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**"A STUDY ON ADMINISTRATIVE MEASURES OF GOODS &  
SERVICES TAX AND ROLE OF GST OFFICIALS IN MADURAI  
DISTRICT"**

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### **ABSTRACT**

Goods & Services Tax(GST) is the fertile arena in taxation for raising Government Revenue. It offers tremendous revenue potential to the Government. However it could be witnessed that the actual receipts of GST revenue is comparatively low when compared to its budgeted estimates for the past few years. Despite the efforts taken by the tax administrators to strengthen tax administration through a series of institutional reforms among GST payers in India, meeting of Goods & Service tax compliance mechanism is tedious and poses various difficulties on part of the service tax assesseees. The study focuses on the administrative measures of Goods & Services Tax and the role of tax officials of Madurai Commissionerate in enhancement of GST revenue. The survey comprises of 25 GST officials who are engaged on tax administration matters in the department of Goods & Services tax of Madurai Commissionerate.

### **INTRODUCTION**

Taxes, and tax systems, are fundamental components of any attempts to build nations, and this is particularly the case in developing nations. As **Brautigam**<sup>1</sup> has

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<sup>1</sup> Brautigam, D. (2008). Introduction: Taxation and State-Building in Developing Countries, in Brautigam, D., Fjeldstad, O.H and Moore, M. (Eds) *Taxation and State-Building in Developing Countries: Capacity and Consent*, Cambridge

noted, “taxes underwrite the capacity of states to carry out their goals; they form one of the central arenas for the conduct of state-society relations, and they shape the balance between accumulation and redistribution that gives states their social character”. In short, taxes build capacity (to provide security, meet basic needs or foster economic development) and they build legitimacy and consent (helping to create consensual, accountable and representative government).

A key component of any tax system is the manner in which it is administered. “No tax is better than its administration, so tax administration matters – a lot”.<sup>2</sup> An essential objective of tax administration is to ensure the maximum possible compliance by taxpayers of all types with their taxation obligations. Unfortunately, in many developing countries, tax administration is “usually weak and characterised by extensive evasion, corruption and coercion. In many cases overall tax levels are low and large sectors of the informal economy escape the tax net entirely”.

Three ingredients are important in effective tax administration- Political will, a clear strategy and adequate resource. If the political will exists, the blue print for effective tax administration is relatively straightforward.<sup>3</sup> Whether tax administration practices are compliance enhancing in poor countries depends on how the tax law is enforced, the honesty of tax collectors and the government trust worthiness with respect to service delivery.<sup>4</sup> There is evidence that people who feel treated fairly by the authority are more inclined to accept its decisions and follow its direction.<sup>5</sup>

Thereby the goal of tax administration is to foster voluntary tax compliance and hence reduce tax gap (difference between taxes paid and owed for all taxes by all taxpayers) and compliance gap. This can be done through assessment of potential tax payers, identifying and registering the tax payers and provision of tax payer services among others.<sup>6</sup>

### **OBJECTIVES OF THE STUDY**

1. To examine the Legislative Provisions governing Goods & Service tax.
2. To elicit the views of respondent officers of GST department for effective tax administrative measures.
3. To offer suggestions for better compliance and revenue generation of GST.

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University Press, Cambridge, 1-33.

<sup>2</sup> Bahl, R., and Bird, R.M. (2008, June). Tax Policy in Developing Countries: Looking Back – and Forward, *National Tax Journal*, 279-301.

<sup>3</sup> Bird, R.M. (2010, October). Smart Tax Administration, Economic Premise, Poverty Reduction and Economic Management Network (PREM). The World Bank

<sup>4</sup> Murphy, K. (2008). Enforcing Tax Compliance: To Punish or Persuade. *Economic analysis & Policy*, Deakin University, 38, 128

<sup>5</sup> Smith, K.W., and Stalans, L.J. (1991). Encouraging Tax Compliance with positive Incentives: A Conceptual Framework and Research Directions. *Law and Society Review*, 12, 35-53

<sup>6</sup> Silvani, C.A. (2008). *Improving Tax Compliance*. Washington D.C: International Monetary Fund, Publication Service.

### ANALYSIS OF THE STUDY

An Interview schedule was prepared which laid focus on the officials of Goods & Service tax department in Madurai Commissionerate includes officials ranging from Assistant Commissioner of Central Excise, Deputy Commissioner of Central Excise, Superintendents and inspectors who are engaged in the administrative and enforcement activities with regard to GST revenue generation. The survey includes comprises of 25 GST officials who are engaged on tax administration matters in the department of GST of Madurai Commissionerate.

### DESCRIPTIVE ANALYSIS

The data collected from the 25 GST officials of Madurai Commissionerate have been analysed with appropriate statistical tools and the same are presented below:

#### DEMOGRAPHIC PROFILE AND CHARACTERISTICS OF GST OFFICIALS (N=25)

S.No	Characteristics	Categories	No. of Respondents	Percentage to Total
1	Gender	Male	25	100
		Female	0	0.0
2	Age	Below 30 years	3	12.0
		30- 40 years	9	36.0
		41-50 years	9	36.0
		Above 50 years	4	16.0
3	Designation	Assistant Commissioner	2	8.0
		Deputy Commissioner	2	8.0
		Superintendent	10	40.0
		Inspector	11	44.0
4	Educational Qualification	HSC/Diploma	11	44.0
		Under Graduate	8	32.0
		Post Graduate	6	24.0
		Professional	0	0.0
5	Years of Experience	Below 5 years	2	8.0
		5-10 years	10	40.0
		11-15 years	4	16.0
		Above 15 years	9	36.0
6	Jurisdiction (Division)	Madurai Division I	16	64.0
		Madurai Division II	9	36.0
7	Jurisdiction (Range)	Division	4	16.0
		City	2	8.0
		South	4	16.0
		Kariapatti	2	8.0
		Thirumangalam	2	8.0
		Thirunagar	2	8.0
		Vilangudi	2	8.0
		North	4	16.0
Melur	3	12.0		

**Source:** Primary Data

The above table summarizes the demographic characteristics of the GST officials in terms of gender, age, formal education, years of experience and their area of jurisdiction in collection of GST revenue.

As elicited in the table above, all 25 GST officials are male constituting 100% of the total respondents considered for the study. The age group of GST officials reveals that out of 25 respondents, 9 respondents belong to the age group of 30-40 years and 41-50 years each constituting 36% and 4 (16%) respondents belong to the age group of above 50 years followed by 3 respondents with the age group of below 30 years.

It is evident from the table that there are two Assistant Commissioners and two Deputy Commissioners incharge of Service tax administrative matters in Madurai Commissionerate followed by 10 Superintendents and 11 Inspectors of the total GST officials.

The educational qualification of the GST officials in Madurai Commissionerate clearly shows that, there are no respondents with professional qualification. 44% of the respondents have qualification at either Higher Secondary level or are Diploma holders. Of 25 GST officials, 8 respondents constituting 32% and 6 respondents of 24% are under graduates and post graduates respectively.

The table exhibited above indicates that out of 25 GST officials, 10 persons (40%) have 5-10 years of experience and 9 persons (36%) have above 15 years of experience. Only 2 persons constituting 8% have experience below 5 years.

The jurisdiction of Madurai Commissionerate regarding collection of GST revenue comprises of 16 officials governing Madurai Division - I and 9 officials incharge of Madurai Division - II. As far as the ranges in Madurai Commissionerate is concerned, there are 4 officials each working in Division office, South range and North range. Melur range has 3 officials and other ranges have 2 officials each who are engaged in service tax administrative matters.

**Null Hypothesis 1:** There is no significant difference among mean rank on the frequent occurrence of cases/disputes with various aspects of GST legislations met by GST officials.

**FRIEDMANN TEST FOR FREQUENT OCCURENCE OF CASES WITH VARIOUS ASPECTS OF GST RULES AND LEGISLATIONS**

Frequent occurrence of cases/disputes	Mean Rank	Chi square	P Value
Taxability of Goods & Services	4.46	110.89	< 0.001**
Registration	3.20		
Valuation	5.28		
Payment of GST	5.12		
Refund /Interest payable	6.28		
Maintenance of records and returns	5.16		
CENVAT Credit	8.96		
Point of taxation	6.28		
Demands and Recovery	9.42		
Penalties & Prosecution	11.24		

**Source** : Primary Data ; Note:\*\* denotes significance at 1% level

The above table manifolds the ranking of various GST rules and legislations by the service tax officials based on the frequent occurrence of cases/disputes met by them. The survey brings to sharp focus that since the P value is less than 0.01, the null hypothesis is rejected at 1% level of significance. Hence there is significance difference among the mean rank on the frequent occurrence of cases/disputes of various aspects of GST rules and legislations met by the service tax officials of Madurai Commissionerate.

Based on the mean rank, more number of disputes arises in case of penalties and prosecution, Demands and Recovery and Cenvat Credit with highest mean rank of 11.24, 9.42 and 8.96 respectively. The least mean rank is opted for registration of GST assesseees (3.20) and taxability of services (4.46).

**Null Hypothesis 2** : There is no association between Designation of GST officials and level of administrative measures

**Chi-Square test for Designation of GST officials and Level of Administrative measures**

Designation	Level of Administrative Measures			Total	Chi square Value	P value
	Low	Average	High			
Assistant Commissioner	0 (0.0%) [0.0%]	0 (0.0%) [0.0%]	2 (100.0%) [12.5]	2	21.099	0.002**
Deputy Commissioner	0 (0.0%) [0.0%]	0 (0.0%) [0.0%]	2 (100.0%) [12.5%]	2		
Superintendent	6 (60.0%) [100.0%]	3 (30.0%) [100.0%]	1 (10.0%) [6.3%]	10		
Inspector	0 (0.0%) [0.0%]	0 (0.0%) [0.0%]	11 (100.0%) [68.8%]	11		
<b>Total</b>	6	3	10	25		

- Note: 1. \* Denotes significance at 5% level and \*\* Denotes significance at 1% level  
 2. The value within ( ) refer the row percentage  
 3. The value within [ ] refer the column percentage

The above table pinpoints the opinion of GST officials on the level of administrative measures undertaken by the department which is classified into three categories as 'low', 'average' and 'high'. It is clear from the survey that the null hypothesis is rejected at 1% level of significance as the computed P value is less than 0.01. Hence there is association between the level of administrative measures undertaken by the department and the designation of GST officials.

**Null Hypothesis 3**: There is no association between educational qualification of GST officials and level of administrative measures

**FRIEDMANN TEST FOR THE REMEDIAL ACTIONS INITIATED TO**

## RESOLVE THE DISPUTES WITH THE CENTRAL EXCISE DEPARTMENT

Variables	Mean Rank	Chi square value	P value
Discussion with the authorities and try to resolve the problem.	2.72	570.446	0.001**
Refer GST tax manual / similar case laws.	1.88		
Approach a legal advisor	3.75		
File a complaint against the authority	1.65		

*Source: Primary Data*

*Note:* \*\* denotes significance at 1% level

The above table reveals that there is significant difference among the mean rank of the GST assesseees with respect to the remedial actions initiated to resolve the disputes if any with the Central Excise Department as the P value is less than 0.01. Hence, the null hypothesis is rejected at 1% level of significance. The sample survey indicates that approaching a legal advisor (3.75) is ranked first by the GST assesseees in finding solution for any dispute faced by them with the department, followed by discussion with the respective authorities with mean rank of 2.72. It could be observed from the survey that the respondents think of lodging a complaint against the authority only if all the possible ways could not stand with them as filing a complaint against the authority has the least mean rank of 1.65.

### CONCLUSION

India being a developing nation relies on tax revenue to meet her expenditure. The contribution of income from indirect taxes is witnessed at a declining trend for the past few years. Compliance of Goods & Services Tax provisions could be executed effectively only when proper planning and effective execution of audit process is done by three facets of groups namely, Goods & Service Tax Department, GST Professionals and GST Taxpayers. As GST is of recent origin and frequent amendments in GST rules and legislations are being made year after year, the concepts in GST would leave the assesseees unaware of the applicable current provision and unsure whether they are fully aware of the GST law from all the perspectives of the transaction.

On the one hand there is uncertainty about their understanding of the taxability of their transactions and on the other hand the departmental officer either on enquiry, investigation or audits points out certain aspects which may bring in an impact on the organization/ GST assessee which may be nominal or quite substantial.

Therefore it is cautious for any organization to reduce such risks by taking help of professionals who would examine the transactions, systems, concepts and compliances and procedures and provide suggestion and assist the organizations to achieve the objective of minimizing the risk of later impact (financial or otherwise) of non-compliance, short payment, non-payment etc.

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