

A Study on Impact of GST on Common Man with reference to Coimbatore City

*¹M. Uma & ²Dr. R. Umamaheswari

¹Assistant Prof., Department of B.Com Accounting and Finance, PSGR Krishnammal College for Women, Coimbatore (India)

²Head of the dept., Department of B.Com Accounting and Finance, PSG College of Arts and Science, Coimbatore (India)

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*Corresponding Author

Email: uma.m.pearl@gmail.com

ABSTRACT

Goods and Services Tax (GST) would be a comprehensive indirect Tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by central and state governments. It is perceived by the general public that VAT is necessary to curb tax evasion and to contribute to the National exchequer sizeable revenue. VAT compels the traders to maintain books of accounts and regular filing of returns. This study undergoes the concepts and impact of GST on common individual in his daily life schedule. Goods and Services Tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. The objective of the study was to analyse the awareness, satisfaction and problem of taxpayers towards GST. Primary Data was collected from 328 individuals who are paying tax. Percentage analysis and Chi- square analysis were used to analyse the problem and interpreted using the output in SPSS. The study found that the more awareness programs and advertisements can be promoted to give clear view of proposition of GST in India.

INTRODUCTION

Goods and Services Tax (GST) would be a comprehensive indirect Tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by central and state governments. Goods and Services Tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services.

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017 following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's two trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

GST would have impact on the household items which we buy, hence this would impact our pocket. Also if we are investor in stock markets, some of the companies would lose and some companies would benefit. It is an opportunity for us to grab the stocks that would get benefitted with GST implementation in India.

Goods and Services tax is an indirect tax that is applicable throughout India and is replacing different taxes levied by the state and central government. This tax system would amalgamate several central and state taxes into a single tax and eradicate double taxation. It would enable the goods to move from state to another without any stoppage at state borders for payment of state tax and also reduce the paper work to the large extent. GST is expected to be applicable from 1st July 2017. The various indirect taxes like entertainment tax, central excise duty, service tax, Value Added Tax (VAT), central sales tax (CST), etc. would be replaced by the single tax system-GST. Every business has to file 3 returns per month, i.e. 36 returns and one annual return that means 37 returns in a year if you are dealing in a single state. This number would increase accordingly if we were trading in more than one state.

The government announced that GST would be applicable in four taxes rates – 5%, 12%, 18%, and 28%. Few items have been kept out of GST. The states are interested in keeping few things out of the field of GST which are sensitive to their states like UP wants puja material out of tax net while few want cotton and silk yarn out. All the Goods and Services would be charged with any of the mentioned rates as decided by the GST council. Nearly 81% of items have been kept under 18% tax slab and only 19% of the goods will be taxed above 18%.

Earlier, GST was introduced during 2007-08 budget session. On 17th December 2014, the current Union Cabinet ministry permitted the proposal for introduction GST Constitutional Amendment Bill. On 19th of December 2014,

the bill was offered on GST in Loksabha. The Bill is presented in Budget session.

STATEMENT OF THE PROBLEM

A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, SAD, Excise etc. A simplified tax policy as compared to earlier tax structure. Removes cascading effect of taxes i.e. removing tax on tax. The transformation of tax system in India has led to much confusion in common man in necessity of GST, usage and its efficiency to improve the currency value. Hence, we have made an attempt to study the impact of GST on common man.

SCOPE OF THE STUDY

GST is a comprehensive structure of both goods and services. It is perceived by the general public that VAT is necessary to curb tax evasion and to contribute to the National exchequer sizeable revenue. VAT compels the traders to maintain books of accounts and regular filing of returns. This study undergoes the concepts and impact of GST on common individual in his daily life schedule. This study leads the scope to further statements of application and difficulties in following GST in routine life of common individuals. Hence this study assumes greater significance.

OBJECTIVES OF THE STUDY

1. To know about the individual perception towards Goods and services tax.
2. To understand about the satisfaction level towards GST
3. To know about the awareness level of GST.

RESEARCH METHODOLOGY

The following tools were used for the study:
Percentage analysis
Chi-Square

LIMITATIONS OF THE STUDY

- ✓ The inherent weakness of primary source of data applies to this research study only.
- ✓ The inadequate knowledge of the respondents about GST policies, procedures and methods likely to affect the response of general public.
- ✓ The samples and the data collection are based on the willingness and reactions of the respondents.
- ✓ The process of administration of GST is an ongoing process and the inference and conclusions based on collected information may not reflect the future course of action.
- ✓ As the reforms are continuous in nature, the findings of the study in the right of evaluation of data may be constrained to time and place.

HYPOTHESIS

The educational qualification of the respondents has no significant association on current service tax compliances is easier than the direct tax.

The educational qualification of the respondents have no significant association between the proposed GST is a predominantly compliance tax or a technically oriented tax.

REVIEW ON THE STUDY

Power minister Piyush Goyal (New Delhi: July, 01 2017) stated that "The GST will not cause distress or difficulty to common man, but it will make tax evasion harder,"

Food processing minister Harsimrat Kaur Badal (New Delhi: July, 01 2017) stated that "I am confident that this will act like a boon for the common man as it will bring down prices. This landmark legislation will convert India into economic union with uniform rules, laws, tariff and procedures across the nation,"

Dr. P Vijayaraghavan and Mr. Muhammed Unais (April 2017) stated that "Impact of GST on Indian Economy and concluded that the implementation of GST will reduce tax burden on manufacturers and thus encourages for the higher production. This process will increase the export of India and it will increase the total GNP. Avoidance of cascading effect empowers the manufacturers to produce to their optimum cap

Jaya sankar (2017) stated that if GST is implemented for cascading of taxes then why prices of goods are not coming down.

Regina (2017) stated that The video shows milk to be one of cheaper goods, yet the article's opinion on the milk price is "which is likely to see a spike in prices after GST is implemented, can still be sold at cheaper rates, if the State government offers a subsidy on it.

Regina (2017) stated that the clothes are mentioned to go cheaper. But some Clothing stores are providing special GST discounts since the prices may go up. Is this the case, where sellers are rising the prices for almost all goods by mentioning it is because of GST? A city and retards growth.

Jaya Shankar (2017) stated that if GST is implemented for cascading of taxes then why prices of goods are not coming down.

Mahesh, (2017) stated that There are lot of players (companies) in different sectors who fall under unorganized category. Most of these companies will come under tax regime after the implementation of GST. This will lead to reduction in their competitiveness compared with organized players.

OVERVIEW OF THE STUDY

Value Added Tax

Value-added taxation in India was introduced as an indirect value added tax (VAT) into the Indian taxation system from 1 April 2005. The existing general sales tax laws were replaced with the Value Added Tax Act (2005) and associated VAT rules.

A few states (Gujarat, Tamil Nadu, Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand, Uttarakhand and Uttar Pradesh) opted to stay out of VAT taxation system during the initial introduction of VAT but adopted it later. As of 2 June 2014, VAT has been implemented in all the states and union territories of India except Andaman and Nicobar Islands and Lakshadweep Island.

The OECD (2008, 112–13) cites Chanchal Kumar Sharma (2005) to answer why it has proved so difficult to implement a

federal VAT in India. The book claims that although the implementation of a broad-based federal VAT was considered as the most desirable consumption tax for India since the early 1990s, such a reform would involve serious problems for the finances of regional governments. Also, implementing VAT in India during the current economic reforms would have paradoxical dimensions for Indian federalism. On one hand, economic reforms have led to decentralization of expenditure responsibilities, which, in turn, demands more decentralization of revenue raising power if fiscal accountability is to be maintained. On the other hand, implementing the VAT, to make India a single integrated market, would lead to revenue losses for the states and reduce their autonomy indicating greater centralization.

Sharma asserts that "political compulsions have led the government to propose an imperfect model of VAT", as it 'goes against the basic premise of VAT', as it lacks both the removal of distortions in movement of goods across states and the uniformity in the tax structure. Chanchal Kumar Sharma (2005:929) states, Local or state level taxes like octroi, entry tax, lease tax, workers contract tax, entertainment tax and luxury tax are not integrated into the new regime, which goes against the basic premise of VAT, which is to have uniformity in the tax structure. The fact that no tax credit will be allowed for inter-state trade seriously undermines the basic benefit of enforcing a VAT system, namely the removal of the distortions in movement of goods across the states.

| Schedule No | Description |
|------------------|--|
| Schedule 1 | Goods, the sales or Purchase of which are exempt from tax |
| Schedule 2 | List of Goods Taxable at 5% and other rates as specified in the schedule |
| Schedule 3 | List of Goods Taxable at special rates |
| General Category | Goods not specified in any other schedule taxable @ 15% |

INTRODUCTION OF GST

Introduction of GST would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill effects of cascading and pave the way for a common national market. For the consumers, the biggest gain would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%. Introduction of GST would also make our products competitive in the domestic and international markets. Studies show that this would instantly spur economic growth. There may also be revenue gain for the Centre and the States due to widening of the tax base, increase in trade volumes and improved tax compliance. Last but not the least, this tax, because of its transparent character, would be easier to administer.

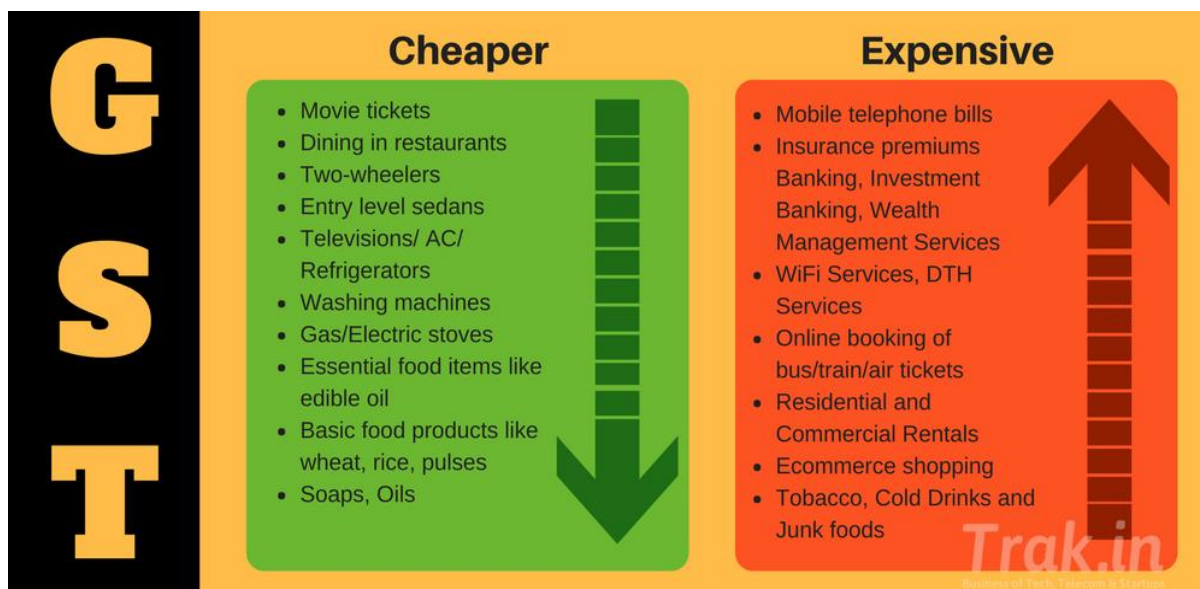
FEATURES OF GST

- i. The GST would be applicable on the supply of goods or services as against the present concept of tax on the manufacture and sale of goods or provision of services. It would be a destination based consumption tax.
- ii. It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The

- iii. The GST would apply to all goods other than alcoholic liquor for human consumption and five petroleum products, viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel. It would apply to all services barring a few to be specified.
- iv. Tobacco and tobacco products would be subject to GST.
- v. The GST would replace the following taxes currently levied and collected by the Centre: a. Central Excise duty b. Duties of Excise (Medicinal and Toilet Preparations) c. Additional Duties of Excise (Goods of Special Importance) d. Additional Duties of Excise (Textiles and Textile Products) e. Additional Duties of Customs (commonly known as CVD) f. Special Additional Duty of Customs (SAD) g. Service Tax h. Central Surcharges and Cesses so far as they relate to supply of goods and services.
- vi. State taxes that would be subsumed under the GST are: a. State VAT b. Central Sales Tax c. Luxury Tax d. Entry Tax (all forms) e. Entertainment and Amusement Tax (except when levied by the local bodies) f. Taxes on advertisements g. Purchase Tax 3 h. Taxes on lotteries, betting and gambling i. State Surcharges and Cesses so far as they relate to supply of goods and services.
- vii. The CGST and SGST would be levied at rates recommended by the GST Council.
- viii. There would be a floor rate with a small band of rates within which the States may fix the rates for SGST.
- ix. The list of exempted goods and services would be common for the Centre and the States which would be finalised by GST Council.
- x. An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services. Accounts would be settled periodically between the Centre and the States to ensure that the SGST portion of IGST is transferred to the Destination State where the goods or services are eventually consumed.
- xi. Tax payers shall be allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax. However, no input tax credit on account of CGST shall be utilized towards payment of SGST and vice versa. The credit of IGST would be permitted to be utilized for payment of IGST, CGST and SGST in that order.
- xii. HSN (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime. It is being proposed that taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2 digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4 digit code. Taxpayers whose turnover is below Rs. 1.5 crores will not be required to mention HSN Code in their invoices.
- xiii. Exports shall be treated as zero-rated supply. No tax is payable on export of goods or services but credit of the input tax related to the supply shall be admissible to exporters and the same can be claimed as refund by them.
- xiv. Import of goods and services would be treated as inter-State supplies and would be subject to IGST in

addition to the applicable customs duties. The IGST paid shall be available as ITC for payment of taxes on further supplies.

xv. The laws, regulations and procedures for levy and collection of CGST and SGST would be harmonized to the extent possible.



ANALYSIS AND INTERPRETATION

Simple Percentage Method

Gender of the Respondents

| Gender | No. of the respondents | Percentage |
|--------|------------------------|------------|
| Male | 227 | 69.2 |
| Female | 101 | 30.8 |
| Total | 328 | 100.0 |

Interpretation

From the above table it is inferred that 69.2 % of the respondents are male and 30.8% of respondents are female. Majority 69.2 % of the respondents are male.

Age Group of the Respondents

| Valid | Frequency | Percent |
|----------------|------------|--------------|
| Below 30 years | 56 | 17.1 |
| 31-40years | 132 | 40.2 |
| 41-50 years | 117 | 35.7 |
| Above 51 years | 23 | 7.0 |
| Total | 328 | 100.0 |

Interpretation

From the above table it is inferred that 40.2 % of the respondents are belongs to 31-40 years of age group, 35.7% of the respondents are belongs to 41-50 years of age, 17.1% of the respondents belongs to below 30 years of age group and 7% of respondents are belongs above 51 years age group. Majority 40.2 % of the respondents are belongs to 31-40 years of age group.

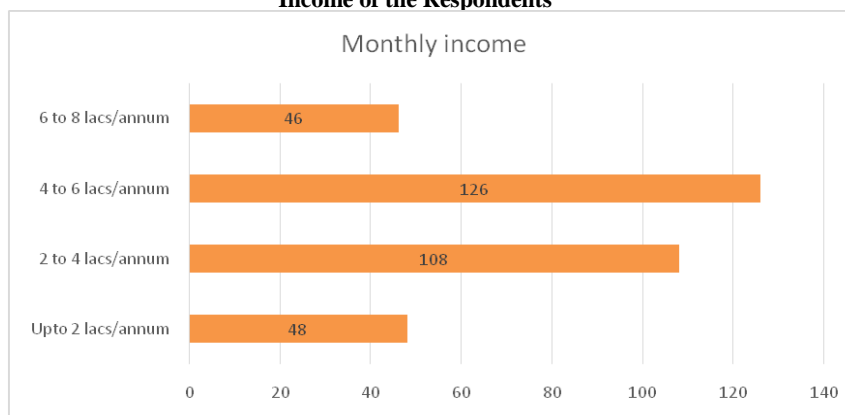
Income of the Respondents

| Valid | Frequency | Percent |
|--------------------|-----------|---------|
| Upto 2 lakhs/annum | 48 | 14.6 |
| 2 to 4 lakhs/annum | 108 | 32.9 |
| 4 to 6 lakhs/annum | 126 | 38.4 |
| 6 to 8 lakhs/annum | 46 | 14.0 |
| Total | 328 | 100.0 |

Interpretation

From the above table it is inferred that 38.4 % of the respondents has income of 4 to 6 lakhs per annum, 32.9% of the respondents has income of 2 to 4 lakhs per annum, 14.6% of the respondents has income of up to 2 lacks per annum and 14% of respondents are has 6 to 8 lakhs per annum. Majority 38.4 % of the respondents has income of 4 to 6 lakhs per annum

Income of the Respondents



Educational level of the respondents

| Valid | Frequency | Percent |
|---------------|-----------|---------|
| Graduate | 156 | 47.6 |
| Post Graduate | 172 | 52.4 |
| Total | 328 | 100.0 |

Interpretation

From the above table it is inferred that 52.4 % of the respondents have completed post-graduation and 47.6% of respondents has graduation as their educational qualification. Majority 52.4 % of the respondents have completed post-graduation

CHI-SQUARE ANALYSIS

CHI-SQUARE TESTS BETWEEN EDUCATION QUALIFICATION OF THE RESPONDENTS AND CURRENT SERVICE TAX COMPLIANCES ARE EASIER THAN THE DIRECT TAX.

Hypothesis

H0: The educational qualification of the respondents have no significant association on current service tax compliances are easier than the direct tax

CHI-SQUARE TESTS BETWEEN EDUCATION QUALIFICATION OF THE RESPONDENTS AND CURRENT SERVICE TAX COMPLIANCES ARE EASIER THAN THE DIRECT TAX

| | | Value | Df | Asymp. Sig. (2-sided) |
|--------------------|---------------|--|------------------------|-----------------------|
| Pearson Chi-Square | | .966 ^a | 1 | .326 |
| Crosstab | | | | |
| | | current service tax compliances are easier than the direct tax | | Total |
| | | Yes - Satisfactory | No – Need more clarity | |
| Education | Graduate | 57 | 99 | 156 |
| | Post Graduate | 54 | 118 | 172 |
| Total | | 111 | 217 | 328 |

Interpretation

The above table shows the Chi-Square Tests between education qualification of the respondents and current service tax compliances are easier than the direct tax. Since the significance value 0.326 is more than 0.05 the null hypothesis has been accepted. It is inferred that there is no significant

association between education qualification and current service tax compliances are easier than the direct tax. Hence both the graduate and post graduate respondents perceive that current service tax compliances are not easier than the direct tax.

CHI-SQUARE TESTS BETWEEN GENDER AND PERCEPTION OF GST TAX

Hypothesis

H0: There is no significant association between gender of the respondents and their satisfaction towards proposed GST.

CHI-SQUARE TESTS BETWEEN GENDER AND PERCEPTION OF GST TAX

| | | Value | df | Asymp. Sig. (2-sided) |
|--------------------|--------|--------------------|------------------------|-----------------------|
| Pearson Chi-Square | | 3.850 ^a | 1 | .043 |
| Crosstab | | | | |
| | | GST is a fair tax | | Total |
| | | Yes - Satisfactory | No – Need more clarity | |
| Gender | Male | 86 | 141 | 227 |
| | female | 27 | 74 | 101 |
| Total | | 113 | 215 | 328 |

Interpretation

The above table shows the gender of the respondents and their satisfaction towards proposed GST tax. Since the significance value 0.043 is less than 0.05 the null hypothesis has been rejected, It is inferred that there is a significant association between gender of the respondents and their satisfaction towards proposed GST. Compare to female, male respondent are not satisfied with GST tax and needs more clarity on GST tax.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

Simple Percentage

1. Majority 69.2 % of the respondents are male
2. Majority 40.2 % of the respondents are belongs to 31-40 years of age group
3. Majority 38.4 % of the respondents has income of 4 to 6 lakhs per annum
4. Majority 52.4 % of the respondents have completed post-graduation

CHI-SQUARE

1. It is inferred that there is no significant association between education qualification and current service tax compliances are easier than the direct tax. Hence both the graduate and post graduate respondents perceive that current service tax compliances are not easier than the direct tax.
2. It is inferred that there is a significant association between education qualification of the respondents and the perception towards proposed GST as compliance or a technically oriented tax. Compare to graduate the post

SUGGESTIONS

1. It is suggested that the awareness towards GST should be provided to the illiterate and the women community.
2. It is also suggested that the government should come forward to take short films with respect to

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the new GST Bill and screen the same in familiarized televisions’.

3. The educated should provide awareness to the general public so as to promote economic development and overall growth of the nation.
4. Even the educated and the business people are not aware of the various important issues in the new GST Bill, so the Government should take necessary steps to make familiarize the concepts of the new GST Bill in India. Awareness can be increased by improving communication on GST to the public.

CONCLUSION

These findings indicate that the level of awareness of the GST is still not reached a satisfactory level. This is because the study involved only general questions that should be known by the respondents as end users. This cause the respondents gave high negative perception of the impact of implementation of GST.