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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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ONLINE RESOURCES

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- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

IMPACT ON SMALL TRADERS THROUGH COMPOSITION SCHEME – A STUDY

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ABSTRACT
The present paper provides a platform to understand the Role and Performance of Composition Scheme and its operation process towards Assesses, so in order to collect this information A Researcher has selected 100 Assessees who are paying GST under Composition scheme, Shivamogga. It particularly focused on Benefits of Composition Assesses about reduced cascading effect and removal of double taxation facilities and also collects information about how this particular Composition Scheme contributes towards Assessee's Business growth and development through normal GST and how it acts as Direct Tax system basis, Finally the detail information about composition scheme and rates offered by the Government towards Assesses has explained. Therefore, small attempt have been made to understand the benefits to composition scheme Assessees through Composition scheme and how Composition Scheme plays an important role in economic development today through generating revenue. The structured questionnaire method conducted to the Assessees in Shivamogga who are paying GST under Composition Scheme and the data collected will be arranged properly for the findings. It concentrates on the new emerging challenges, opportunities and issues in the field of Taxation. Finally, it attempts to offer suggestions to analyse the improvement of Composition Scheme.

KEYWORDS
Shivamogga, Composition scheme.

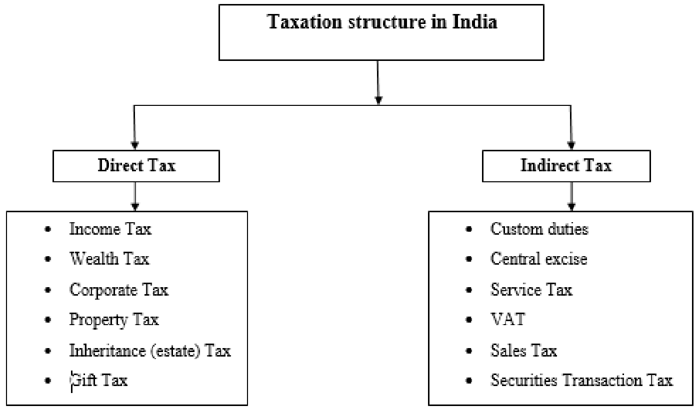
JEL CODES
H20, H21, H25.

1.1 INTRODUCTION
Taxes are conventionally broadly classified as Direct taxes and Indirect taxes. As the name suggests, Direct taxes are paid directly and Indirect taxes are paid indirectly. The direct taxes are paid directly by the person concerned. In case of indirect taxes, they are paid by one person, but he recovers the same from another person. Thus, the person who actually bears the tax burden (the ultimate consumer) pays it indirectly through some other person.
Direct taxes are those, which the taxpayer pays directly from his income, wealth, estate etc. while indirect taxes are those, which the taxpayer pays indirectly i.e. while purchasing goods and commodities, paying for services etc.
Direct taxes are those, which are paid after the income reaches hands of taxpayer, while indirect taxes are paid before the goods or services reach the taxpayer. Direct taxes are Income tax, corporate tax and wealth tax (abolished), Indirect Taxes are Excise duty, Customs duty, Service Tax, CENVAT and other local taxes are Sales Tax, Octroi, Entry tax, Expenditure Tax, Entertainment Tax etc.
Since July 1st 2017 GST has implement, It is destination based tax system; all Indirect taxes are subsumed under GST. In Indirect tax, Tax or duty imposed on production or manufacturing of goods and services nut now in GST Tax imposed on supply of goods and services
Mainly 5 rates have fixed, 0%, 5%, 12%, 18% and 28%
India has adopted dual GST i.e. Central GST and State GST; Mainly 4 GSTs are there namely CGST, SGST, IGST and UTGST. For Interstate supply of goods and services IGST should be paid, for Intrastate supply of goods and services CGST and SGST should be payable, For transaction within Union territories UTGST and CGST should be payable, For transaction between Union territories and State IGST should be payable.

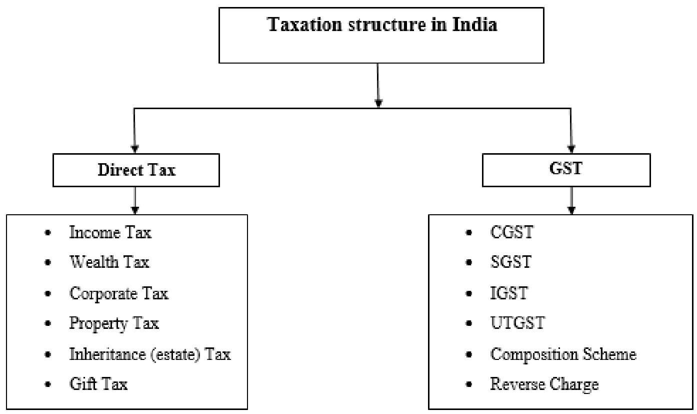
1.2 OBJECTIVES
1. To outline the Tax system procedure in India
2. To Make a detailed note on Direct Tax
3. To Make a detailed note on Indirect Tax
4. To Make a detailed note on GST
5. To make comparative analysis between Indirect Tax and GST
6. To study about the composition scheme
7. To analyse Assesses' perception towards Composition scheme
8. To suggest suggestions in the light of findings

1.3 CONCEPTUAL FRAMEWORK OF THE STUDY

CHART 1



AFTER THE IMPLEMENTATION OF GST



1.3.1 INTRODUCTION TO DIRECT TAX

Direct taxes are those, which are paid directly to the government by the taxpayer**.** These taxes are not paid deducted and paid on behalf of the taxpayer. It's imposed on the people and organizations directly by the government. This tax liability has to be paid by the taxpayer in question and cannot be transferred to any other entity for payment.

DIRECT TAXES IN INDIA

1. Income tax
2. Corporation tax

INCOME TAX

Income tax is the most common and most important tax that an Indian must pay. It is charged directly on the income of a person. The rate at which it is charged varies, depending on the level of income. It's charged to individuals, co-operative societies, firms, companies, Hindu Undivided Families (HUFs), trusts and any artificial judicial person. Income tax is charged on an income known as "taxable income", which is:

Taxable income = (total income) – (applicable deductions and exemptions).

The different heads of income under which income tax is chargeable are:

1. Income from house and property.
2. Income from business or profession.
3. Income from salaries.
4. Income in the form of capital gains.
5. Income from other sources.

It is levied differently for different people depending on their residency status.

Corporate Tax

Levied on companies who exist as separate entities from their shareholders. Foreign companies are taxed on income that arises, or is deemed to arise, in India. It is charged on royalties, interest, gains from sale of capital assets located in India, fees for technical services and dividends.

Some of the important taxes which come under corporate tax are as per following:

6. Minimum Alternative Tax (MAT), which was introduced to bring Zero Tax companies under the income tax net, whose accounts were made in accordance with the Companies Act.
7. Fringe Benefit Tax (FBT) which is a tax that companies pay on the fringe benefits provided (or deemed to have been provided) to Assesses'.
8. Dividend Distribution Tax (DDT), which is a tax, levied on any amount declared distributed or paid as dividend by any domestic company. International companies are exempt from this tax.
9. Securities Transaction Tax (STT), which is a tax, levied on taxable securities transactions. There is not surcharge applicable on this.

1.3.2 INTRODUCTION TO INDIRECT TAX

Indirect tax is a **type of tax collected by the government** from an intermediary such as manufacturer or retailer. The eventual burden of the tax falls on to consumers who buy goods and services from the intermediary, as the intermediary applies indirect taxes on the product in the form of Value Added Tax (VAT), service tax, sales tax etc.

➢ **FEATURES OF INDIRECT TAXES**

- Levied on goods and services sold by an intermediary to final consumers. Consumers than pay the tax in the form of higher price of items.
- Broadly divided into categories such as sale of goods, imported/exported goods, offering of services and manufacture of goods.

- Indirect taxes are levied on clearance of goods and services from the origin, instead of actual sale of the products to the customers. What this means is that the intermediary will pay excise duties irrespective of whether they could sell the good or service to consumers.
- Indirect taxes fall under both the central and state governments according to specific type of indirect tax. For instance, VAT is levied by the state governments whereas CST is levied by the central government.

KINDS OF INDIRECT TAX

The following are some of the most widely applicable Indirect Taxes in India.

1. EXCISE DUTY

An excise or excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good. This tax is now known as the Central Value Added Tax (CENVAT).

➢ **Types of excise duty**

There are three different types of central excise duties, which exist in India which are as follows:

- **Basic** - Excise Duty, imposed under section 3 of the 'Central Excises and Salt Act' of 1944 on all excisable goods other than salt produced or manufactured in India, at the rates set forth in the schedule to the Central Excise tariff Act, 1985, falls under the category of basic excise duty in India.
- **Additional** - Section 3 of the 'Additional Duties of Excise Act' of 1957 permits the charge and collection of excise duty in respect of the goods as listed in the schedule of this act. This tax is shared between the central and state governments and charged instead of sales tax.
- **Special** - According to Section 37 of the Finance Act, 1978, Special Excise Duty is levied on all excisable goods that come under taxation, in line with the Basic Excise Duty under the Central Excises and Salt Act of 1944.

Therefore, each year the Finance Act spells out that whether the Special Excise Duty shall or shall not be charged, and eventually collected during the relevant financial year.

➢ **Excisable goods**

The term 'excisable goods' means the goods which are specified in the first schedule and the second schedule to the Central Excise Tariff Act, 1985, as being subject to a duty of excise and includes salt.

VAT

VAT is basically a state subject derived from entry 54 of the state list, for which the states are sovereign in taking decisions. The State Government, through Taxation Departments, is carrying out the responsibility of levying and collecting VAT in the respective states.

VAT is a kind of tax levied on sale of goods and services when these commodities are ultimately sold to the consumer. While **VAT is levied on sale of goods and services and paid by producers to the government,** the actual tax is levied from customers or end users who purchase these. Thus, it is an indirect form of tax, which is paid to the government by customers but via producers of goods and services.

➢ **CEN VAT**

Central Value Added Tax (CENVAT) is a tax levied on the manufacture or production of movable and marketable goods in India. The tax is generally levied on a % basis, either expressed as a percentage of the transaction value or the maximum retail price of the goods. The rate at which excise duty is applied to these goods depends on the classification of the goods under the Excise Tariff. The Excise Tariff is primarily based on the eight-digit HSN classification code, so as to achieve conformity with the Customs Tariff. Manufacturers are permitted to claim input tax credit of specified taxes, i.e. service tax, excise duty, a portion of the Customs Duty, etc., paid on capital goods, inputs and services procured and used in the manufacture of dutiable goods. The current standard CENVAT rate is 12.36%. There are lower rates of 0% and 4%. There is also a higher rate of 27% on luxury items.

CUSTOMS DUTY

Customs duty is a variant of Indirect Tax and is applicable on all goods imported and a few goods exported out of the country. Duties levied on import of goods are termed as import duty while duties levied on exported goods are termed as export duty. Countries around the world levy customs duties on import/export of goods as a means to raise revenue and/or shield domestic institutions from predatory or efficient competitors from other countries.

Customs duty is levied as per the value of goods or dimensions, weight and other such criteria according to the goods in question. If duties are based on the value of goods, then they are called as ad valorem duties, while quantity/weight based duties are called specific duties. Compound duties on goods are a combination of value as well as various other factors.

➢ **Customs Duty in India**

Customs duty in India is defined under the Customs Act, 1962 and enables the government to levy duty on exports and imports, prohibit export and import of goods, procedures for importing/exporting and offences, penalties etc. All matters related to customs duty fall under the Central Board of Excise & Customs (CBEC). The CBEC, in turn, is a division of the Department of Revenue of the Ministry of Finance. CBEC formulates policies that concern collection or levying of customs duties, customs duty evasion, smuggling prevention and administrative decisions related to customs formations.

CBEC has various divisions that take care of the fieldwork including Commissioner ate of Customs, Customs, Customs (preventive and Central Excise Zones, Central Revenues Control Laboratory and Directorates etc. CBEC also oversees proper tax administration for foreign and inland travel.

➢ **TYPES OF CUSTOMS DUTY**

Customs duties are levied almost universally on all goods imported into the country. Export duties are levied on a few goods as specified under the Second Schedule. Import duties are not levied on a few items including lifesaving drugs/equipment, fertilizers, food grains etc. Import duties are further divided into basic duty, additional customs duty, true countervailing duty, protective duty, education cess and anti-dumping duty or safeguard duty.

- **Basic Customs Duty**

Basic customs duty is applicable on imported items that fall under the ambit of Section 12 of the Customs Act, 1962. These duties are levied at the rates prescribed in First Schedule to Customs Tariff Act, 1975, under the terms specified in Section 2 of the act. The levied rates may be standard or preferential as per the country of import.

- **Additional Customs Duty [Countervailing Duty (CVD)]**

This duty is levied on imported items under Section 3 of Customs Tariff Act, 1975. It is equal to the Central Excise Duty that is levied on similar goods produced within India. This duty is calculated on the aggregate value of goods including BDC and landing charges.

- **Protective Duty**

Protective duty may be imposed to shield the domestic industry against imports at a rate recommended by the Tariff Commissioner.

- **Education Cess**

This duty is levied at 2% and higher education cess at another 1% of aggregate of customs duties.

- **Anti-dumping Duty**

Anti-dumping duty may be imposed if the good being imported is at below fair market price, and is limited to the difference between export and normal price (dumping margin).

- **Safeguard Duty**

Safeguard duty is levied if the government feels that a sudden increase in exports can potentially damage the domestic industry.

SERVICE TAX

Service tax is a tax levied by Central Government of India on services provided or to be provided excluding services covered under negative list and considering the Place of Provision of Services Rules, 2012 and collected as per Point of Taxation Rules, 2011 from the person liable to pay service tax. Person liable to pay service tax is governed by Service Tax Rules, 1994 he may be service provider or service receiver or any other person made so liable. It is an indirect tax wherein the service provider collects the tax on services from service receiver and pays the same to government of India. From 15 November 2015, the effective rate of service tax plus Swachh Bharat Cess, post introduction of Swachh Bharat Cess, was 14.5%. Currently, Swachh Bharat Cess and Krishi Kalyan Cess would also be levied on all services on which Service Tax is being levied and therefore, the Service Tax (including Swachh Bharat Cess and Krishi Kalyan Cess) applicable from 1 June 2016 has become 15%.

1.4 INTRODUCTION TO GST

Goods and Services tax is a regime undertaken by the central Government to reduce tax burden, cascading effect and multiple tax system. GST means amalgamation of large number of central taxes and state taxes into single tax.

GST levied on supply of goods and services except for alcohol for human consumption. Tax levied as dual GST concurrently by the union and states i.e. Central Goods and Services Tax and State Goods and Services Tax. Parliament has a power to levy Integrated Goods and Services Tax(IGST) for interstate supply of goods and services and inter union territory supply of goods and services and transaction between state and union territory, UTGST should be payable by the Assessee on transaction within Union territories.

Input Tax credit means when any supply of Goods and services are supplied to a taxable person, the GST charged is known as Input Tax, Assessee will get ITC from which he has already paid tax indirectly while purchasing goods.

ITC means set off against one type of GST payable with another type of GST. ITC can be possible between CGST and CGST, SGST and SGST, CGST and IGST, SGST and IGST, IGST and IGST, UTGST and UTGST and IGST and UTGST but it is not possible between CGST and SGST and CGST and UTGST.

5 Rates have fixed in GST, 0%, 5%, 12%, 18%, and 28%

1.5 COMPOSITION SCHEME

Composition scheme is one kind of Direct tax because here the tax burden cannot be shifted to another person. It is a simple and easy scheme under GST for only small traders can opt this scheme

Any Assessee's whose turnover does not exceeds 1 crore can opt composition scheme and for the North-eastern state assesses threshold limit of exemption should be 75 lakh.

Turnover of all business registered with the same PAN should take into consideration to calculate total turnover, if the total turnover exceeds 1 crore then he cannot opt composition scheme

Tax payer supplying exempt supplies, supplier of service other than restaurant related services, Manufacturer of ice cream pan masala or tobacco, casual taxable person or a non-resident taxable person and a business which supply goods through an E-commerce operator cannot opt composition scheme.

Some of the conditions are there in composition scheme

- No input tax credit can be claimed
- Cannot make any interstate supply
- Cannot supply GST exempted goods
- Tax payer has to pay normal rate for transaction of reverse charge mechanism
- If an Assessee has more than one business registered under same PAN, Total turnover is considered
- Tax payer has to mention the words Composition Taxable person on every notice or signboard displayed prominently
- Tax payer has to mention the words Composition Taxable person on every bill of supply issued by him

To Register, An Assessee has to file GST CMP-02 with Government, This can be done online by logging into the GST portal, and Composition dealer cannot shift his tax burden to the customer.

The GST rates for composition scheme are 1% for Manufacturer and 5% for Restaurant not serving alcohol.

A composition dealer is required to file a quarterly return GSTR-4 by 18th of the month after the end of quarter and also an annual return GSTR-9A has to be filed by 31st December of next financial year.

1.6 HYPOTHESIS

Ho: There is no relationship between Composition scheme and Normal GST.

H1: There is a relationship between Composition scheme and Normal GST**.**

1.7 METHODOLOGY

The data collected from the both the primary and secondary source are used for the present Study. Primary Data - The data have gathered through field investigation and by administering questionnaires to Assesses who are paying tax under composition scheme. Secondary data - Secondary data are collected from published source like books, journals, reports of the company etc. relevant has also been collected from the different website.

1.8 STATISTICAL TOOLS AND TECHNIQUES

In order to extract meaningful information from the data collected, data analysis was carried out. The collected data were edited, coded and tabulated. For the purpose of analysing them, the following statistical tools and test were used.

1.9 ANALYSIS AND INTERPRETATION

TESTING OF THE HYPOTHESIS

HYPOTHESIS TEST

H_0: There is no significant relationship between Composition scheme and Normal GST

TABLE 1.1

Particulars	**Beneficiaries**	**Non beneficiaries**	**Total**
Composition trader	32	08	40
GST payer	06	04	10
Total	**38**	**12**	**50**

Source: Survey Data, Shivamogga, (January 2018)

The table value X^2 for 1 degree of freedom at 5 % level of significance is 3.841. The calculated value of X^2 is1.754. The calculated value of X^2 is much lesser than the table value and hence we accept the null hypothesis and strongly agreed that there is no Composition scheme and Normal GST

TABLE 1.2: ASSESSES VIEWS ON COMPOSITION SCHEME

Views	No. of Assesses'	Percentage (%)
1. Familiarity with Scheme		
Yes	68	68
No	32	32
Total	**100**	**100**
2. Willingness to accept Composition scheme		
Yes	68	68
No	32	32
Total	**100**	**100**
A. Reason for Yes		
Easy Competition	17	25
Less tax burden	14	21
Company Growth	37	54
Total	**68**	**100**
B. Reason for No		
Should follow different rules	18	56
Not having good relationship GST payers	10	31
Lack of Awareness	4	13
Total	**32**	**100**
Opinion of the beneficiaries of Composition scheme		
Comfortable	57	57
Uncomfortable	34	34
Not known	9	9
Total	**100**	**100**

Sources: Survey Data, January, 2018

Interpretation

From the above table it is clear that out of 100 Assesses in Shivamogga 68 Assesses' are willing to accept the Composition scheme and only 32 Assesses' are not willing to accept composition scheme because they have given the reason that the Assesses' should follow different rules, and 10 Assesses' said that General GST payers are not cooperate with the composition scheme Assesses' and 4 Assesses' replied that there is a lack of awareness about the composition scheme.

Out of 68 Assesses', 38 Assesses' replied that they have already accepted composition scheme because composition scheme helps to increase the growth of the company due to paying less tax than the original and 14 Assesses' agreed that composition scheme helps to reduce the tax burden of the company and only 17 Assesses' replied that due to composition scheme it is very easy for the company to compete with the competitive company.

1.10 FINDINGS

- Majority of the Assesses are familiar with composition scheme
- Assesses' feel that the composition strongly helps in improving the competition with other rivals
- Threshold limit for payment of GST is 20 lakh
- After implementing GST, Assesses' whose turnover is less than 1crore should pay tax under composition scheme
- Composition scheme rates are
- Service providers are not come under composition scheme
- Restaurant service provider can pay tax under composition scheme
- Input Tax credit is not applicable to composition scheme tax payers
- It is one kind of Direct Tax because tax cannot be shifted to another person
- Assesses' opinion that due to composition scheme tax burden have reduced and it helps to increase the growth of the company

1.11 SUGGESTIONS

- Assesses' should participate with their supervisors in the creation of their own performance goals and development plans.
- Assesses' should go through GSTN(Goods and Services Tax Network) where the Registration procedure is available
- Assesses' should get knowledge about the GSTR(Goods and Services Tax Returns) to pay timely payment of Tax
- Government should provide awareness programme about the GST to all composition scheme Assesses
- GST Council is a governing body of GST, It provides all the detailed information about GST regime

1.12 CONCLUSION

GST is an essential aspect Tax. It is a destination based tax system where the tax imposed on supply of goods and services or on Transaction value, GST subsumed all Indirect taxes so now all the manufacturers, wholesalers, retailers, dealers and traders should follow GST rules.

GST has implemented to reduce the tax burden, remove the cascading effect and Multiple Taxation system and increase the growth of the company and also to provide essential help for Assesses' in order to know their duty for payment of tax and make them timely payment of Tax.

The role of objectives of this study has been analysing the problems and prospectus to the composition scheme taxpayers. In this study it is clear that the Assesses' opined that after implementing GST cascading effects have removed and also it is very familiar for the composition scheme tax payer to pay tax under composition scheme which is very low rate of tax than the other tax payer and also they opined that due to Composition scheme most of the other non-composition scheme assesses are not having good relationship with them and also it increased the competition.

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