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GST on freelancers: An exploratory study in Chennai city

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Abstract---An indirect tax is compelled of certain taxes like sales tax, per unit tax, value added tax (VAT), or goods and services tax (GST), excise and etc. is ben levied upon the goods and services on the consumer. In 2017, GST was implemented on the consumer and all the taxes levied was impelled of all other taxes. GST made a great impact on all the sectors, now in this research paper its fully focused on the impact of GST on freelancers in India and contribution towards Indian economy. In this paper the analysis done by the primary data from the freelancers and self-employed persons through online questionnaire. In which role of the government, tax filling system-based queries were raised, answered and analyzed. Through this analyzation conclusions were derived and some suggestions were given to the government.

Keywords---tax filling return, awareness GST, contribution towards economy, GSTN, ITC.

Introduction

India has stepped into a hub for passionate freelancers' sector. Freelancers' sector has come out to be the highest revenue earning sector in the industry of services. The freelancers in the country comprises of various professionals, bloggers and consultants. However, this s sector is an unorganized sector and lack in rules and regulations. With the implementation of Goods and Services Tax (GST), the article states the guide for freelancers with the intend to simplify the complexity around the subject. Hence, it was obliged to be taxed under the law. It is mandatory to the freelancers are required to obtain GST registration and pay 18 percentage Goods and Services Tax from any income that exceed the threshold of INR 20

Lakhs. An individual is required to collect GST on an individual or an entity who purchased their services and deposit the tax to the government.

According to section 24 of the central GST Act, an individual who earns an income from outside the country or the state, its liable to get themselves registered with GST and no threshold limit is applicable. to be more precise, the exemption of INR 20 lakhs is only relevant to small business who earn their revenue from clients and entities present within the state. Hence, GST registration is mandatory for every freelancer who export services outside the state or the country and earns revenue from the same, with any exemption limits. As indicates in the GST laws formulated by the government, freelancing services are categorized under database access and online information.

Review of Literature

Dr. Mani Kansal (2017) – In this paper “IMPACT OF GOODS AND SERVICE TAX (GST) ON INDIAN ECONOMY” discussed as GST is the vast indirect tax structure to support the economic growth of a country. There are hue and wail in implementation of GST. This paper talks about interest to understand GST regime may handcuffed the growth and development of the country. Data collection is fully based on secondary data.

Sunil Taneja et, al., (2018): Study made in the paper “GST in India and its Impact on IT Sector” Goods and Services Tax (GST). This paper presents an overview of GST concepts, GST Journey so far and elaborates how it works in Economic Growth. It focuses on GST features and its impact on IT Sector. Arun Gautam et, al., (2019) – In this study of “Evaluating the Impact of GST on the Growth of Manufacturers, Distributors, Retailers, Freelancers, Startups Etcetera Differently in the IT sector” placed the factors like tax cascading and abided by the policy issues eradicated by “One Tax One Nation”. Detailed study on Tax filling returns, accounting difficulties due to decentralization registration and discussed the benefits in the paper.

Priyanka Yadav & Dr Manoj Kuma (2019) – Study entitled in “Impact of GST on various sector of Indian economy” based on the information collected from manufacturer, sale and consumption of goods and services which helps the country transformed into one integrated common market. After implementation imprecise debates were raised on goods and services tax. This paper is based on secondary data and its gives insight on the impact of GST after its implementation on Indian economy.

Objective

1. To study the impact on freelancers by Goods and Services Tax (GST).
2. To study the awareness of the freelancers in GST.
3. To analysis the insight on Indian economy after implementation of Goods and Services Tax GST.

Methodology

Research Design

Main aim of the paper to find the concept of GST implementation and its effects in freelancer sector in India. To identify the problem faced by the freelancers in awareness and difficulties in filling tax return. Analysis the contribution on Indian economic by the freelancers.

Research Approach

The respondents will be the freelancers and self employed such as youtubers, online sales persons and etc. who are interested to cooperate. To collect the necessary data Google Form will be prepared and sent to all participant through social media.

Sampling Method

The in-depth questionnaire was framed for the study which will be limited only to Chennai city. While passing the questionnaire already mentioned it was for the freelancers. The researcher should figure out, whether the respondent fall under the category or not. If they come under category, then they will be sending the link of the google form. The sample size will be 50 for the study.

Data Collection Method

The primary data will be collected from the freelancers and self-employed person. The data will be gathered from the respondent through online mode.

Data Analysis Method

The data analysis of this research will be mostly represented on qualitative manner. It has been mentioned earlier that, the data will be gathered by an in-depth questionnaire. As the result the analysis will be qualitative. However, there will be few quantitative solutions.

Goods and services tax

In 1954, GST was introduced for the first time in France. Today, this is spread across 145 countries in the world. India would have dual system, due to its federal economic structure like Brazil and Canada. Dual GST would have two concurrent components:

- CGST levied and collected by Centre.
- SGST levied and collected by states.
- Input CGST and SGST can be adjusted against output CGST and SCST respectively. The cross utilizations of the same will not be allowed.

Proposed Goods and Services Tax (GST) as an alternative to excise duties on manufacturer and service tax on services should be aimed as a major indirect tax

reform which evolves as an efficient and harmonized consumption tax (indirect tax) in India. This is going to be difficult task, given the state's desire to have taxation autonomy and existing parallel system of Indirect taxation, both at union and state level.

The Government has decided to have a two tier or dual GST to be levied by Centre as well as states and that there is going to be a phased approach to GST after initial and periodic review depending upon revenue collection, losses to state if any, level of tax compliance, outgo on account of compensation States, etc.

Freelancers in GST

Freelancers Income

Freelancers' income gets into account once a person appointed for a specific assignment for a specific term and certain amount for completing and submitting the project which is ascertained for an appointed particular person. An appointed person as a freelancers' will not be considered as an employee of the company or payroll will not be issued. As a freelancers' is not necessary to complete the work only in the work premises, can considered working at leisure or any place convenient to the freelancers. Income earned by the freelancers out of your intellectual or manual skills are the incomes from a profession according to income tax laws in India.

Freelancers' income will be taxable as "profits and Gains from Business or Profession". Gross income of the freelancers aggregated of all receipts which gets in the course of carrying professional works. All the income obtained by the professional work should be transferred through the proper banking channels. Freelancers can deduct expenses from the income while filling tax return. Office allowances can be obtained when the job directly related to the job.

Conditions to claim expenses as a deduction from freelancing income:

- The office allowance which is precisely used for ascertained work.
- It should be fully spent or exclusively spent for the purpose of the ascertained work.
- The expense incurred should be during the accounting financial year.
- The office allowance should not be considered as capital expenditure or a personal expenditure.
- The allowance which is been issued will not be considered, if its been used for an offence or prohibition of law.

Expenses that can be claimed as a deduction against income:

- Rent of the property
The property hired for proceeding for the purpose of the job ascertained, then the rent paid can be deducted from the income.
- Repairs undertaken:
Any repairs in the rented house, laptop, printer and other equipment's which is only been used for the freelancer job. Which the company had been agreed upon for the reinvestment would be deducted from the income.
- Depreciation:

Depreciation will be deducted from the capital asset, which is usually expected to last more than a year. These capital assets will not be considered as expenses but a small portion of amount as expense from the income will be deducted which is known as depreciation.

- **Office expenses:**
Expenses incurred to proceed the freelancers' job such as purchasing a printer, stationery, telephone or mobile bills, internet bills and conveyance expenses can be claimed and deducted from the income.
- **Travel expenses:**
The cost of travel to meet the clients within or outside of India will be allowed to be deducted from the income.
- **Refreshment, entertainment or hospitality expenses:**
The expenses which are incurred through client meetings, clients been taken out for diner meetings, solely spent with the intention of getting new business or retaining existing business.
- **Local taxes and insurance for the business property.**
- **Domain registration and applications purchased to test your product are also allowed as expenses.**
The expenses which follows are explicitly disallowed to be deducted from one's income as per the income Tax Act:
- **Income Tax paid by the freelancers.**
- **Any interest or penalty or fine for non-payment or late payment of income tax.**
- **Payment made to relatives shall not be allowed to be deducted.**
- **If the freelancer pays any expenses amount more than Rs. 10000 in cash will not be allowed for deduction.**

Freelancers and goods and services tax (GST)

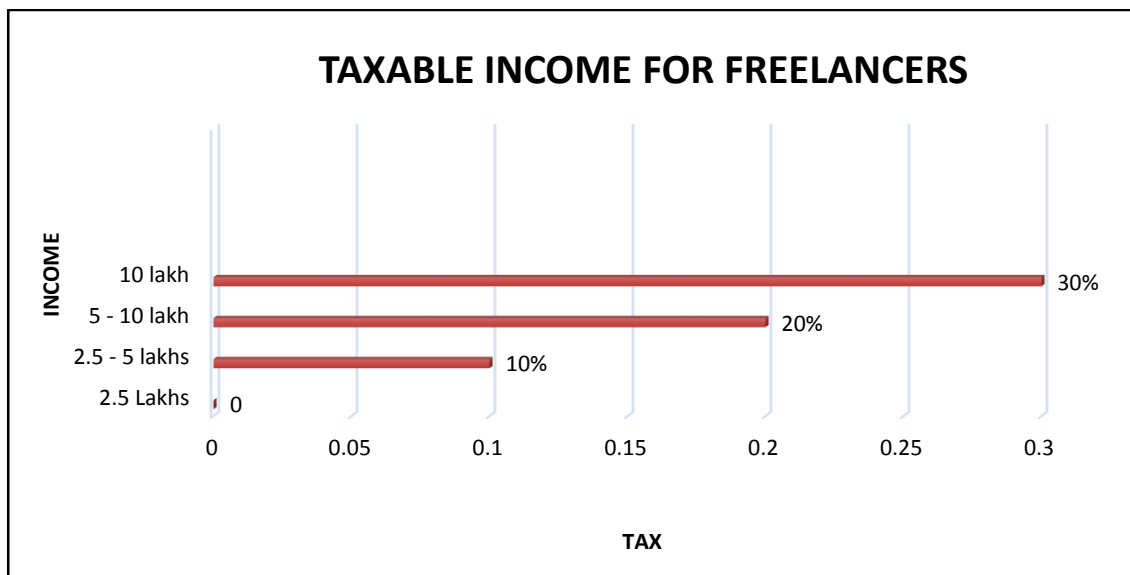


Figure 1: Current income tax slabs for freelancers 2019-20

- ITR – 4 is the income tax form for freelancers and consultants is used for the tax filling return.
- If the tax liability of a freelancers does not exceed more than Rs. 10000 for a financial year, he/she need not pay taxes.
- If the freelancer fails to pay advance tax, then he/she is liable to pay interests mentioned under section 234B and section 234C.

Intrepretation

Sample of size 50 was collected by using random sampling method.

Demography Factors

In 50 respondents, according to Age 18 -22 years (28%), 23-35years (28%), 36-60 years (36%), Above 60 years (8%) in that gender wise respondent 54% of Female and 46% of Male. Educational qualification of the respondent is classified as up to schooling (22%), undergraduate (42%) and post graduate (36%). Finally Martial status married (50%), unmarried (46%) and widow (4%).

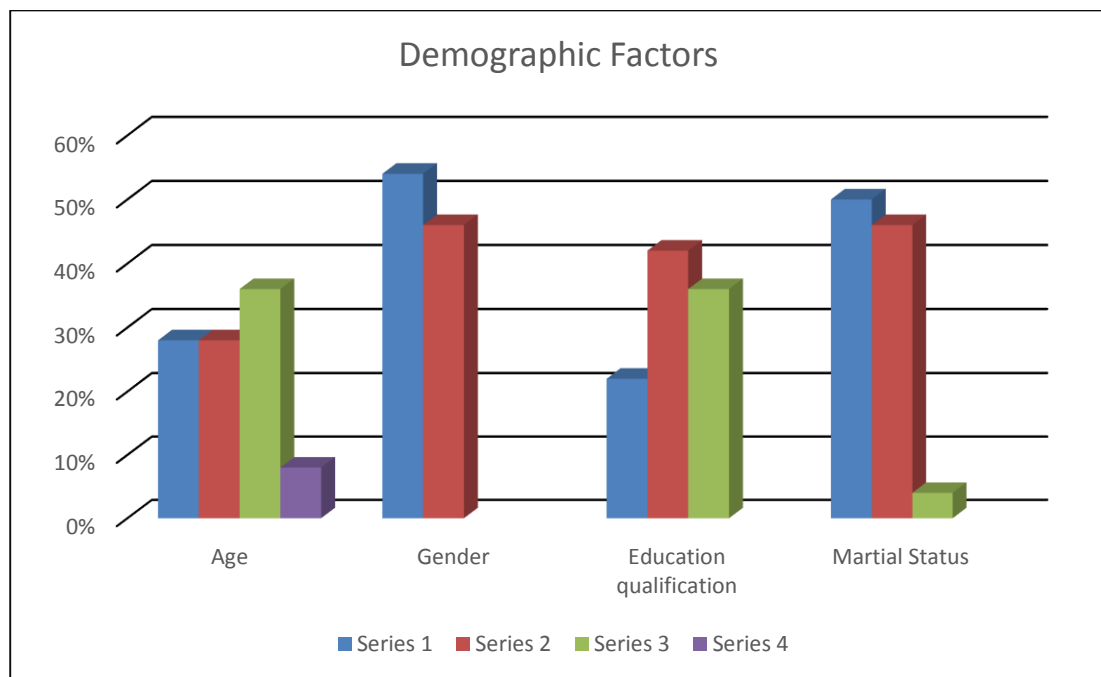


Figure 2: Demography Factors

Occupation of the Respondent

Occupation of the respondent is collected as Employee (32%), Business (16%) and others (52%). Others in the occupation can be endless choices made by the freelancers. Due to pandemic situation in the world, many people opted freelancing as their full-time job.

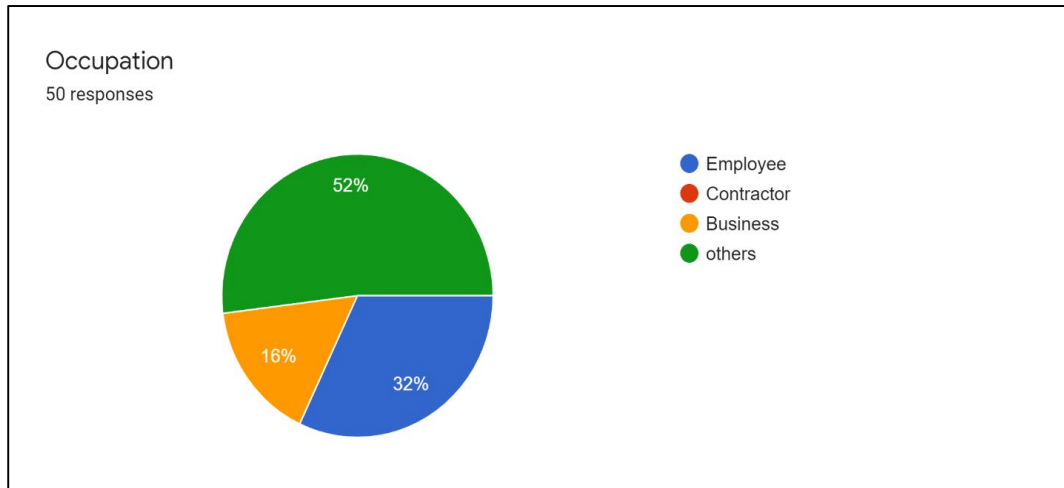


Figure 3: Occupation of the respondent

GST registration is compulsory for all the tax payers. GSTN holds 15-digit GST identification number to the company or individual. According to freelancers if he or she earns more than 25 lakhs GST registration is compulsory. Response of the questionnaire is GST registered yes (6%) and No (90%).

Mode of Filling Tax Return

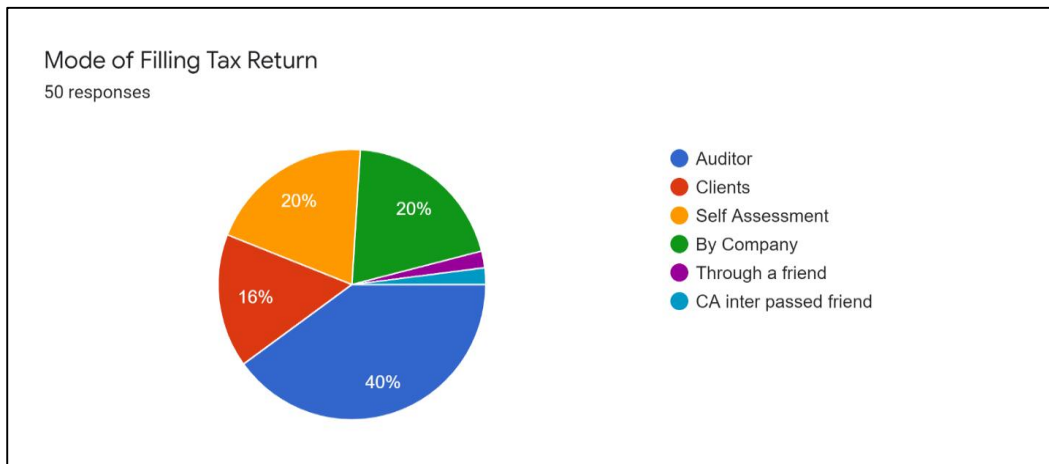


Figure 4: Mode of Filling Tax Return

In filling tax return there are several modes can be used by the Assessee. According to the following table 1: 20 respondents prefer Auditor for mode of filling tax and least preferred will be clients and etc. Through this outcome, self – Assessment is done by 10 respondent and it's interpreted the difficulties during Filling Tax Return done by them and 12.9% as Yes, 64.5% as No and 22.6% as may be for difficulties in filling as self – Assessment.

Table 1: Mode of Filling Tax Return

Mode of filling tax return	Frequency	Percentage
Auditor	20	40%
Clients	8	16%
Self-Assessment	10	20%
By Company	10	20%
Others	2	4%
Total	50	100

Methods of filling Tax

Table 2: Method of Filling Tax Return

Method of filling tax return	Frequency	Percentage
Pay by check or money order	8	16%
Pay by wire	6	12%
Direct payment	16	32%
Pay by debit or credit card	14	28%
EFTPS	6	12%
Total	50	100

In the following Table 2 denoted from the number of methods can be followed for filing tax return by the freelancers. Direct payment is most used method for filing tax return (32%).

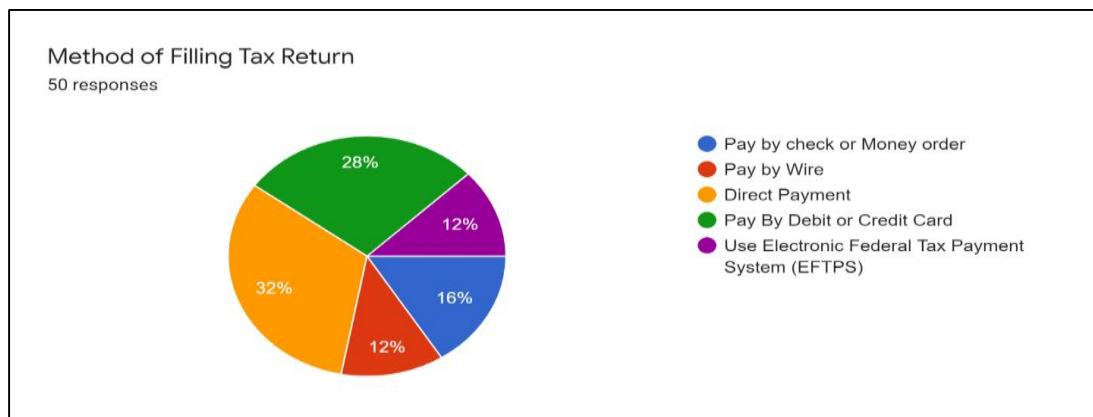


Figure 5: Method of Filling Tax Return

Awareness of ITC

Table 3: Awareness of ITC

Awareness in ITC	Frequency	Percentage
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Aware	14	28%
Partially Aware	14	28%
Not Heard at all	22	44%
Total	50	100

Awareness of ITC by the freelancers when they pay the taxes. In the above table 3 it indicates that 22 respondents haven't heard at all and 14 respondents have aware and partially aware.

Role of Media and Government in awareness about GST in Freelancers

Table 4: Role of Media and Government in awareness about GST in Freelancers

S. No	Particulars	Weighted Average	Rank
1	Provide a voice from the celebrity	10.26	8
2	E-mail campaign	10.4	7
3	Sent through social media	12.06	3
4	Give Advertisement through TV, Radio.	13.8	2
5	Printed pamphlets	10.73	6
6	Bring attention to events	11.33	4
7	Employed Company Campaign	11.06	5
8	Show the through Newspaper, Magazine	13.86	1

From the table 4 its interpreted that top 4 highest rank for the awareness are through newspapers, giving advertisement through TV, Radio, through social media and events. Least 4 ranks are voice from the celebrity, E-mail campaign, printed pamphlets and employed company campaign.

Impact on Indian Economic System

Positive Impact of GST on freelancers

- They are qualified to benefit from credit of inputs and exemption to the tax payable grouping.
- Tax credit can be operated for the expense of output GST liability in the future.
- Service and VAT duties payable by the freelancers while selling software through online or offline will be eliminated by the GST.

Negative Impact of GST on freelancers

- All services or supplies both free and paid are liable to be taxed under GST regime.
- Multi – city premises register themselves from each state where they are offering the services.
- Filing numerous returns per annum for every location from which the services or supplies are rendered.

Findings

1. It is found that awareness for the freelancers about GST is highly influenced by the newspapers, magazine and etc. (13.86) which is derived from weighted average.
2. It is found that freelancers can be expected to improve in the long run, Tax – GDP Ratio and sector will be organized.
3. It is found that Mode of filling the tax return is highly preferred by the freelancers are the auditors (40%).
4. It is found in the interpretation of Method of filling tax return that direct payment is highly adopted by the freelancers (32%).
5. It is found that self – Assessment for the tax filling by the freelancers have faced some hindrance. In the interpretation 12.2% respondent have faced some difficulties.

Suggestions

1. People awareness about the GST and its slabs are very low through Government CBIC website which gives up to date information and conducts campaign about GST. This website should be well advertised for the awareness purpose.
2. Freelancers will always not have a company or institution for filling tax return so Tax filling steps details and process should be included to the curriculum of the school or college education for improving Tax filling efficiency.
3. Though many improvements have come in the banking field still many freelancers prefer direct payment for tax filling which shows the illiteracy in the subject. Government of India should come up with many campaigns for the awareness in the various methods of Filling Tax and its security.
4. Negative impacts of GST in freelancers are derived, many tax returns have to be filled for each state from the supplies or services taken place. So, Government of India have to consider it.

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