

Gst – a common man's perspective

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Abstract: The GST laws will put an end to the multiple effects of taxes which are levied on different stages, starting from the source of manufacturing until reaching the end consumer. GST aims to reduce inflation in the country and the benefits of the new regime can be creped only if consumers have a good understanding about it. The opinion about the benefits of the new system and its difficulties can be identified from the opinion of GST from a common man's perspective. The results of the study indicated that the consumers expect a price reduction of goods and services after GST and there is no difference in this opinion among consumers of different income category.

Introduction

GST is an indirect tax levied on goods and services. It is a single tax regime that attempts to replace the current taxes of excise, VAT and service tax. Goods and Services Tax is applicable on supply of goods and services and is paid by all manufacturers, sellers, service providers and is ultimately borne by consumers. This reform is expected to give equal footing to the big enterprises and SMEs. India's GST model follows Canadian model of Dual GST, i.e., the GST collected is segregated between both the Centre and State. There will be 3 types of GST- CGST the one collected by Centre, the SGST the one collected by State and IGST the one on inter-state sales which will enable smooth transfer of goods between states and the Centre. There are currently different VAT laws in different states which creates problems, especially when businesses sell to different states and also, most businesses have to pay and comply with 3 different taxes – excise, VAT, and service tax. GST replaces VAT and with the implementation of GST, the cost of goods is likely to decrease and cost of services is likely to increase and overall tax burden of the consumers is likely to reduce. GST is expected to bring down prices of goods because 81% of the items fall within the 18% tax slab. But the implementation of GST does not have a welcoming scenario among all segments. This is due to lack of awareness among the consumers about the working of GST system.

GST Implementation in India

The aim of implementing GST in the country is not only to bring uniformity in computing taxes for Goods and Service in all states and eliminating double taxation but also to facilitate more transparent pricing system. Thus, the uniform taxation across the country will allow full tax credit from the procurement of inputs and capital goods which can later be set off against GST output liability. It also aims to remove the cascading effect of taxes. This will in turn give greater value for products by reducing the prices of goods thus increasing the

disposable income in the hands of consumers. The benefits of GST will lead to a growing economy thus aiding in GDP growth rate of 2% (expected).

Working of GST System

GST is collected and paid at all stages of the supply chain. All businesses pay GST when they buy supplies, assets or services for running their business. GST registrants will charge and collect GST on taxable goods and services that they provide (taxable supplies). The GST paid on their purchases (input tax credit) will be set off from the GST they have charged and collected (output tax). If the output tax exceeds the input tax, the difference is to be remitted to the customs authorities. On the other hand, if output tax is less than the input tax, a refund is given by the customs authorities.

GST on Common Man

GST has a major impact on common man as the tax paid by the manufacturers and traders is added to the cost of the commodity. When the consumer purchases a product he accepts the burden of the tax on them. Thus, the indirect tax determines the price of the product thus influences the purchasing power of the consumer. GST has a greater impact on common man determining their consumption behavior. Though GST is levied on all items, most of the food items have been exempted from tax under GST, which is a respite for a common man. The remaining goods fall under a lower tax category of 5 per cent or 12 per cent. Goods like unpacked foodgrains, unbranded atta, maida, besan, salt, fresh vegetables and fruits will be cheaper as these items have been exempted from tax under the GST. Many of the processed food items which will fall under 5 per cent tax will also be cheaper. Moreover the tax rate on luxury goods is kept on the highest 28% slab and so the consumers with an average income the so called -Common Man is expected not to be affected more by this tax system.

Review of Literature

Ehtisham Ahmed and SatyaPoddar (2009) found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST

Pinki, et.al. (2014) 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 (2014) found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Nurulhasnishaari, Alizah Ali, and Noraini Ismail (2015), have concluded that it is necessary to provide adequate and relevant fundamental information to make them better understand the general principle of GST by organizing seminar, talk, training, course and forum in order to increase awareness and knowledge and also conform to regulation.

Statement of the Problem

GST is a paradox regime implemented towards the Indirect tax system of the country. The intention of the system is to bring a uniform rate of tax to the entire country that would benefit all the states and its consumers. The consumers are the ultimate bearers of tax on goods and services which is included in the price of the commodity. So the consumers' purchase decisions and their purchase behavior will depend hugely on the price of the commodity. When GST is to influence the price of the commodity, the opinion and attitude of the consumers with regard to the implementation of GST is to be identified which is the need of the hour. The present study is an attempt to identify the opinion of GST on common

man.

Objectives of the Study

The study aims to
identify the demographic profile of the respondents.
recognize the opinion of the consumers about GST

Sampling

Primary data is collected from 30 respondents in all age and income category using a questionnaire.

Tools Used

The following tools used for the purpose of analysis data.
Percentage analysis
Mann Whitney U test
One – Way ANOVA

Demographic Profile of the Respondents

The demographic profile of the respondents will help to identify the variances in attitude, opinion, interest and behavior among them. The demographic variables taken for the study include gender and annual income.

Table 1 Gender of the Respondents

Gender	No. of Respondents	Percentage
Male	14	46.7
Female	16	53.3
Total	30	100.0

Source: Primary Data

Table 1 shows that 46.7 percent of the respondents are male and 53.3 percent of the respondents are female.

Table 2 Yearly Income of the Respondents

Annual Income (in Rs.)	No. of Respondents	Percentage
1,00,000 to 2,00,000	8	26.7
2,00,001 to 3,00,000	9	30.0
3,00,001 to 4,00,000	7	23.3
Above 4,00,001	6	20
Total	30	100

Source: Primary Data

Table 2 shows that 26.7 percent of the respondents belong to the income group of Rs.1,00,000 to 2,00,000 per year, 30.0 percent of the respondents belong to income group of Rs.2,00,001 to 3,00,000 per year, 23.3 percent of the respondents are in the income group of Rs.3,00,001 to 4,00,000 and 20 percent of the respondents are in the income group of above Rs.4,00,001.

Opinion of Respondents about GST

The acceptance of the tax regime by consumers greatly depends on their awareness, interest and understandability towards it. The respondents' opinion about GST is identified by using five point scale and is depicted in the following table.

Table 3 Opinion of Respondents about GST

Opinion About GST	SDA	DA	N	A	SA
Awareness about GST needs to be improved	4 (13.3)	7 (23.3)	9 (30.0)	6 (20.0)	4 (13.3)
GST Minimizes tax evasion	13 (43.3)	8 (26.7)	5 (16.7)	4 (13.3)	-
GST helps in price reduction	3 (10.0)	8 (26.7)	5 (16.7)	9 (30.0)	5 (16.7)
GST facilitates free movement of goods between states	5 (16.7)	1 (3.3)	3 (10.0)	15 (50.0)	6 (20.0)
The Classification of taxes is clear	1 (3.3)	2 (6.7)	3 (10.0)	14 (46.7)	10 (33.3)
Record keeping under GST will be minimal	2 (6.7)	4 (13.3)	8 (26.7)	12 (40.0)	4 (13.3)
GST enables effective audit	2 (6.7)	2 (6.7)	4 (13.3)	15 (50.0)	7 (23.3)
Service charges will reduce	-	3 (10.0)	7 (23.3)	9 (30.0)	11 (36.7)
GST will reduce overall tax burden on goods	4 (13.3)	6 (20.0)	12 (40.0)	6 (20.0)	2 (6.7)

Source: Primary Data

It could be identified from the above table that majority of the respondents have disagreed the statement that more awareness is to be created about GST. It indicates that though consumers may not have complete knowledge, they are aware of GST through the impact of various social media. The acceptance for the statement that 'GST will minimize tax evasion is less' among respondents indicates their opinion that tax evasion cannot be minimized even with the implementation of GST.

Majority of the respondents have agreed that GST will help in free movement of goods between states. This implies that they have accepted that the uniform tax in all states will ensure removal of state border checks for free movement of goods. Majority of the respondents have agreed that the classification of taxes is clear. This indicates that the consumers are aware about the tax slab and the tax rates on various items.

Majority of the respondents have accepted that 'record keeping under GST will be minimal' which indicates their awareness that under the new tax system manual record maintenance will be less through computerization. The statement 'GST enables effective audit' is accepted by majority of the respondents which indicates their understanding that proper accounting and auditing is essential after GST. The statement that 'service charges will reduce' is accepted by more number of respondents indicating that they expect that the service charges will reduce. However the respondents do not have a positive attitude that their tax burden will reduce since more respondents have a neutral opinion to this statement.

Gender and Awareness Need to be Improved

The opinion about the necessity for creating awareness about GST is to be created is identified among male and female respondents and Mann U Whitney test is applied to find the significant difference in their opinion.

Table 4 Gender and Awareness Need to be Improved

	GENDER	N	Mean Rank	Sum of Ranks
Awareness need to be improved	Male	14	13.75	192.5
	Female	16	17.03	272.5
	Total	30		

Test Statistics ^b	
	Awareness
Mann-Whitney U	87.5
Wilcoxon W	192.5
Z	-1.046
Asymp. Sig. (2-tailed)	0.296
Exact Sig. [2*(1-tailed Sig.)]	.313 ^a

Source: Computed

a. Not corrected for ties.

b. Grouping Variable: gender

The results indicate that there is no significant difference between male and female respondents on the opinion about necessity for creating awareness about GST.

Gender and Opinion about Price Reduction

The opinion of the respondents with regard to the price reduction of products due to GST is identified. This is made to analyse the difference in the opinion between the gender groups. The result of the Mann Whitney U test is shown in the table below.

Table 5 Gender and Opinion About Price Reduction Ranks

	Gender	N	Mean Rank	Sum of Ranks
Reduction in Price	Male 1	14	15.43	216
	Female2	16	15.56	249
	Total	30		

Test Statistics ^b	
	Reduction in Price
Mann-Whitney U	111
Wilcoxon W	216
Z	-0.043
Asymp. Sig. (2-tailed)	0.966
Exact Sig. [2*(1-tailed Sig.)]	.984 ^a

Source: Computed

a. Not corrected for ties.

b. Grouping Variable: gender

The result indicates that there is no significant difference between male and female respondents on the opinion that there will be reduction in price due to GST.

Annual Income and Opinion about GST

The difference in the opinion of the respondents belonging to various income group with regard to GST was analysed using One- Way ANOVA.

Table 6 Annual Income and Opinion about GST

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Necessity of Awareness	Between Groups	1.05397	3	0.351323	0.208	0.89
	Within Groups	43.9127	26	1.68895		
	Total	44.9667	29			
Reduces Tax Evasion	Between Groups	5.3631	3	1.787698	1.6231	0.208
	Within Groups	28.6369	26	1.101419		
	Total	34	29			
Helps in Price Reduction	Between Groups	12.7302	3	4.243386	3.1134	0.043
	Within Groups	35.4365	26	1.362943		
	Total	48.1667	29			
Helps in free	Between Groups	8.48849	3	2.829497	1.7117	0.189

movement of goods	Within Groups	42.9782	26	1.653007		
	Total	51.4667	29			
Tax classification is clear	Between Groups	0.94444	3	0.314815	0.2817	0.838
	Within Groups	29.0556	26	1.117521		
	Total	30	29			
Record Keeping is Minimal	Between Groups	1.05516	3	0.35172	0.2678	0.848
	Within Groups	34.1448	26	1.313263		
	Total	35.2	29			
GST enables Effective Audit	Between Groups	0.95397	3	0.317989	0.2403	0.867
	Within Groups	34.4127	26	1.323565		
	Total	35.3667	29			
Service Charges will Reduce	Between Groups	6.26349	3	2.087831	2.2998	0.101
	Within Groups	23.6032	26	0.907814		
	Total	29.8667	29			
GST will Reduce Tax Burden	Between Groups	3.48849	3	1.162831	0.9454	0.433
	Within Groups	31.9782	26	1.22993		
	Total	35.4667	29			

Source: Computed

The results of One- Way ANOVA indicate that there is no significant difference in the opinion among the respondents in various income groups that GST will result in price reduction. It implies that consumers in all levels of income expect a price reduction with the implementation of GST.

Findings and Suggestions

The results of the study indicated that there is no difference in the opinion about necessity for creating awareness and change in price level of goods and services among gender category. The expectation about the price reduction is the same with respect to all consumers with different annual income category. The consumers have a positive attitude towards the expected price reduction, free movement of goods, service charges, effective audit and record keeping. However, that they do not have a positive attitude about reduction in tax evasion and tax burden.

The following are the suggestions identified during the collection of data and from the results of the study.

1. The traders do not clearly state the sales tax previously paid. GST is charged on the final price that included sales tax also. So Government should educate consumers about the ways to get information from traders.
2. The awareness about anti-profiteering measures has to be created among the consumers through social media.
3. The service charges that are levied on the various services rendered to them are not clearly understandable. So more awareness about taxes on services is necessary.
4. The goods exempted from GST is not clearly known to the consumers. So measures

can be taken to educate them in this regard.

5. Since some of the traders do not have an idea about the method of accounting and payment of tax a clear explanation about the compliance of tax is not known. . So education campaigns can be organized to help them.

Conclusion

The consumers expect a price reduction in the goods and services because their purchasing power will increase when their spending reduces. The acceptance level of a new system will depend on the understandability of the people towards it. The impact of the social media is more not only to create awareness among the consumers about GST but to inform the benefits of it. However, the traders have to gain more knowledge about the implementation of the system because there are not only changes in the tax rates but also the compliance method of taxation. So, more guidance and support is needed to the traders. Only if they are clear about the taxation laws, they can help consumers. Besides, consumers should be supported by the Government to get a favorable environment in order to reap the benefits of the new system. India will become a single market where compliance will be easier and costs of daily goods will reduce. This can be achieved by proper planning of goods to be filled up in their purchase basket.

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