

Study of Impact of Goods and Services Tax (GST) on Restaurant

Mohammed Huzaif Niyazi

The Byramjee Jeejeebhoy College of Commerce, Mumbai

Abstract: *The implementation of Goods and Services Tax (GST) has created a major shift in the tax arena of India and its restaurant industry. In this study, the impact of GST on restaurants from the point of view of pricing, profit, compliance, and consumer behavior is considered.*

Earlier, the restaurant industry was dealing with a complicated tax system where many indirect taxes like VAT and service tax were imposed. After the implementation of GST, the tax system has become simpler with a single tax rate and no cascading effect. However, the withdrawal of Input Tax Credit (ITC) for restaurants has increased the operational cost of the restaurants.

Keywords: The implementation of Goods and Services Tax (GST) has created a major shift in the tax arena of India and its restaurant industry.

I. INTRODUCTION

The introduction of the Goods and Services Tax (GST), effective from July 1, 2017, was a major step towards the overall improvement of the indirect tax system of India. It replaced a number of cascading taxes such as VAT, service tax, and excise duty with a single tax system.

The restaurant industry is one of the major segments of the service industry and was impacted by the implementation of GST. Until the implementation of GST, restaurants faced a complex tax system where taxes had to be paid at the state and central government levels. It was a confusing system where tax was imposed on tax, leading to higher tax burdens on restaurants. GST has simplified the process by imposing a single tax rate on restaurants, but with different slabs for different types of restaurants such as standalone restaurants, air-conditioned restaurants, and restaurants inside hotels.

One of the major changes that GST has made to the restaurant industry is the withdrawal of the facility of Input Tax Credit (ITC), which was enjoyed by restaurants until the implementation of GST. It has increased the cost of operation for restaurant owners but has made the process simpler for customers.

Statement of Problem
Despite strong banking regulations and cybersecurity frameworks, cybercrime in Mumbai's banking sector continues to rise. Customers suffer substantial financial losses due to phishing, impersonation, and digital manipulation.

The core problems identified are:

- Exploiters utilize social engineering and tech vectors, defrauding through mule accounts (21.65 lakh flagged in 2025).
- Scams caused ₹964 crore loss, leading to mental health crises, business disruptions, and hindered financial inclusion in low-income areas.
- Cybercriminal techniques becoming increasingly sophisticated.
- Customers exhibit low awareness of digital fraud.
- Insider threats persist within banking systems.
- Delayed fraud reporting and fund freezing issues.
- Insufficient coordination between banks and law enforcement agencies.

This study seeks to examine why cybercrime persists despite regulatory measures and what strategic interventions can reduce banking fraud in Mumbai.



II. RESEARCH METHODOLOGY

The study on the impact of Goods and Services Tax (GST) on the restaurant industry is based on a descriptive and analytical research design, as it aims to describe and interpret the impact of GST on the restaurant industry, specifically with respect to pricing, profitability, and efficiency, as well as consumer response. The study is based on secondary data collected from various reliable sources, including government sources, GST Council sources, research journals, industry sources, and online resources relevant to the study. Information has also been gathered through the study of GST legislation, rules, and regulations, as well as their amendments, with respect to structural changes.

The study on the impact of GST on the restaurant industry is based on a comparative analysis of the restaurant industry before and after the implementation of GST, specifically with respect to various aspects, including cost structure, taxation, and pricing. Data Analysis

OBJECTIVES

- To understand the concept and structure of the Goods and Services Tax (GST) in India
- To analyze the impact of the implementation of the GST on the pricing of food and services in the restaurants
- To assess the impact of the implementation of the GST on the profitability of the restaurants
- To assess the impact of the removal of the Input Tax Credit (ITC) on the restaurant businesses
- To analyze the pre-GST and post-GST systems in the restaurant sector

III. DATA ANALYSIS

- From the project it is found that there are different types of restaurants that are existing in the restaurant industry.
- In this project I have found the most of the restaurant are located in Bandra.
- Various types such as fast food, fine dining, food truck, family style etc. are visited by different people
- The number of customers, visiting into various restaurant differ from restaurant to restaurant
- 55% of the restaurant are satisfied with the 5% GST and 25 % are dissatisfied.
- There are various kinds of services or foods that is offered by various restaurants such as breakfast, lunch, dinner etc.
- Most of the restaurant prefer GST other than VAT.
- In some restaurants, the sales are more active during Dinner, but the minimum sales are active during the Breakfast time.
- Amongst the two schemes i.e., normal scheme and composition scheme, majority of the restaurants fall under the Composition scheme.
- There are few restaurants that are governed under the composition scheme that has the turnover less than.
- When GST was implemented, maximum restaurant holders thought that it will benefit their restaurant and will have a positive impact all over also the prices to a certain extent will get reduced.
- Apart from the positive opinions, some restaurants had negative reviews after GST was implemented such as it will have certain adverse effects or will decrease the profit.
- Where some believed that GST will be increased profit, some restaurants thought that it will lead to a decreased in the profit.
- Maximum restaurants experienced an increase in the profit margin after GST was enforced whereas for some it has remained unchanged.
- Electronically recording of the transactions are very important therefore maximum restaurant holders maintain and record the transactions.
- Very a smaller number of restaurants amongst the total do not maintain the transactions electronically
- More than 55 percent of the total restaurants do not face any problems in filing GST returns and 45 percent of the restaurant do face in filing GST return.



85 percent of the restaurant do file GST returns 15 percent do not file GST return.

IV. REVIEW OF LITERATURE

ECONOMIC TIMES

Published on 8th December 2018

MUMBAI: What could possibly be the difference between a cake shop with two tables and four chairs and another without the furniture?

THE RESTAURANT TIMES

The Goods and Services Tax which proposes to replace at least 17 federal and state indirect taxes is all set to be implemented from 1st July 2017

THE ECONOMIC TIMES

Published on December 21, 2018

THE RESTAURANT TIMES

Taxes feel like a never-ending maze of legal and mathematical terms and yet most people aren't aware of what and how much tax they are paying while buying a product or a service. To overcome these confusions and the flurry of different taxes imposed on the general public, the Indian government has decided to adopt the policy of 'one-nation-one tax' and have come forward with the 'Goods and Services Tax' or GST Bill which will charge only a single tax on all consumers and save them from all the other direct or indirect taxes. The impact of the GST Bill on the Restaurant Industry is being expected to be positive, as it would get rid of the multiple taxation system.

BUSINESS LINE

Published on July 27, 2018

1. Pre-GST vs. Post-GST Tax Structure

According to various research findings, it is evident that prior to the implementation of GST, restaurants used to be subject to various taxes such as VAT, service tax, and excise duties. According to various research findings, GST replaced this with a single tax structure.

2. Impact on Pricing and Consumer Behavior

According to various research findings, GST has a neutral impact on the pricing of food products. It is evident from the research findings that despite a high GST rate of 5%, consumers prefer GST more than other taxation systems. According to various research findings, the denial of ITC results in a hike in prices.

3. Profitability and Cost Structure

According to various research findings, it is evident that the implementation of GST resulted in a decline in the profitability of restaurants due to the denial of ITC for most restaurants. According to various research findings, it is evident that the cost structure for most restaurants is high.

V. CONCLUSION

The restaurant business is presently burdened with a lot of taxes at each and every point- right from the acquisition of raw materials to the sale of finished items. Multiple taxes, in turn, charged from the customer at the final bill may be a vast turnoff for the customers and plays a significant role in turning them away. Multiple levels of indirect taxes at the Central level, State level, and additional excise and custom duties give major barriers in the smooth functioning of business.

Frequent changes in law and multiple registrations needed to open a new restaurant business are often expensive, particularly to first-time restaurant owners. The lack of clarity in the law usually results in classification and rate



disputes, therefore resulting in confusion. With the emerging changes in tax layout, the GST will impact primarily the promotional strategies of restaurants and food service businesses and will give consumers a clear picture of the taxes they pay in restaurants. A subsuming single tax slab will create a standardized price and will benefit consumers directly by providing law and easy to read bill whenever they dine out. Reduction in tax will increase consumption which will create more employment opportunities boosting the Make in India initiative. Drawback of GST will be on medium scale restaurants as they will be forced into the tax slab of 28th and tax bracket for luxury hotels is simply too wide.

Implementation of GST is going to have a ratified impact on the governments revenues. Under the GST regime, the output service tax liability of restaurant business owners got to modify with credit of input VAT on product consumed. However, underneath the new regime GST subsumes both these taxes into itself and therefore no matter of products and services, adjustment of credit input is available against output liability. This may optimize further the working capital of those restaurants and customers need not settle for inferior quality of food and services. Therefore, restaurants and food service business must draw outline of future in view of evaluation of GST and its impact on their businesses and functions mandatorily.

In conclusion, GST has achieved its objective of simplifying taxation and enhancing transparency, but its overall impact on the restaurant industry remains balanced between benefits and challenges. Further refinements in policy, particularly regarding ITC and compliance, could help in making GST more favorable for restaurant businesses while continuing to benefit consu

