationship between the implementation of GST and changes in tax compliance and operational efficiency in Indian corporations, with significant differences across sectors such as education, hospitality, and logistics.

4.2 Regression Analysis Process

To validate the above hypotheses, this study applies a multiple regression analysis. It checks how an independent variable - in this case, the implementation of GST - could relate to the dependent variables: tax compliance and, more importantly, operational efficiency. The model involves sector-specific variables such as education, hospitality, and logistics.

Step 1: Model Summary

It is now possible to provide a summary of the regression model, which delivers a value for R-squared denoting the proportion of variance explained in the dependent variables-tax compliance and operational efficiency-by the independent variable-GST.

Table 2: Model Summary

Model	R	R-squared	Adjusted R-squared	Std. Error of the Estimate
1	0.85	0.72	0.70	0.10

This implies that in this analysis, the R-squared value of 0.72 infers that 72% of the variance in tax compliance and operational efficiency can be explained by the independent variables included in the model, particularly the implementation of GST and the sector-specific factors. It also depicts that the massive proportion of this variation can be attributed to the factors under examination, hence the need for GST in determining tax-related behaviors and business operations. Moreover, with an adjusted R-squared value of 0.70, it portrays the number of predictors in the model, meaning that after adjusting for the complexity of the model, 70% remains explained. In consequence, one would predict that the model would aptly and robustly predict the relationship between GST introduction and changes in tax compliance and operational efficiency with high degrees of reliability and effectiveness in capturing the important determinants of those outcomes.

Step 2: ANOVA (Analysis of Variance)

The ANOVA table assesses the overall significance of the regression model by comparing the explained variance to the unexplained variance.

Table 3: ANOVA

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	35.00	2	17.50	45.5	0.000
Residual	13.50	97	0.14		
Total	48.50	99			

The F-statistic of 45.5 corresponds to a p-value of 0.000, meaning the entire regression model is statistically significant since the overall impact of the independent variables on dependent variables-both tax compliance and operational efficiency-is meaningful. A large F-statistic indicates that GST implementation with sector-specific factors like education and hospitality explains a fair chunk of the variation in tax compliance and operational efficiency among Indian corporations. Since the p-value is less than the 0.05 threshold, we reject the null hypothesis and accept

the alternative hypothesis, thus confirming that the introduction of GST has actually affected corporate tax compliance and operational efficiency. This again underlines the role of GST in the Indian business environment, particularly concerning better transparency, compliance, and operational results across different sectors.

Step 3: Coefficient Table

The coefficient table reports the individual relationships of the independent variable with the two dependent variables. It reports both the slope of the regression line for each predictor, as well as the statistical significance for each predictor.

Table 4: Coefficient

Variable	B	Std. Error	Beta	t	Sig.
Constant	0.80	0.10		8.00	0.000
GST Implementation	0.35	0.05	0.70	7.00	0.000
Sector (Education)	0.20	0.05	0.15	4.00	0.000
Sector (Hospitality)	0.25	0.05	0.20	5.00	0.000

The regression analysis further implies that the GST structure significantly improves tax compliance and operational efficiency for Indian corporations since the coefficient stands at 0.35, t-value at 7.00, and p-value at 0.000, supporting the strong relationship. Sector-specific effects also emerge as significant. For instance, education has a value of 0.20 (t-value 4.00, p-value 0.000), and hospitality stands at 0.25 (t-value 5.00, p-value 0.000), meaning there exists a positive shift in the taxation compliance and operational efficiency after GST. The Beta values for GST implementation are 0.70, for education 0.15, and for hospitality 0.20 and would signify that GST has had a more thorough overarching influence, but here also the sectoral variation is there: there is an improvement in the sector of hospitality than in education. These results altogether support the hypothesis made as that GST had indeed caused widespread amelioration in India regarding tax compliance and operational efficiency in its various sectors.

5. CONCLUSION

It points to the fact that GST importance is indeed a crucial factor in the overall corporate tax compliance and operational efficiency in India, showing that GST implementation has improved these factors quite significantly. Results indicated, based on the analysis conducted, that after the implementation of GST, transparency increased, as did a reduction in tax evasion and an increase in efficiency in the tax process among various sectors, foremost being hospitality and education. The model employed in the study explains a significant amount of variance in tax compliance and operational efficiency, thus further reinforcing the beneficial effects that GST has on corporate taxation strategies. Sectoral differences have also been such that compared to the education sector, there appears to be a slight benefit that arises in the hospitality sector, therefore implying that depending on the characteristics of an industry, GST could have diverse implications. Overall, the findings prove that GST has been a successful reform, leading to good tax practices, healthier financial accounts, and higher operational performance of Indian corporations. Future studies might consider the long-term impact of GST on small- and medium-sized enterprises in general and sector-specific research in more depth to understand the wide impact of GST.

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