A Study on Impact of the GST implementation on GST Audit: In respect of 'Tax Complexity' & 'Tax Compliances'

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ABSTRACT:

GST is one of the largest tax reform in India since independence. GST has brought all taxes in one umbrella to remove complexity and making it transparent for all. Audit under GST was quite different from previous taxation system auditing as GST system includes so many different additional features and new terminologies. The main purpose of GST audit is to verify the accuracy of turnover which is declared by taxpayer, how much taxes are paid, availing of input tax credit & to evaluate the compliances with the provision of GST. The aim of this paper is to analyze the effect of GST implementation on GST audit. The primary data source was used in analyzing the impact of GST with the help of well- structured questionnaire.

Key Words: GST, Compliance, audit, Compliance behavior, complexity, CAs, compliance expense

INTRODUCTION:

On July 1, 2017, India implemented a new tax system i.e Goods and Service Tax; with the goal of turning the entire taxation system into a single tax structure along with this it tried to bring transparency in our country's tax policy. It will also help in reducing the tax evasion in India.

The GST (Goods and Services Tax) is a tax on the provision of goods and services. In India, the Goods and Services Tax (GST) is a multi-stage, destination-based tax that is charged on every value addition.

The GST is charged at every point of sale under the GST regime.

GST consists of 3 different taxes in which one is at central level i.e CGST and one at state level i.e SGST, one is levied on to union territories i.e UTGST and the last one which is applicable to all interstate sales collected at central level i.e IGST.

By eliminating indirect tax restrictions between states, it will help to promote revenue collection as well as the development of the Indian economy.

Compliance Behavior: It can elaborate as the behavioral intention with respect to attitude towards GST implementation. If we talk about attitude toward compliance behavior, various factors are there such as tax complexity, government support, compliance cost etc. The attitude is also affected by external factors such as sector wise and political-economic development in our country.

➢ **Tax Complexity:** It state that there are various complex terminologies exists in the taxation system and so many compliances needs to fulfill with a long and tough procedure. In the case of GST new tax regime in India, Tax complexity can be seen according to the opinion of the Chartered Accountant.

GST Audit: The term "audit" refers to the assessment of records, returns, and other documents maintained or furnished by a registered person under this Act, its rules, to verify the authenticity of turnover which is declared by taxpayers, taxes paid, refund claimed, and claiming of input tax credit, as well as to assess his compliance with the provisions of this Act or its rules.

Current Study: The current study assumes that 'Tax Compliance Behavior', 'Tax Complexity' and 'GST Audit' all are interconnected with each other. To study the link between these 3 factors, we are firstly checking the association or link between all the 3 factors and then measuring the impact of 'Tax Compliance Behaviour' & 'Tax Complexity' with 'GST Audit'.

RESEARCH OBJECTIVE :

▪ To identify the factors affecting the GST Audit after GST implementation.
▪ To check the association between 'Tax Complexity' and 'GST Audit'.
▪ To study the impact 'GST Compliance Behavior' & 'Tax Complexity' on 'GST Audit'.

RESEARCH METHODOLOGY :

Research methodology plays a very important role in any research. It also specifies the research design, scope, sample size, variables, variable measurements, sampling methods/tools and data processing methodologies. In this chapter, we have discussed the research model and framework were employed in the investigation. It aids in finding the solution of practical issues and the development of fresh understanding of many fields of research study. For my research study, I have designed it as follows :

a. Type of Research: Descriptive and Analytical

b. Data Sources: Primary and Secondary

c. Data Collection: Survey

d. Research Instrument :   Questionnaire

e. Contact Method :   Face to face interview and emailing procedure

f. Sample Size :   50

Data Analysis Tools:

a. Hypothesis testing – Correlation, Paired Two Sample T Test

b. **Tools Used**- SPSS & Microsoft Excel

Primary Data was collected through the questionnaire survey. In this, various question related to our selected construct such as 'Tax Compliance Behaviour', 'Audit Work', 'Tax Complexity' was asked by 50 CAs in the Delhi NCR region to study the impact of GST implementation on GST Auditing.

DATA ANALYSIS & INTERPRETATION :

For the data analysis, various hypothesis for formulated by the research objective of this study. These are as follow:

For Objective : To analyze the impact of GST implementation on GST Audit, two construct has been taken for measuring its impact i.e 'Tax Compliance Behavior' and 'Tax Complexity'.

H_0: There is no significant association between Tax Compliance Behaviour and Tax Complexity

H_1: There is a significant association between Tax Compliance Behaviour and Tax Complexity

Correlations

		Tax Compliance Behavior	Tax Complexity
TaxComplianceBehavior	Pearson Correlation	1	.365**
	Sig. (2-tailed)		.009
	N	50	50
TaxComplexity	Pearson Correlation	.365**	1
	Sig. (2-tailed)	.009	
	N	50	50
**. Correlation is significant at the 0.01 level (2-tailed).			

Figure 1 : Correlation

According to Figure 1, it shows that both constructs shows the correlation as the calculated value lies between -1 to 1.

After this, we will analyze both the construct level of impact; as which construct shows more or less or equal impact on GST Audit. For measuring this, researcher formulated another hypothesis and testing this hypothesis by the help of Paired Two Sample T Test. The hypothesis are as follows:

H_0 : The impact of 'Tax Compliance Behavior' on GST Audit is significantly less than or equal to that of impact of 'Tax Complexity' on GST Audit.

H_1 : The impact of 'Tax Compliance Behavior' on GST Audit is significantly more than that of impact of 'Tax Complexity' on GST Audit.

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	TaxComplianceBehavior	2.9400	50	1.50387	.21268
	TaxComplexity	3.1800	50	1.11922	.15828

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	TaxComplianceBehavior & TaxComplexity	50	.091	.528

Paired Samples Test

		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	TaxComplianceBehavior - TaxComplexity	-.24000	1.79068	.25324	-.74891	.26891	-.948	49	.348

Figure 2: Paired Two Sample T Test 1

p value = 0.348 > 0.05=α, the level of significance. Therefore we failed to reject the null hypothesis. Thus, we can say that the impact of 'Tax Compliance Behavior' on GST Audit is significantly more than that of impact of 'Tax Complexity' on GST Audit.

CONCLUSION :

This paper tries to explain the relationship between 'Tax Compliance Behavior' & 'Tax Complexity'.

Based on above analysis, we can conclude various findings:

- There is a link between the 'Tax Compliance Behavior' & 'Tax Complexity'.

- Tax Compliance Behavior have a strong impact on GST Audit as compared to Tax Complexity. This means that compliance behavior as to attitude towards GST compliance, compliance costs, fairness of taxation system is affecting the work of CAs in GST Audit work.

- The most concerning issue for Chartered Accountants is the tax system's unnecessary complexity. This risk may cause them anxiety and stress as how much time and money it will take to complete the whole compliance procedure.

- As a result, the inherent complexity of GST legislation and regulations, along with GST compliance expenses, may lead to a bad image of GST tax fairness. This shows that there is a link between Tax Compliance Behavior as Faireness of Tax Policy and Tax Complexity.

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