Tax Payers’ Perception Towards Goods and Service Tax in India

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GST is a new tax regime which is destination based, multistage tax has been launched on 1st July 2017 in India which replaced all indirect taxes. Reduction of the stress of tax payers, tax evasion and conversion of multiple taxes in to one tax bracket are the main motives behind launching this new tax regime. Earlier some part of tax on goods and services were imposed by State Government and some by central government but now, all covered under one roof of GST. The main aim of this study is to examine the tax payers’ perception towards newly implemented tax regime in India. For this study data has been collected from 500 tax payers to know about their perceptions and awareness regarding goods and service tax. Study has shown both positive as well as negative perception of tax payers towards GST. As per the results of the study GST will give fruitful outcome in long run.

Key Words: Goods and Service Tax, perception, Indirect tax, Tax payers, awareness

1. Introduction

The source of income for the government is collection of taxes from individuals of the country. Taxes are considered to be a compulsory charge imposed by government on individuals and that tax collection is utilized by the government for the development of the country. After almost 19 years of evolution of how to develop and amend the indirect taxation system of India, on 1st July 2017 a new tax regime was launched which is now refereed as Goods and Services Tax (GST). As to increase the revenue capacity of the government and for the economic growth of the country a solid tax change was required so Indian government implement the new tax reform i.e. Goods and Service Tax (GST). The main reason behind implementing GST is to reduce tax burden of the consumers by reducing cascading effect of taxes through single tax system as well as to introduce more efficient, more transparent and simpler tax system. A new tax GST replaced all indirect taxes and incorporates all taxes to avoid multiple taxes and which now will be borne by the last consumer. As a result, the final cost to the consumer comes out be lower because of the exclusion of all multiple and dual taxes. The idea behind launching GST in India is that it will reduce taxation burden of tax payers’. According to Indian indirect taxes framework some part of the taxes on goods and service are levied by Central Government and few are imposed by state government. So, if only one tax is levied in the country it will become an easiest taxation system (Ahuja.A.,2017) In Current GST system, there are five tax slabs for goods and services i.e. 0%, 5%, 12%, 18% and 28% (Clear tax, in). While on Semi precious stones and rough precious stones there is an especial charge of 0.25% and on gold tax rate is 3%. Furthermore, on some items like luxury cars, aerated beverages and on tobacco products there is an extra tax of 15% or different rates over 28% (Agarwal.M., 2017).

GST has replaced all the indirect taxes and it has the distinctive effect on different segments in Indian economy. The attempt of the study is to investigate about the GST perception and attitude of the tax payers’. With this change in taxation policy and introduction of GST, every variant cost would go under a singular housetop. Producers and merchants would profit by less duty filings, straightforward guidelines, and simple accounting procedure. Consumers would pay less for the products and enterprises, and the administration would create more incomes as income holes would be stopped (Clear tax. in).

2. Literature Review

Tax payers’ strongly perceived that tax burden has been increased with the introduction of Goods and services tax (Agarwal, M. 2017). It would be more better if GST is implemented after studying the Proper GST framework of other countries who all are following this regime, instead of imposing it in rush half-heartedly. Some relaxation must be provided to small businesses and farmers by the Government (Ahuja, A. 2017). Because of so much variation in prices of commodities, both positive and negative impact of GST in India will be observed (Kaur, J. 2016). “GST is the simple and transparent tax system which will help to generate the employment opportunities and effective for framing fiscal policy” (Sehrawat et. al 2015). GST is best...
substitute over all indirect taxes and it is a logical step towards a comprehensive taxation reforms. It will result in several industrial advantages which will result in economic development of the country. One rate for all product and services would facilitate to take care of simplicity and transparency (Shaik et al. 2015). GST may be a biggest amendment in Indian tax structure. Once its implemented there could also be fall in costs of some commodities and costs of some product and services could rise. States could face reduction in their monetary resources (Kaur 2016). GST will affect the Indian economy both positively and negatively. It could be a good way to reduce black money to eliminate cascading of taxes, will boost manufacturing activities, generate more employment etc. Negatively, proposed GST rate is higher than the VAT rate in India. There will be dual control of state and central on all tax related matters and loss may incur to manufacturing states. Overall, it’s a good effort by government of India after the demonetization in 2016 (Dash 2017). GST have been authorized by over a hundred and fifty countries. Before executing it, the Indian Government should study properly the GST regimes and their aftermaths based on the past review of other countries having GST system. At steady time, the govt. needs to construct an undertaking to secure the vast poor class population of India against the apparently expansion in view of usage of GST (Dani 2016). GST is as like newly born child for Indian economy. Some undertakings are required to judge the results of GST for Indian. As to, authorities and pro associations it will profitable in long run. It will get straightforwardness social occasion of roaming evaluations benefitting both the administration and the all-inclusive community of India (Yogesh A Oct 2017). Execution of GST in India would incorporate an expansive number of expenses into one single enactment while limiting the falling impact of charges, making accessible duty credits over the chain, improvement of a typical national market and making Indian item and administrations more focused in the worldwide market. The study attempts to assess whether the new GST administration has the capability of being a distinct advantage for the Indian economy (Sreetama 2017) the researcher talks about issues concerning tax assessment in India. He examined the move taken by the prime minister to solicit the central tax authorities to double the strength of citizens in the nation for the tax payers’ category and along with that issues with respect to the Goods and Services Tax which can lessen the workload of the assessment officers hugely. (DESAI, ASHOK V.2016) Banking sector also effected by the GST. There are several factors which are effected banking sector too. (Kaur B, Laveena 2018) India is a economy where each state has its claim course of action of benchmarks for them. To impact the obligation portion to process less complex and influence a win-to win condition for both, government and likewise associations, and to diminish the pollution in the economy, GST charge is displayed in India which is most basic for the advancement and change of the economy (Kaur B, Mehta L 2018).

3. Theoretical Framework

3.1 Need and Importance of Goods and Service Tax:
- Substitute for all Indirect taxes
- Not so much duty consistence plus an improved assessment arrangement contrasted with current expense structure.
- Beneficial in reducing the falling effects of cost
- Reduces complexities and assembles more number of money related trades.
- Through GST the governing body gets more measure of cost salary which will be utilized for the organizations to individuals as a rule.
- As there is more straightforwardness in the plan of GST and since it is a course of action of single duty appraisal, the chances of debasement will be low.

3.2 Impacts of GST on Major Sectors of Indian Economy

Goods and Services Tax structure has affected all the sectors of Indian economy. Some sectors are facing positive impacts and some are facing negative impacts. An impact on some of the major sectors is explained as follows:
- **Impact on FMCG Sector:** This Sector is the fast growing and fourth largest in Indian Economy. GST would have a significant impact on this sector. GST will reduced or nullify the requirement of plenty of sales terminals that will reduce the logistics and distribution cost. In the previous tax system FMCG sector has to pay VAT, Service tax, excise duty, entry tax etc. but after GST implementation all Indirect taxes will be covered under one umbrella. No Input Credit was available for taxes like CST, CVD and SAD under previous tax regime, but under GST input credit will be available for all GST payments made during the business. Overall FMCG sector is positively affected by Goods and service tax.
- **Impact on Manufacturing Sector:** After GST implementation, the sector which is expected to grow more strongly and competitively in India is the manufacturing sector and performance of this sector.
will be significantly improved. After the implementation of GST, cascading of taxes will reduce and lead to lower cost of production.

- **Impact on Service Sector:** Indian service sector is a major contributor in Gross Domestic Product and provider of huge chunk of employment opportunities in the country. It also attracts foreign investment towards Indian Economy and contributes in exports. GST will be beneficial to the service sector but it will entail additional cost and efforts in the short term (clear tax.in).

- **Telecommunications:** The current standard rate of GST on the supply telecom services and products is 18%. As a part of the budget exercise, DOT (Department of Telecom) had recommended to the Department of Revenue to reduce the standard GST rate for telecom to 1

- **Automobiles:** Small petrol cars with engine capacity of 1200cc or less with attract an additional 1% cess. The diesel vehicles with engine capacity of 1500cc or less than will get 3% additional cess. Sports utility vehicles, luxury cars and larger sedans will be benefitted from the new GST scheme. Even after the 1% additional cess, the total levied tax will be less than the currently imposed tax(Clear tax.in).

4. Research Objective

1. To study the perception and level of satisfaction of tax payers towards Goods and Service Tax.
2. To study the attitude expressed by the tax payers towards Goods and Service Tax.

5. Research Methodology

5.1 Research Design

GST is new concept in India, there is less research done in this area till yet. Now many researchers are focusing in this area. For this study exploratory research have been done. The present research focused on understanding the tax payers’ perception towards goods and service tax in India. For this study two approaches are considered qualitative as well as quantitative approach.

5.2 Hypothesis: For the study following hypothesis will be tested

- \( H_0 \): The tax payers‘ perception is not significant towards Goods and service tax.
- \( H_1 \): The tax payers’ perception is significant towards Goods and service tax.

5.3 Sampling Design

Primary data was gathered by collecting responses from 500 tax payers’ to identify tax payers’ perception and level of satisfaction towards GST. Qualitative data was gathered by conducting in-depth interviews of 50 participants for which 32 males and 18 female’s respondents were interviewed to study the attitude of the tax payers’ regarding GST. Participants were chosen by keeping the criteria of 3 age categories (20-30 years, 30-50 years, 50 years and above).

5.4 Data Collection

For collecting quantitative data, structure questionnaire was used. 5-point Likert scale have been used for collecting the response of the respondents. For collecting qualitative data, the study used in-depth interviews method. The interviews were conducted over a period of one month.

5.5 Data Analysis

For checking the tax payers’ perception and level of satisfaction mean and one sample t-test were used for data analysis.

6. Data Analysis and Interpretation

6.1 Quantitative Data Analysis

<table>
<thead>
<tr>
<th>Table 1 Demographic Profile of the Selected Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profile of respondents</strong></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Age groups
6.2 Respondents: Demographic Profile

- As per Demographic profile represented in Table 1, 78% respondents who gave their views about GST belongs to male category and 21% respondents belongs to female category.
- Out of total respondents 18% related to the age bracket of below 25 years, 56% respondents fall within the age group of 25 to 40 years and rest 25% respondents covered in the category of above 40 years.
- 38% belongs to the category of Under graduate degree or below and rest 62% respondents belongs to the category of Post Graduate and higher than PG.
- On the basis of earning level 31% of the respondents have earnings below Rs. 40,000 per month, while 46% of the respondents earn with in the range of 40,000 to 75,000 and balance 21% have monthly earnings more than Rs. 75,000.
- While considering occupation level of the respondents, 43% covered under business class whereas 56% belongs to the salaried class.

Table 2 Significance of the Tax Payers’ Perceptions Regarding GST: One Sample T-Test

<table>
<thead>
<tr>
<th>Sr. no</th>
<th>Statement</th>
<th>Mean</th>
<th>T statistics</th>
<th>P - value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>GST is substitute for all indirect taxes and a good tax regime for India</td>
<td>4.6000</td>
<td>42.032</td>
<td>.000</td>
</tr>
<tr>
<td>2.</td>
<td>Legal complexities have been increased with the implementation of GST</td>
<td>4.6833</td>
<td>50.060</td>
<td>.000</td>
</tr>
<tr>
<td>3.</td>
<td>GST has enlarged the taxation liability of Businessman</td>
<td>3.9333</td>
<td>55.573</td>
<td>.000</td>
</tr>
<tr>
<td>4.</td>
<td>GST has enlarged the tax liability of Common Individuals</td>
<td>4.4167</td>
<td>30.845</td>
<td>.000</td>
</tr>
<tr>
<td>5.</td>
<td>India is not prepared for the execution of GST</td>
<td>3.9000</td>
<td>40.151</td>
<td>.000</td>
</tr>
<tr>
<td>6.</td>
<td>Government has forced GST on individuals with no readiness</td>
<td>3.9500</td>
<td>39.810</td>
<td>.000</td>
</tr>
<tr>
<td>7.</td>
<td>GST is extremely hard to understand</td>
<td>1.9167</td>
<td>11.982</td>
<td>.000</td>
</tr>
<tr>
<td>8.</td>
<td>GST will pace up the rate of inflation with in the country</td>
<td>4.0333</td>
<td>43.788</td>
<td>.000</td>
</tr>
<tr>
<td>9.</td>
<td>GST is valuable in long-run</td>
<td>3.7333</td>
<td>64.289</td>
<td>.000</td>
</tr>
<tr>
<td>10.</td>
<td>GST will enhance the tax income of the government</td>
<td>3.9167</td>
<td>57.255</td>
<td>.000</td>
</tr>
<tr>
<td>11.</td>
<td>GST is influencing small business unfavourably</td>
<td>3.9500</td>
<td>43.355</td>
<td>.000</td>
</tr>
</tbody>
</table>

- Table 2 represents the perceptions and significance of the tax payers’ regarding Goods and Services tax.
- By considering all the eleven variables the most important variable emerged is ‘Legal complexities have been increased with the implementation of GST’ having a mean value of 4.6833 pursued by ‘GST is Substitute for all indirect taxes and a good tax regime for India’ having a mean value of 4.6000 and the next
most important variable worked out is ‘GST has enlarged the tax liability of Common Individuals’, having a mean value of 4.4167.

- The next valuable variables regarding the perceptions and significance of the tax payers’ regarding Goods and Services tax are ‘GST will pace up the rate of inflation with in the country’ having a mean value of 4.0333, and ‘Government has forced GST on individuals with no readiness’ and ‘GST is influencing small business unfavourably’ having the mean value of 3.9500 and ‘GST has enlarged the tax liability of Businessman’ having mean value of 3.9333 and ‘GST will enhance the tax income of the government’ having mean value 3.9167.

- Many respondents were of the perception that ‘India is not prepared for the execution of GST’ ‘having mean value of 3.9000 and ‘GST is valuable in long-run’ having mean value 3.7333.

- We have find lower mean value of the statement that ‘GST is extremely hard to understand’ (mean value 1.9167)

- Table 2 also represents the values of T-Test showing the significance of the tax payers’ regarding Goods and Services tax. With reference to the P (Significance) value column, all eleven variables having a significant mean value.

- Hence for all 11 variables the null hypothesis viz – The tax payers’ perception is not significant towards Goods and service tax is rejected and alternate hypothesis is accepted.

### 6.3 Qualitative Data Analysis

#### 1. Respondents Background

The respondents included 18 females and 32 males, out of which 18 respondents belongs to the age category of (20-30 years), 24 respondents were between 30 – 50 years of age and 18 belongs to the age category of 50 and above. On their monthly income, most of the respondents (31 respondents) are earned between ₹25000 – ₹50,000, 12 respondents are earning less than ₹25,000 while the rest of the respondents are earning more than ₹50,000 every month.

#### 2. Reason Stated by Respondents for not Supporting GST

Respondent were asked about why they are not supporting GST in comparison of various traditional indirect taxes, reason they stated includes that multiple rate structure, increase the price level of goods and services, higher living cost, confused about GST concept, affecting small business very badly, increased legal compliances and tax burden on common man.

**Respondent’s View**

- One of the respondents mentioned that, “Tax payers were not ready for the implementation of GST and Government has forced GST on individuals with no readiness” (Respondent No. 13)
- “GST would not create any employment opportunities in the country. While it is sure that GST will enhance the profits of the government but these increased profits would not be spent on raising the level of production and employment in the country.” (Respondent No. 8)

#### 3. Reason Stated by Respondents for Supporting GST

Respondent were asked about why they support GST in comparison of various traditional indirect taxes, reason they stated includes that more transparency, zero tax rate on some items (like eggs, milk, curd, natural honey, cereals, salt, drawing or coloring books etc.), less corruption, reduce tax evasion.

**Respondent’s View**

- One of the respondent mentioned that, “Tax payers’ think that GST will affects small businesses badly but Government should take measures to educate tax payers regarding GST that this tax reform will not affect the businesses having a turnover of below Rs. 20 lakhs because GST is not applicable on small businesses with a turnover below this range.” (Respondent No. 1)
Similarly one of the respondent said that, “GST is little bit confusing for common individuals so it is the moral duty of the individuals who have knowledge about GST that they must educate others also so that they must have clear understanding about GST regime.” (Respondent No. 5)

“Because of the low tax rate on necessary goods and high tax rate on luxury goods, it will reduce the tax liability of lower earning group and tax payers’ with high earning group have to face more tax liability.” (Respondent No. 42)

**7. Conclusion**

Overall study revealed that, most of respondents are disagreeing with the implementation of GST. Most of the respondents were of the view that it effects our consumption behaviour and we started consuming goods with prudence consideration. Some of the respondents remain unclear and not sure whether they will consume more goods or less goods. Respondents feel that it is a good tax reform but it is beneficial in long run. But in short run it has increased legal compliances, tax burden and prices of goods and services.

**8. Suggestions**

- Adequate essential education should be given to the tax payers’ for effective implementation of GST.
- Regulations and guidelines must be clear to everyone.
- Government should simplify the GST system so that everybody can understand the system quickly.

**9. Future Scope**

- It is advised that same study to be conducted with diverse group of business community in another areas so that comparison can be made with those who are living in different demographic groups.
- Study is also restricted by the limited sample size taken for meeting the objectives.

**10. References**

12. The Economic Times (2009), Featured Articles from the Economic Times.