

A Study on Customers Perception towards GST (Goods & Service Tax)

Krishan Kumar*

Lecturer in Commerce, Government Senior Secondary School Tohana, Fatehabad

Abstract – Goods and Service Tax GST is all set to be a game changer for the Indian economy. The tax is expected to reduce the concept of ‘tax on tax’, increase the gross domestic product of the economy and reduce prices. In India, there are different indirect taxes applied on goods and services by central and state government. GST is intended to include all these taxes into one tax with seamless ITC and charged on both goods and services. For the introduction of GST, the Government needs to get the Constitution Amendment Bill passed so that the proposed objective of subsuming all taxes and allowing states to tax subjects in Union list and vice versa is achieved. Without these powers, it is not legally possible to move towards GST. Conceptually GST is expected to have numerous benefits like reduction in compliances in the long run since multiple taxes will be replaced with one tax. It is expected to bring down prices and hence the inflation since it will remove the impact of tax on tax and enable seamless credit.

Keywords: GST, CENVAT, Services etc.

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INTRODUCTION

Taxation is the inherent power of the state to impose and demand contribution upon persons, properties, or right for the purpose of generating revenues for public purposes.

Taxes are enforced proportional contributions from persons to property levied by the law making body of the state by virtue of its sovereignty for the support of the government and all public needs.

Tax is today an important source of revenue for the government in all the countries. More than 3000 years ago, the inhabitants of ancient Egypt and Greece used to pay tax, consumption taxes and custom duties. Income tax was first introduced in India in 1860 by James Wilson who becomes Indians First Finance Member.

In order to meet the losses sustained by the government on account of military mutiny of 1857. In 1918 A New Income Tax bill was passed and which was further again replace in 1922. Finally, The Ministry of Law and Finance The Income Tax was Passed in 1961 and brought came in force on 1st April 1962 and this is also known as the Financial Year in Current Era. I.e. (01.04.18 – 31.03.2019)

Tax in general, is the imposition of financial charges upon an individual or a company by the Govt of India or their respective state or similar other functional equivalents in a state. The computation and imposition of the varied taxes prevalent in the country

are carried on by the Ministry of Finance Department of Revenue.

GOODS AND SERVICE TAX (GST) INTRODUCTION OF GST

The reference of GST was first made in the Indian Budget in 2006-07 by the Finance Minister Mr. P. Chidambaram as a single centralized Indirect tax. The GST constitution (122nd) Amendment Bill 2014 was introduced on December 19, 2014 and passed on May 06, 2015 in the Lok Sabha and yet to be passed in the Rajya Sabha.

The bill seeks to amend the constitution to introduce Goods and Services tax vide proposed new article 246 A. This article gives power to Legislature of every state and parliament to make laws with respect to goods and services tax where the supplies of goods or of service take place. Recently, Union Minister Mr. Arun Jaitley said that GST could be implemented as early as January 1, 2016.

Note: The word bill may be interpreted as the constitution (122nd) Amendment Bill 2014.

Clauses 366 (12A) of the constitution Bill defines GST as “goods and service tax” means any tax on supply of goods, or services or both except taxes on the supply of the liquor for human consumption. Further the clause 366 (26A) of the Bill defines Services means anything other than Goods. Thus it can be said that GST is a comprehensive tax levy on manufacture, sale and consumption of goods and

services at a national level. The proposed tax will be levied on all transactions involving supply of goods and services, except those which are kept out of its preview.

IMPACT OF GOODS AND SERVICE TAX

Food Industry

The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionery, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

Housing and Construction Industry

In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

FMCG Sector

Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years reaching to \$25 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (F.D.I.) are expected to fuel the growth and raise industry's size to \$95 Billion by 201835.

Rail Sector

There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter – state transportation of goods can be tracked through the proposed Information technology (IT) network.

LITERATURE REVIEW

- **Tan and Chin-Fat (2000)**, Malaysian understanding regarding GST was still low. Based on study conducted by Djawadi and Fahr (2013) pointed out that knowledge about tax is important to increase the thrust of authorities and also the citizens.
- **According to Torgler (2011)**, tax morale is important to taxpayer awareness. On the other hand, research by Tekeli (2011) using multiple regression analysis show that tax morale has insignificant relationship on tax awareness. A Tekeli (2011) conclusion is supported study by regarding cause and consequences of tax morale.
- **Research by Mustapha and Palil (2011)**, stated that the influence of compliance behavior towards individuals' awareness has been proven in various researches. From the findings of Razak and Adafula (2013); Santi (2012) they found that taxpayers' awareness is significantly associated with tax compliance and this is also supported by study Jatmiko.
- **Pinki, Supriya Kamma and Richa Verma (July 2014)** studied, "Goods and Service Tax " Panacea for indirect tax system in India " and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong it infrastructure.
- **AgogoMawuli (May 2014)** studied, "Goods and Service Tax an Appraisal "and found that GST is not good that low income countries and does not provide broad based growth to poor countries. If still countries want to implement GST then the rate of GST should be less than10 % for growth.
- **Boonyarat et al. (2014)**, the researcher used Structure Equation Modelling (SEM) to examine the relationships between tax awareness and tax knowledge and the researcher found out that tax knowledge has positive relationship with tax awareness. Hence, taxpayers will be more aware about tax system when they have knowledge and understanding towards the tax system.
- **Nishitha Guptha (2014)** in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development.
- **Jai Parkash(2014)**, in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax set off, subsuming of several taxes in the GST and phasing out of CST.
- **Venkadasalam (2014)**, has analyzed the post effect of the goods and service tax

(GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries.

- **Mohammad Ali Roshidi (2016)**, conduct a study on "Awareness and perception of tax payers towards Goods and Service Tax implementation. The study attempts to find out what level of awareness and perception to GST taxpayers in Malaysia. This study only consists of 256 civil service servants of the secondary school teachers in the kaulakangsar, Perak. Data collected using questionnaire. The result shows that moderate and majority of respondents give a high negative perception to the GST. The eventually causes the majority of respondents did not accept implementation of GST in Malaysia.
- **International Journal of innovative studies in sociology and humanities (2016)**, A study on impact of GST after implementation Milan-deep Kour and his co-authors Assistant Professor from Eternal University himachal Pradesh talks about the impact of GST and implementation of it, its benefit and challenges. He also emphasizes that GST is going to change things in current situation.
- **Vineet Chauhan (2017)**, Conduct a study on "Measuring Awareness about implementation of GST." A study survey of small business unit of Rajasthan State in India. The study seeks to evaluate the awareness of the business owners about GST difficulties they face to encase of the current awareness about it. 148 small business owners were analyses in order to identify the awareness about GST from Rajasthan state and the kind and extent of relief provided and the implementation of the provision under GST Law.
- **Poona m (2017)**, The biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. After amalgamation of local state and central taxes competitiveness of industry, exporter and company will increase. The extra revenue which can be generated from broaden tax base structure can be utilized for the growth of nation.

- **Times of India dated (27 July, 2017)**, stated that the GST implication across different places for the same product has wider differences which the consumers are unaware, resulting them in surprise. Ex A Rasamalai sold in counter at a shop is taxed with 5% but if it is served in the hotel it is taxed with 18% this has resulted in difference of consumers shopping to purchase the similar products.

OBJECTIVES OF STUDY

- To Analysis customers perception regarding Goods and Service Tax (GST).
- To Asses Customers view regarding important of GST
- To find out the perception and their views on new implemented taxation system.

RESEARCH METHODOLOGY:

The present research is exploratory in nature. Since GST is a new phenomenon in India, there are hardly any studies in this area. Especially there is a huge gap of empirical and behavior studies on GST in India. The study tries to find the significance of popular perception regarding GST.

Need of Study:

The Need of study has to fill the gap that has identified in the previous researchers. Under this study we know that how much level of understanding the GST and Perception towards GST as well as traders, taxpayers concerned by GST.

Scope of the Study:

This study is conducted to find out the views of consumers and to know about their expenditure pattern and the variation. The respondents selected are of mixed group which will give wider difference in understanding. The scope of the study is limited only to the concerned area of study which cannot be justified for another place.

Research Design:

In this paper the two basic types of research design are used:

Exploratory Research:

The exploratory study is particularly helpful in breaking broad and vague problems in to smaller, more precise sub problem statements. Exploratory research is also used to increase the familiarity with the problem under investigation.

Descriptive Research:

A descriptive study requires a clear specification of who, what, when and why apex of the research. It requires formulation of more specific hypothesis and the testing these through statically inferencetechnique.

Sampling Size:

The sample size of the study was **50**. The responses were captured from respondents on a **5 point Likert scale**.

Sampling Method:

The sampling method was **Judgment Sampling** (only those respondents were chosen who had some knowledge about GST)

1. **Primary Data:** The study is largely based on the primary data which has been collected through the structured Questionnaire Method.

Questionnaire:-

The data has been collected by administering a structured schedule of questions. The questions are generally framed by 5 point Likert Scale and answers by respondents in form of Agree, Dis agree, Neutral, Strongly Agree and strongly dis Agree.

Secondary Data:

This type of data has already been collected by someone else and has already passed through statistical process. This type of data has been collected from the following resources:

DATA ANALYSIS & INTERPRETATION

The data collected various respondents have to analysis for the drawing onclusion. So in this chapter efforts have been made to analysis and interpret the collective data towards perception of customers on "Goods and Service Tax " through questionnaire.

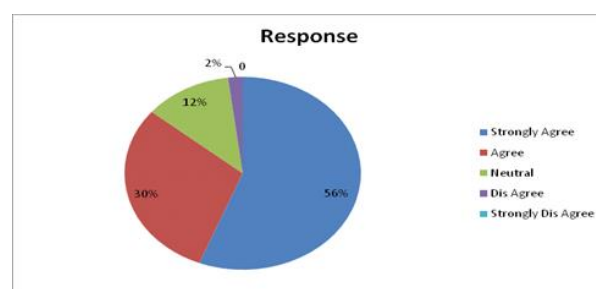
First of all the collected data have been presented in tabular form and there after it is analyzed with the help of percentage and Pie Charts. A brief description of analysis and interpretation given below:

In Table No. 4.1 An attempt has been made of classify the respondents perception towards the Goods and Service Tax. The Perception level of the respondents has been divided in to Five categories – Strongly Agree, Agree, Neutral, Dis Agree, and Strongly Dis Agree. The description of this asbelow

Table No.4.1

Classification of respondents on the basis of their perception regarding "GST is a very Good Tax reforms for India:

Sr. No.	Response	No. of Respondents	Percentage (%)
1	Strongly Agree	28	56
2	Agree	15	30
3	Neutral	6	12
4	Dis Agree	1	2
5	Strongly Dis Agree	-	-
	Total	50	100

Source Data collected from primary sources through questionnaire method**Figure 4.1****Interpretation :**

Above chart depicted that majority of the respondents satisfied with the statement this taxation reform in India is very good 56% respondents are strongly agree with this statement and 30% are agree and also 12 % are neutral . Hence it is concluded that majority of the respondents i.e. 56 % are strongly agreed and 30% agreed with this statements.

Table No. 4.2 An attempt has been made of classify the respondents on the basis of their response regarding the statement "GST has increased the various legal formalities. " The response is divided into five categories – Strongly Agree, Agree, Neutral, Dis agree and Strongly Dis agreed. The description of this as below:

Table No.4.2

Classification of respondents on the basis of their perception regarding the GST implementation.

Sr. No.	Response	No. of Respondents	Percentage (%)
1	Strongly Agree	21	42
2	Agree	21	42
3	Neutral	7	14
4	Dis Agree	1	2
5	Strongly Disagree	0	0
	Total	50	100

Sources Data collected from primary sources through questionnaire method.

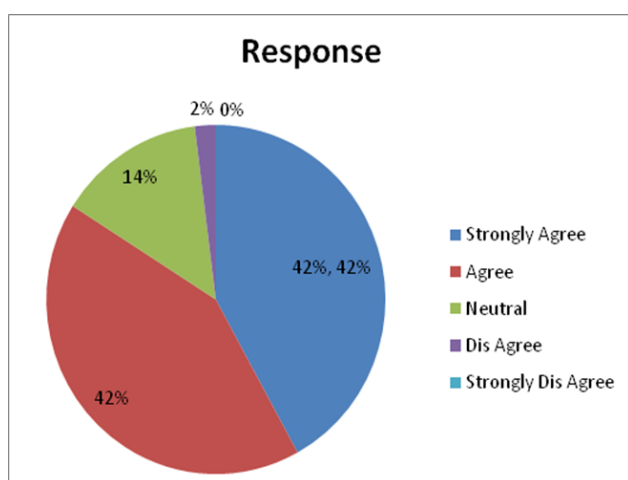


Figure 4.2

Interpretation :

Above Chart depicted that majority of the respondents satisfied with the statement after implementation of GST has increased various types of formalities. 42% respondents are strongly agree and also 42 % are Agreed and 14% are also neutral .So it is concluded that majority of the respondents satisfied this statement.

Table No. 4.3 An attempt has been made classify the respondents on the basis of their response regarding statement "GST has increased the Tax burden on Common Man"

Table No. 4.3

Classification of respondents on the basis of response of the respondents regarding the statement GST has increased tax burden on common man.

Sr. No.	Response	No. of Respondents	Percentage (%)
1	Strongly Agree	8	16
2	Agree	16	32
3	Neutral	15	30
4	Dis Agree	11	22
5	Strongly Dis agree	0	0
	Total	50	100

Sources Data collected by Primary sources through the questionnaire method

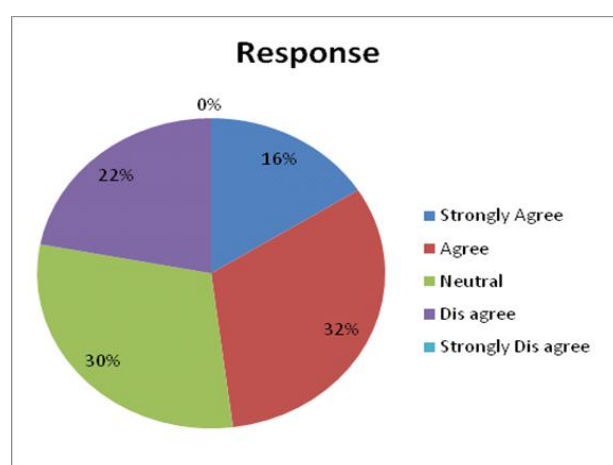


Figure No. 4.3

Interpretation:

According to above table, it is shows that majority of the respondents i.e. 32% are agree with this statement and 30% are neutral and also 22% are Dis Agree for this statement. 16% are strongly Agreed. So it is concluded that majority and cum majority peoples are said that GST has increased he burden of Common man.

CONCLUSION:

This study highlighted the overall overview of GST .The Government to put in more effort to ensure that Consumers have a clear understanding and develop a positive perception towards GST, leading to its acceptance. Good understanding among customers is important as it can generate a positive perception towards the taxation policy. The Custom Department could initiate and promote an extensive publicity programmes which could help to create awareness and generate positive perception among customers in understanding the rationale and importance of GST in India.

SUGGESTIONS

The customers suggested that there should be a smooth, transparent and simple transition provisions which is easily understandable. Special focus on awareness and training of all officers, professionals and assesses should be given on GST. Since the public are very clear about GST, any disputes on GST introduction should be protectively addressed by way of speedy redress. The people are not well informed on the implementation of the GST. Therefore, in order to ensure efficient implementation of the GST, the government should come out with a proper guideline to the society on the procedures for the implementations of GST. Gradual stages may be employed for the implementation like the agricultural sector, then industrial and then the service sector. The relevant authorities especially the customers department must work closely with other departments like information, Inland Revenue and other enforcement authority ensure good implementation. Lastly, the government must ensure a good management of the income collected from the GST.

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Corresponding Author

Krishan Kumar*

Lecturer in Commerce, Government Senior Secondary School Tohana, Fatehabad