

Expectation, experience and acceptance of goods and service tax

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Abstract

The introduction of GST is considered one of the most crucial indirect tax reforms in India. It is an important perfection and the next logical step towards the elimination of cascading effect of taxing on consumption of goods and services. It is levied and collected on value addition at each stage of sale or purchase of goods or supply of services based on input tax credit method but without state boundaries. This new system of tax will pave way for a one-country one-tax regime with minimum exemptions. In this paper, a humble attempt is being made to capture the essence of GST and acceptance of GST among public. Apart from that the paper also throws light into the expectation and experience of public on GST. Fifty five respondents are selected from Malappuram district based on convenience sampling method for data collection. For comparative analysis; we decided to structure the public into three groups, namely, general businesspersons, the professionals and others, which we referred to in this study as laymen. The results of the study indicated that the public is not satisfied with the current GST structure and requires modification as their expectations regarding GST are not fulfilled in the reality.

Keywords: goods and service tax, value added tax, tax structure

Introduction

Taxation is a kind of resource to the government for revenue generation. There are different types of taxes prevailing in India like corporate tax and income tax, custom and excise duty. India had faced tremendous revolution in the field of tax like Setting up of administrative system and taxation system by the British in 1922, 1986-Introduction of a restricted VAT called MODVAT, 1994- Introduction of Service Tax, 2005-06 VAT implemented in 26 more states and at last On August 08, 2016, the Lok Sabha passed the changes to Constitutional Amendment (122nd) Bill, 2014 cleared by Rajya Sabha on August 03, 2016, marking the day as historic in India's journey towards global reforms. Goods and service tax is a new story of VAT which gives a widespread setoff for input tax credit and subsuming many indirect taxes from state and national level. Goods and Services Tax (GST) is an important, strategic and most practical step in the rationalization of Indian tax structure. One of the reasons to go the GST way is to facilitate seamless credit across the entire supply chain and across all States under a common tax base which is not available in the current scenario. This will help in, Reduces transaction costs and unnecessary wastages, removing economic distortions, eliminates the multiplicity of taxation and An end to cascading effects and ultimately lead to growth of revenue in state and union.

Review of Literature

(Girish Garg) discussed the Basic Concepts and Features of Good and Service Tax in India. He also analysed the possible challenges and opportunities that GST brings to strengthen free market economy. He concluded that GST is the most logical steps towards the comprehensive indirect tax reform in the country.

(Sunitha, 2017) ^[9] studied the impact of new taxation system on the Indian economy. The author is of the opinion that GST is a boon for Indian economy as it is replacing the current tax rate 35%-40% with 16%-18%. The paper also mentioned that the application of GST will give great reforms in the indirect tax system of the country.

(Arunabha Roy) gave a nonprofessional's guide for GST in India. The paper also explored various benefits of GST from the point of view of different stakeholders. GST will simplify the existing heterogeneous indirect tax system by eliminating multiple tax levies and cascading effect of taxation. But the positive impacts are dependent on how neutrally and rationally the GST is being implemented in India.

(Jaspreet Kaur) in his paper threw light on GST, its features and effect of GST on prices of goods and Services. He opined that even though there is threat of inflation and states may face reduction in their financial resources, overall GST will bring a great change.

Statement of the problem

Goods and Service Tax, an initiative of govt. of India in the field of taxation has showed a big concern among public. The motto of the new tax regime was One Nation, One Tax and One market. The main aim of it was to simplify taxation process, reduce the burden of taxes and ensure compliance of tax payment.

At the time of implementation of a new reform, certain concerns would have been generated in the mind of beneficiaries. They may be having some anticipation regarding the reforms. They will compare their expectation with the experience. Based on which they conclude whether that reform was successful or not. Here, the level of acceptance depends upon their experience.

GST is an innovation in the field of tax, which directly influences the whole section of the society. It has been five months since the introduction of GST. This period may have created a perception in the mind of people about GST. Therefore, In order to evaluate the effectiveness of the new tax system, it is necessary to analyse the expectation, experience and level of acceptance of GST among public.

Therefore, this study shows a light upon the expectation and experience of public within GST tax system. We also evaluate their level of acceptance regarding GST.

Objectives

1. To get an overview about GST
2. To assess the expectation and experience of public on GST.
3. To find out public’s level of acceptance regarding GST.

Research Methodology

The study is Descriptive in nature. Data are collected from primary sources by doing a sample survey of 60 respondents of Malappuram district. For this purpose Convenience Sampling method is adopted. A questionnaire is designed having 9 Variables exploring the expectation of public before implementation and experience after implementation, and their level of acceptance on GST. For analysis purpose the sample is divided into 3 categories namely business persons, professionals and laymen.

Goods and Service Tax: An Overview

GST stands for “Goods and Services Tax”, and is a significant improvement towards comprehensive indirect tax reforms of the country. It was introduced in India on 1 July 2017 and is applicable throughout India which replaced multiple cascading taxes levied by the central and state governments.

1. The GST shall have two components: one levied by the Centre (referred to as Central GST), and the other levied by the States (referred to as State GST). Rates for Central GST and State GST would be approved appropriately, reflecting revenue considerations and acceptability.
2. The Central GST and the State GST would be applicable to all transactions of goods and services made for a consideration except the exempted goods and services.

3. The Central GST and State GST are to be paid to the accounts of the Centre and the States individually.
4. Since the Central GST and State GST are to be treated individually, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST.
5. Cross utilization of ITC between the Central GST and the State GST would not be permitted except in the case of inter-State supply of goods and services.
6. Ideally, the problem related to credit accumulation on account of refund of GST should be avoided by both the Centre and the States except in the cases such as exports, purchase of capital goods, input tax at higher rate than output tax etc.
7. To the extent feasible, uniform procedure for collection of both Central GST and State GST would be prescribed\ in the respective legislation for Central GST and State GST.
8. The States are also of the view that Composition/Compounding Scheme for the purpose of GST should have an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover. The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.
9. Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 14/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance.
10. The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.

Indirect Tax Structure of India (Before GST)

Earlier, there was a dual system of taxation of goods and services. The taxes on Goods and Services are charged on value added tax principle with input tax credit mechanism for taxation of goods and services, respectively, with limited cross-levy set-off.

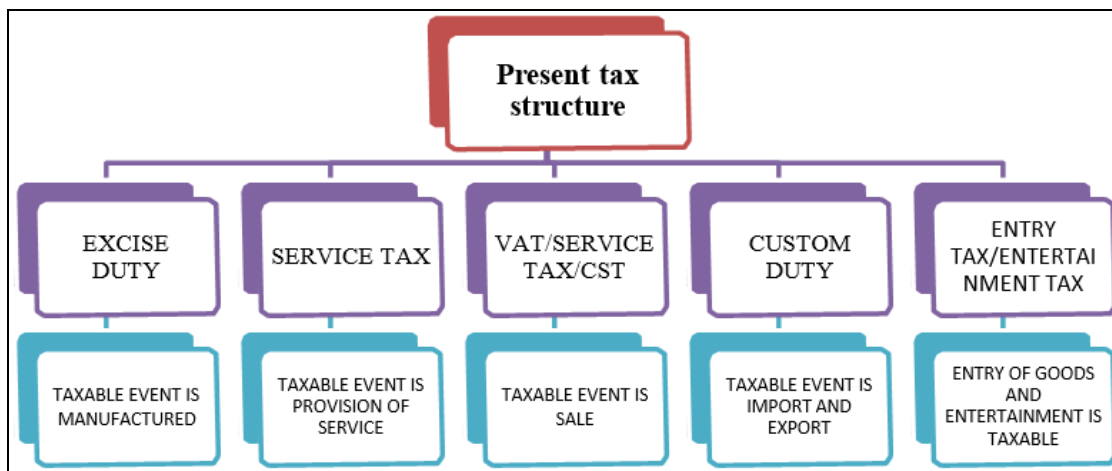


Fig 1

It is important to note that the taxes levied under the earlier tax structure are not mutually exclusive. For example, if the goods are manufactured and sold by manufacturer, then both Central Excise and VAT are applicable.

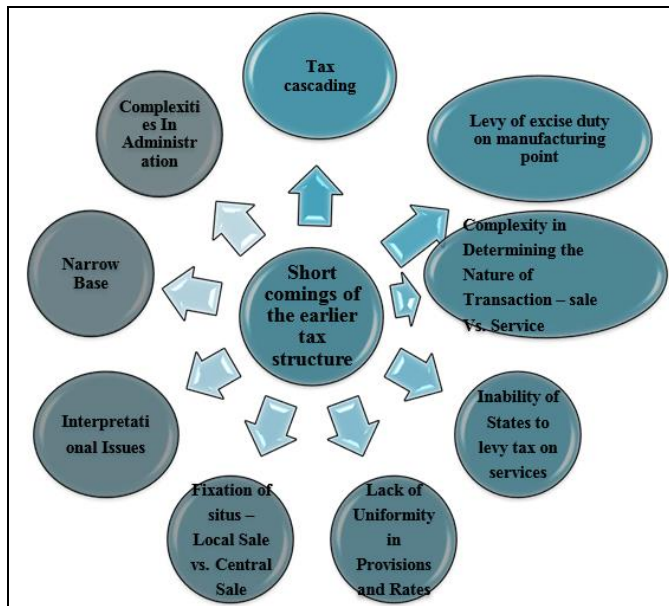


Fig 2

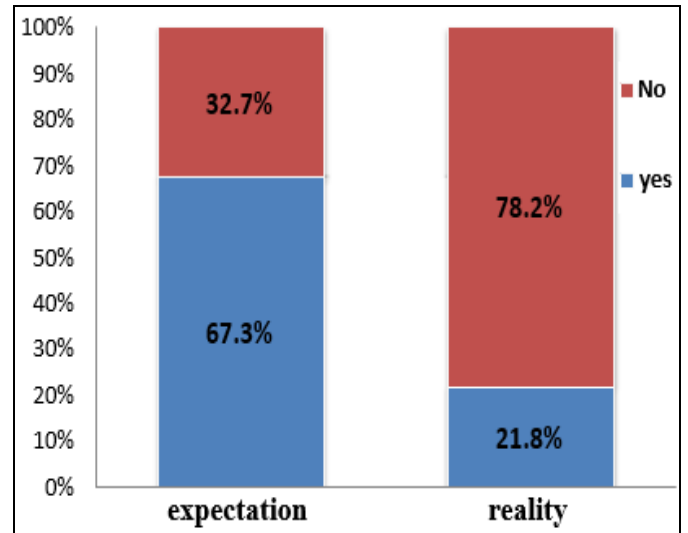
Analysis and Interpretations

Table 1: Analysis of sample demographics

Characteristics	Category	Frequency	Percentage
Gender	Male	36	65.5
	Female	19	34.5
Marital status	Married	26	47.3
	Single	29	52.7
	Other	0	0
Education	Below SSLC	2	3.6
	SSLC/plus two	7	12.7
	Diploma	3	5.5
	Graduate	12	21.8
	Post graduate	23	41.8
	Professional	8	14.5
	Income	Below 10000	21
	10000-20000	8	14.5
	20000-30000	9	16.4
	Above 40000	17	30.9
Age	Below 20	1	1.8
	21-40	46	83.6
	Above 40	8	14.5
Category of public	Business person	7	12.7
	Professional	20	36.4
	Laymen	28	50.9

Most of the respondents lie in the category of laymen. Male respondents are dominating gender wise. Majority of the respondents are in the age category of 21-40.

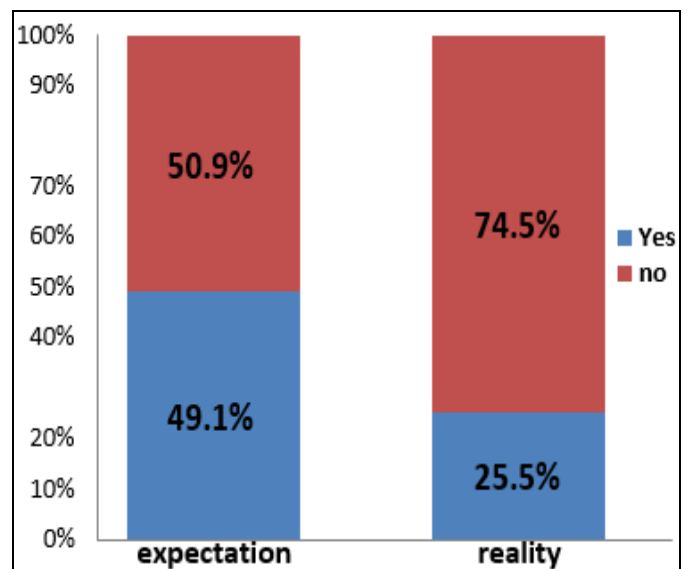
GST Expectation and Experience



Source: primary data

Fig 3: Reduction in price of product

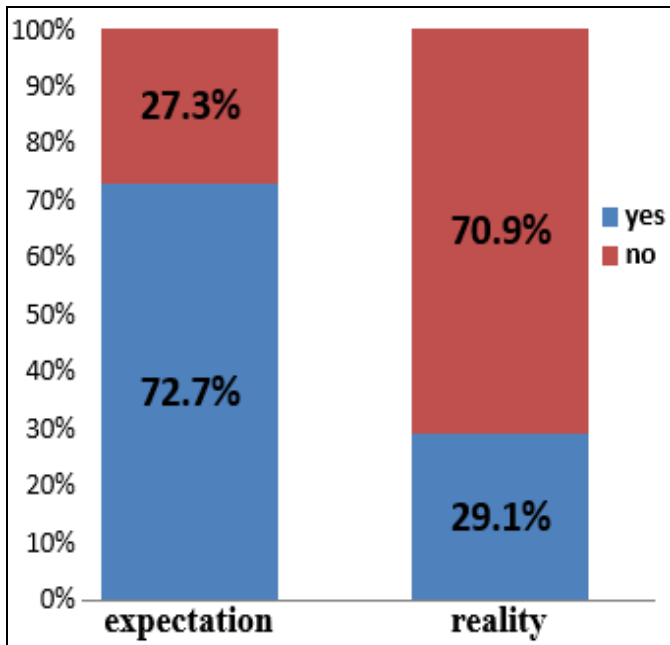
Figure 3 reflects the public opinion before and after the implementation of GST regarding the decrease in price of products. 67.3% of respondents expected reduction in GST but when it comes to reality, 78.2% says that GST couldn't decrease the price of the product.



Source: primary data

Fig 4: Reduction in economic inequality

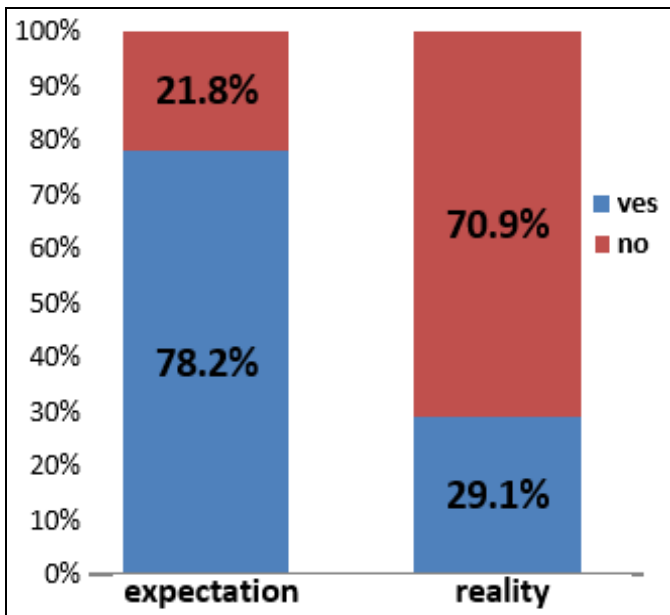
The opinion of public about the ability of GST in ensuring economic equality is negative. Half of the respondents did not agree with the statement. But in case of reality majority of the respondents rejected the statement. They told that GST could not reduce the economic inequality between rich and poor.



Source: primary data

Fig 5: Easy compliance

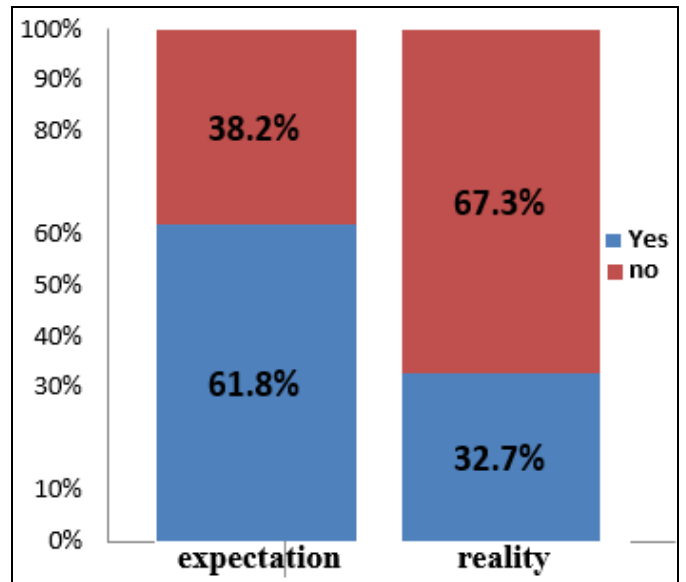
One of the important claims made by government on GST was that it will reduce the compliance procedure. People expected it well. However, in the experience it was not so. Most of the respondents told that the procedure for filing returns would not be easy compared to former tax system procedure.



Source: primary data

Fig 6: Easy flow of goods

From the chart, it can be concluded that people expected a smooth flow of goods and services across state borders. Nevertheless, when it came to reality, they realised that it is not an easy task. 4 months after the introduction of GST gave such an experience to them.



Source: primary data

Fig 7: No hidden Taxes

The chart provides clear picture that the public expected a tax structure that will not charge hidden taxes from consumers without their knowledge. A 4-month's experience shows the reality that GST also failed in charging real tax for the goods purchased by the customers.

Acceptance level of respondents on GST

The table below displays the acceptance level of respondents on GST and it explicitly shows that most of the respondents have the opinion that GST needs modification. At the same time 17 percentage of the respondents opined that t GST should be replaced by VAT and only 10 respondents asserted that current GST tax structure is enough.

Table 2

Variable	Frequency	Percentage
GST is sufficient	10	12.2
GST needs modification	29	35.4
Replace GST with VAT	14	17.1
NO OPINION	2	2.4

Source: primary data

Table 3: Chi square test on level of acceptance

Hypothesis	Test	Probability	Accept/Reject
Ho: Gender and acceptance are independent	Chi square test	0.052	Accept Ho
Ho: Category and acceptance are independent	Chi square test	0.997	Accept Ho
Ho: Income and acceptance are independent	Chi square test	0.203	Accept Ho
Ho: Age and acceptance are independent	Chi square test	0.795	Accept Ho
Ho: Education and acceptance are independent	Chi square test	0.513	Accept Ho

Source: primary data

Table No.3, Indicate the results of Chi square tests which determine whether the acceptance level and demographic variables are independent. It is noted that all the p values are greater than 0.05 and hence null hypothesis is accepted. i.e, the acceptance level of respondents on GST and demographic variables like gender, category, income, age and education are independent.

Findings and Conclusion

The introduction of GST is considered one of the most crucial indirect tax reforms in India. It is an important perfection and the next logical step towards the elimination of cascading effect of taxing on consumption of goods and services. this study analysed the expectation and experience of public on GST. From the analysis, it is clear that there is big gap between the anticipation and reality. Respondents expected that GST would be a game changer in the field of taxation.. In overall most of the respondents expected reduction in cost of goods, simple compliances, and easy flow of goods across state and inexistence of hidden tax. However, they did not expect any reduction in the gap between rich and poor. However, after the implementation of GST, the public became the victim of the price increase and economic inequality. Hence, public are not satisfied with the current GST system. They call for modification. The study is showing the relevance of GST in our country. Public are of the opinion that they need a transparent tax structure, which benefits the public and government.

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