

A STUDY ON IMPACT OF GST AMONG CONSUMERS AT VELLORE DISTRICT

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Abstract

Goods and Service Tax (GST) is a single tax on the supply of goods and services. The statutory tax rates under GST came into effect from 1st July, 2017 which replaced all other applicable indirect taxes. In India, the maximum population is of the middle class and lower middle class where people either belong to service class or they depend on agriculture for their living . people are still struggling to understand what actually GST is all about. Consumers are the king for a business and play a vital role in any economy, it is primary concern to know the effect of GST on consumers. The study aims to analyze the impact of GST on Consumers.

Different tax experts and economists have given their opinion on the long term benefits of goods and services tax for India. Thus, there is a need to study the impact of GST on consumer regarding the GST in India.

Key words: GST, Consumers, Impact of GST

Introduction

A tax (from the Latin *taxo*) refers to compulsory financial obligation or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization in order to fund various public expenditures. A failure to pay, along with evasion of or resistance to taxation, is punishable by law. Taxes consist of direct or indirect taxes and may be paid in money or as its labour equivalent.

According to Prof.E.A.R.Seligman, A Tax is a compulsory contribution from the person to the state to defray the expenses incurred in the common interest of all without any reference to the special benefits conferred.

Goods and Services Tax - GST

The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government.



GST is a destination based tax and levied at a single point at the time of consumption of goods or services by the ultimate consumer. GST is based on the principle of value added tax. GST law emphasizes on voluntary compliance and on accounts based reporting and monitoring system. It is a comprehensive levy and envisages tax collection on both goods and services at the same rate.

Definition of Good and Service Tax (GST) - The term GST is defined in Article 366 (12A) to mean “any tax on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption”.

In terms of Section 2 (52) of the CGST Act “Goods” means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and other things attached to or forming part of land which are agreed to be severed before supply or under a contract of supply.

History of GST

France was the earliest country to initiate Goods and Services Tax or GST. At present, around 160 countries have imposed GST/VAT in some form or another. Some countries have VAT as the substitution of GST. Still, concept-wise, it is a destination-based tax imposed on the consumption of goods & services.

GST is a tax that replaced many indirect taxes in India. The Goods and Services Tax was implemented in India with effect from 1st July 2017. Here in India, the maximum population is of the middle class and lower middle class where people either belong to the service class or they depend on agriculture for their living.

Benefits of GST

- Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
- Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Structure and Type of Taxes

India had implemented dual GST. In dual GST regime, all the transactions of goods and services made for a consideration attracts two levies i.e. CGST (Central GST) and SGST (State GST). GST had brought a reform in the taxation in India. Various types of indirect taxes were replaced by GST and is categorized under four categories. The four types are:

➤ CGST under GST

CGST is a Central Goods and services tax. It is applicable on suppliers dealing within the state. Taxes which are collected will be shared with the central authority body.

➤ SGST under GST

SGST is a state Goods and services tax. It is applicable to suppliers who dealing within the state. Taxes which are collected will be shared to state authority body.

➤ IGST under GST

IGST stands for an Integrated Goods and services tax. It is applicable to suppliers who dealing interstate business and import transaction. Taxes which are collected will be shared to central and state authority body.

➤ UTGST under GST

UTGST stands for Union Territory Goods and Services Tax. It is applicable if the transaction is related to any union territory.

Positive Impacts of GST on consumers

- GST was introduced as an integrated tax system, which extracts a bundle of indirect taxes such as CST, VAT, service tax, SAD, CAD, excise, etc.
- Introduction of Goods and Services tax eliminated the cascading effect of taxes i.e. tax on tax.

- GST reduced the burden of taxes from the manufacturing area, thus manufacturing costs will be reduced. Therefore, the prices of consumer goods are also likely to decrease.
- Because of the lower manufacturing cost some products like cars, FMCG, etc. will be a bit cheaper.
- This will help reduce the burden on the common man, who will have to spend less money to buy the same goods/ services which were more expensive earlier.
- Low prices will directly or indirectly increase demand/consumption of goods.
- Increased demand will ultimately enhance supply. Therefore, this will eventually increase the production of goods.
- Boost in production, in the long run, will increase job opportunities. However, this can only happen when consumers actually get goods at cheaper costs.
- This will curb the circulation of black money. It will only be possible when the kaccha or Invalid Bill system, normally followed by traders and shopkeepers will be checked.

Negative Impacts of GST on consumers

- For better compliance, proper invoicing and accounting are necessary. However, there are various companies that are developing GST accounting software.
- If the actual benefits are not passed on to the consumer and the seller increases his profit margin, then the prices of the goods may also increase.
- The rise in inflation can be observed initially, however, it may also come down gradually.
- The activities of profiteering will have to be strictly checked so that the end consumer can enjoy the real benefits of GST.
- Compliance burden businessmen have to submit GST and file the return on time.
- Filing GST returns is not as easy as it sounds. businessmen must appoint a tax professional to manage it.
- The government is taking steps to make return filing easier and to keep it simple. But, even then, it will take time to actually smoothen the entire process from start to end.
- Large businesses with enough employees can handle the entire process easily But for small traders/merchants/service providers or individuals who have just started their business or service, it is still complex

Review of Literature

Rukmani Singaram (2020) had found in her study that after a year and a half later after the implementation of GST the awareness and perception of consumers are better than they were when studied in the past but to make the consumers extremely aware citizens of GST the government needs to bring about more resources to share the details of GST and how GST will be benefit them. If consumers understand this then the consumers will change their perception towards GST from a neutral perception to a more positive perception which will benefit the

Harjinder Kaur (2018) has studied the public awareness, knowledge and understanding of GST in India and the researcher has identified that the consumer has received less information and promotions about GST which show that most of them lack information on GST which makes them negatively perceive GST. The author has further suggested that the government should take initiatives to bring extensive public education programs to implement GST successfully.

Abhraham Ann & Mathew Tony(2018) identified the awareness and satisfaction levels of consumers in the state of Kerala with GST and through this study it was understood that consumers had moderate awareness about the various aspects of GST and there was a difference in the awareness levels basedon the socio demographic variables. In terms of satisfaction females seem to be more satisfied with GST in comparison to males and in terms of educational qualifications, the higher the qualification the more they seems satisfied with GST.

Prabha L, Bhuvaneswari K, Nandida S (2018) examine the impact that GST may have on the consumer buying behaviors and to identify the problems faced by consumers because of GST while identifying the level of awareness towards GST. There has been a growth in the economy since the implementation of GST but the authors believe that there will be a need to revise the tax rates in the future as the necessities of the consumers may change. GST is inaccessible to the illiterate because it is connected to the Digital India Regime making it harder for them to understand the procedural concepts.

Gowtham Ramkumar (2018) has explored the GST mechanism implemented in India and tried to understand the consumer's opinion on both the implementation of GST and the prevailing rates which may affect their disposable income and spending ability. Through this study we have understood that GST has been implemented differently in comparison to how it has been implemented abroad and that consumers believe that the four tier system of tax rates according to products has really helped in reducing the aftermath of the GST regime and that it is still too early to judge how beneficial GST will be in terms of a consumer's purchasing power

Vineet Chouhan, Pushkant Shaktweep, Shagufta Khan (2017) has focused on Rajasthan small business owners and their awareness of GST. It was found that the government should focus on training and computer software availability. These owners are interested in creating and joining trainings, they have also shown great awareness towards GST's uniformity with only two tax rates while relatively low awareness in terms of the implementation of GST.

Objectives of the study

1. To study the impact of GST among Consumers
2. To study the satisfaction level of consumers on GST
3. To examine the effectiveness of GST among Consumers.

Research Methodology

Sources of Data

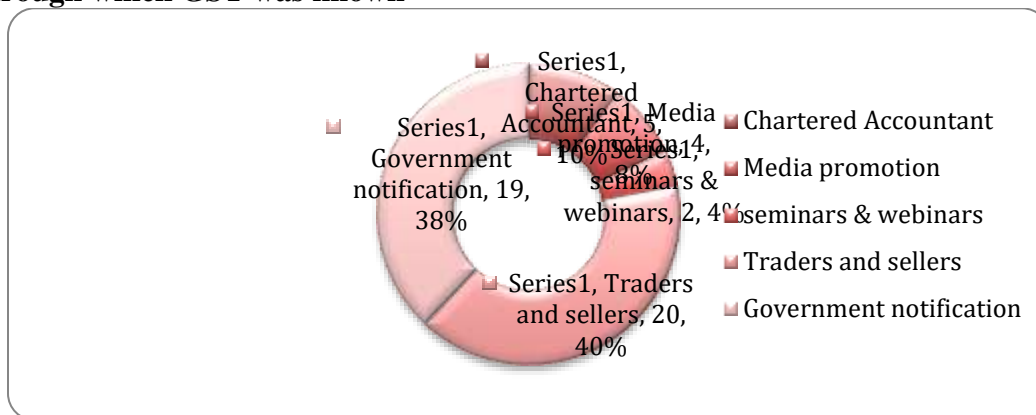
During the research study Primary data were collected primarily through direct questionnaire. The study uses secondary data to support and substantiate primary data and also to form a strong theoretical base. The secondary data were collected from Research paper, SSRN, shodhganga, Local bodies, research journals, newspaper, articles, GST portals, working papers etc.

Sample Size: The sample size selected was 50 consumers.

Sampling Technique: In Non Probability method of sampling, convenient sampling method was used to collect data.

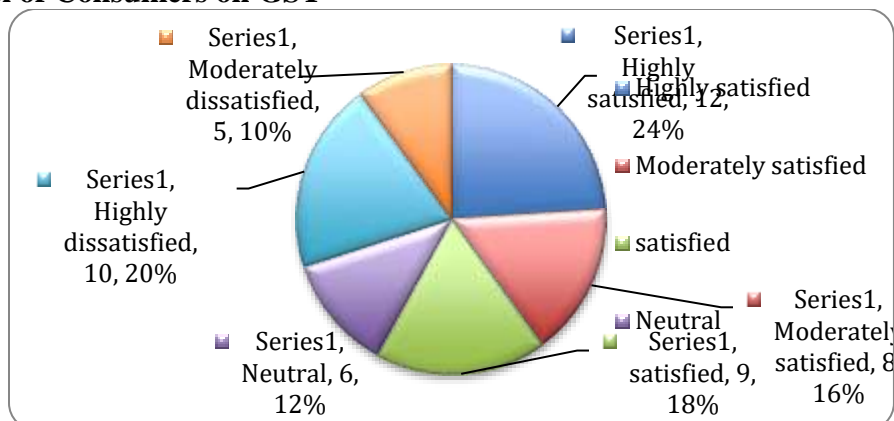
Data Analysis and Interpretation

Sources through which GST was known



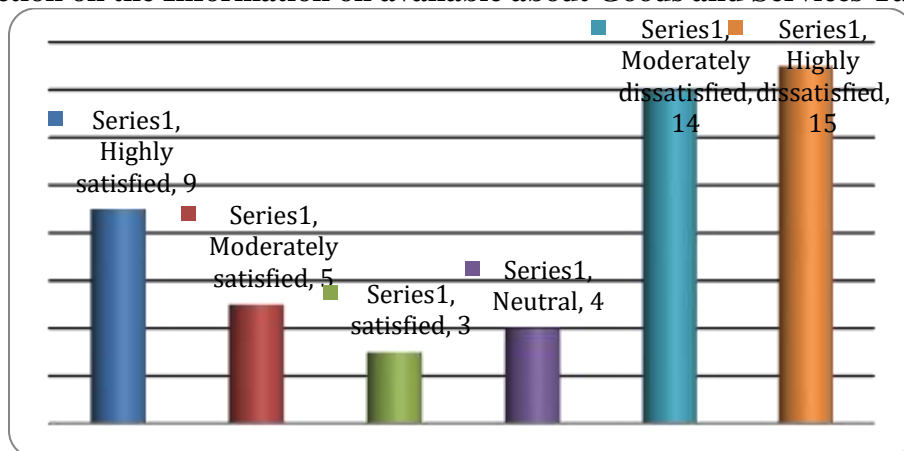
Inference: From the above diagram it is clear that 20 respondents came to know about GST through traders where as 19 respondents through Government notification.

Satisfaction level of Consumers on GST



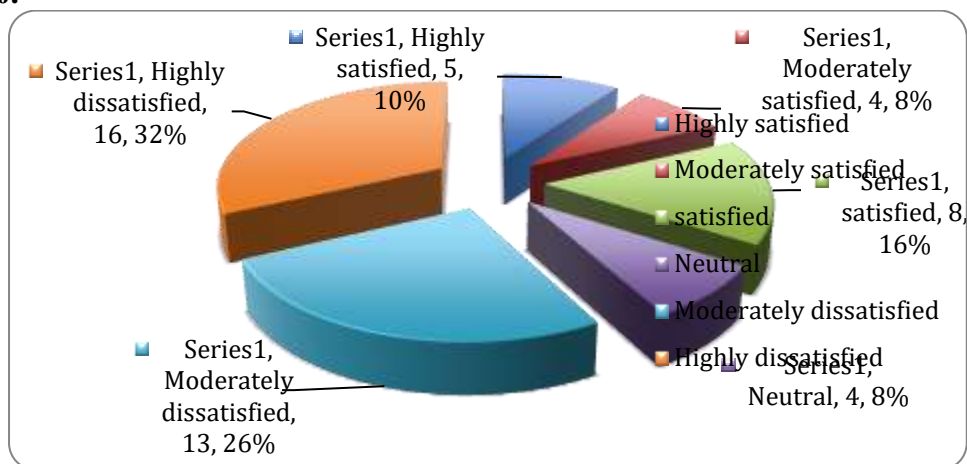
Inference: It is clear from the above diagram that 12 respondents are highly satisfied with GST reforms where as 5 respondents are moderately satisfied.

Level of satisfaction on the Information on available about Goods and Services Tax

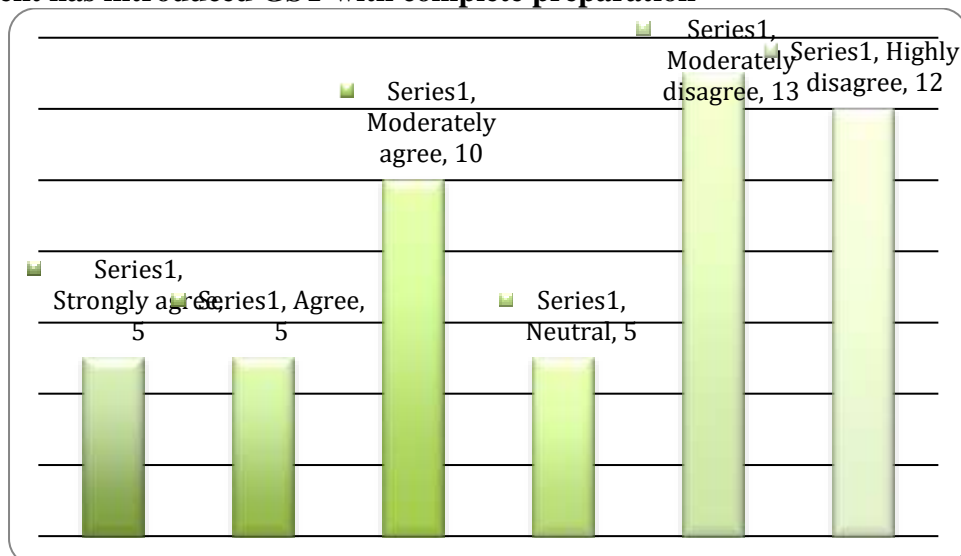


Inference: The above diagram depicts that 15 respondents states that the information available on GST is highly dissatisfied and only 3 respondents are satisfied with the above.

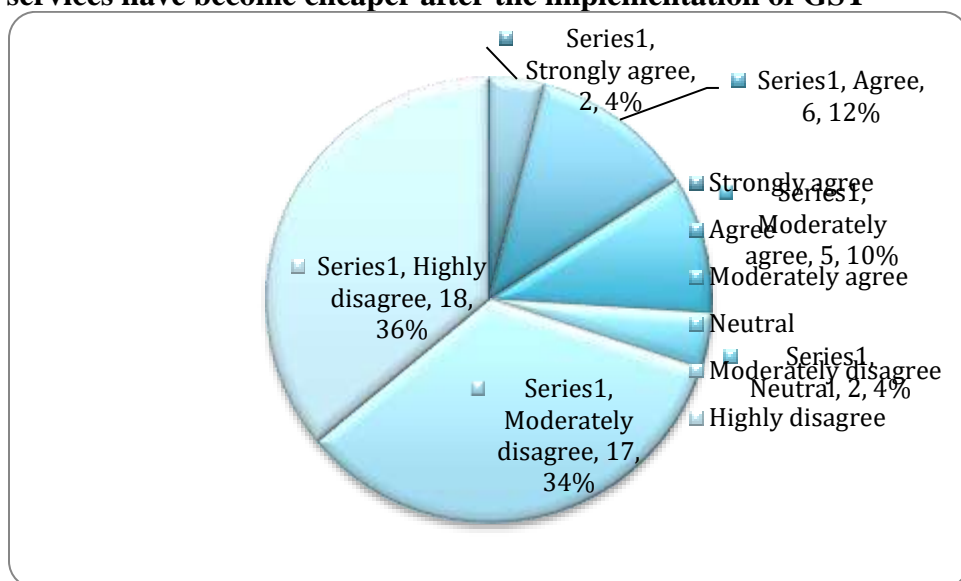
Satisfaction level with classification of goods in the four basic rate slabs -0% , 3%, 5%, 7% 12%, 18% and 28%.



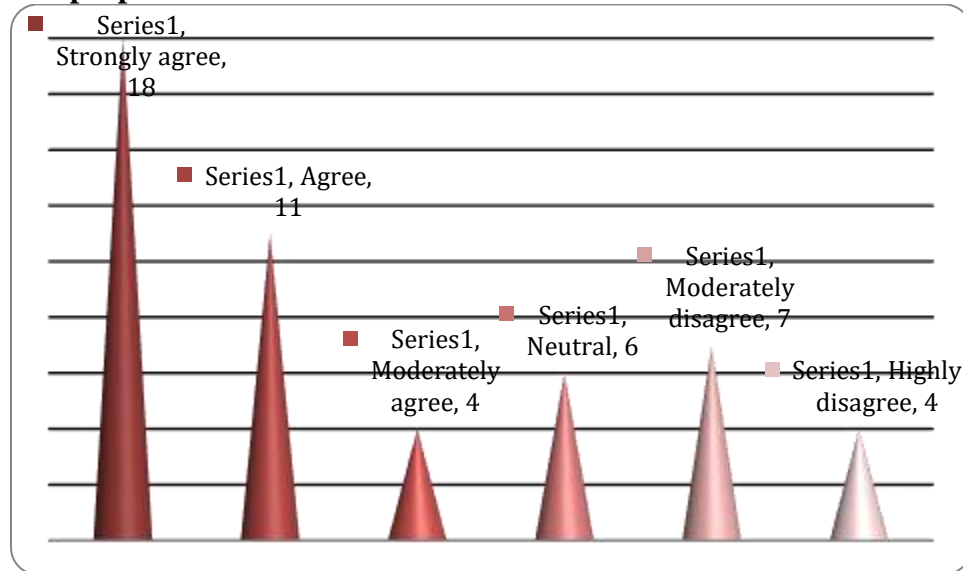
Inference: The above diagram shows that 16 respondents were highly dissatisfied whereas 4 respondents only were satisfied with the classification of GST rates.

The government has introduced GST with complete preparation

Inference: From the above diagram it is clear that 13 majority of the respondents were disagreeing with the Government regarding the implementation of GST.

Products and services have become cheaper after the implementation of GST

Inference: The above diagram clearly depicts that majority of the respondents 18 are highly disagreeing with the implementation

GST burdens the people/consumer

Inference: it is very clear from the above diagram that 18 respondents strongly agree that GST burdens the people and only 4 respondents highly disagree the above statement.

Findings and suggestions

Data were collected from 50 respondents. Out response collected it is found that:

- 20 respondents came to know about GST through traders and sellers.
- 12 respondents are highly satisfied with GST reforms where as 5 respondents are moderately satisfied.
- 15 respondents states that the information available on GST is highly dissatisfied.
- 16 respondents were highly dissatisfied whereas 4 respondents only were satisfied with the classification of GST rates.
- 13 majorities of the respondents were disagreeing with the Government regarding the implementation of GST.
- 18 are highly disagreeing with the implementation .
- 18 respondents strongly agree that GST burdens the people.

Suggestions

GST is tax system which is introduced to have uniform tax system throughout the economy. From the study the followings points were suggested by the people.

- It is one of the best plan, but through state government it is very difficult that the most GST has burden for middle class family and poor family
- Tax rates on essentials and medicines are too high. It is to be reduced.
- GST is a big challenge to consumers specifically to middle and lower class group. To some extent, the design, location, operational model of the GST needs to be reviewed. The GST is one that early bird will benefit the most, the ones who don't will be left out.
- Still there is a need to create awareness among people to know about the GST
- More clarity is needed to people. Government should focus on educating people about GST.

Conclusion

Goods and Service Tax (GST) is a single tax on the supply of goods and services. The statutory tax rates under GST came into effect from 1st July, 2017 which replaced all other applicable indirect taxes. But people are still struggling to understand what actually GST is all about. Moreover, for them, the picture

is still not clear as what would be the GST impact on consumers and how it is bringing changes in the Indian economy. With the help of GST(Goods and services tax) , taxes of every State and Central Government have been merged and it has vanished the cascading and dual effect of taxes. Though it reduced the burden on buyer and the seller. As it seems to be one big chunk of tax paid but you pay lesser hidden taxes.

Video tutorials, conference, seminar and Webinars should be conducted on regular basis by Government about GST and its online portal enhancement, etc. Many of them are facing difficulties in understanding the electronic processes for complying on GST Portal (like Digital signature and various related problems etc.)

Reduce GST tax for various types of products, especially essential goods materials etc., and middle class people will not able to pay GST. Steps to be taken to make the GST as user friendly for consumers.

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