



Perceptions of Traders and Consumers on GST Implementation

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Abstract: *The implementation of the Goods and Services Tax (GST) in India in 2017 marked a significant shift in the country's tax structure, aiming to streamline taxation and unify markets across states. This study investigates the contrasting perceptions of traders and consumers regarding the GST's impact.*

Traders, initially burdened with compliance challenges and adjusting to new digital systems, perceived the GST rollout as cumbersome and disruptive to business operations. Many small and medium enterprises struggled with the complexities of filing returns and adapting to the new tax rates, which occasionally led to temporary disruptions in supply chains and cash flows.

In contrast, consumers generally welcomed the GST for its potential to reduce cascading taxes and lower overall prices of goods and services. The simplified tax structure was expected to eliminate hidden taxes and promote transparency, benefiting consumers by potentially reducing the cost of essential commodities.

Despite these potential benefits, both traders and consumers faced adjustment periods during the initial implementation phases. Traders sought simplification of compliance procedures and clearer guidelines, while consumers awaited tangible reductions in prices post-GST.

Overall, while the GST aimed to create a more integrated and efficient tax system, its initial implementation phase underscored the importance of addressing concerns from both traders and consumers to ensure the reform's success and broader acceptance.

Keywords: Taxation reform, Traders' perceptions, Consumers' Perceptions, Compliance challenges, Digital systems, Small and medium enterprises (SMEs), Supply chain disruptions, Price reduction expectations

Introduction

Indian Indirect tax system was framed on the basis of Belgium Indirect tax laws. France was the first country, which implemented GST in 1954. Further, 60 countries have adopted GST.

The introduction of Goods and Services Tax (GST) in India is a significant step in the field of indirect tax reforms. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave

the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods and services. Introduction of GST would also make Indian products competitive in the domestic and international market. It may have a boosting impact on the economic growth. Last but not the least, this tax, because of its transparency and self-policing character, would be easier to administer. Initially, it was proposed that GST would



be introduced from 1st April, 2010. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of Inter-State supplies.

The Journey of GST in India

1. "A Model Roadmap for Goods and Services tax in India" by Empowered Committee of State Finance Ministers in April 2008.
2. "GST Reforms and Inter-Governmental Considerations in India" by Department of Economics Affairs, Ministry of Finance, Government of India in March, 2009.
3. GST Bill passed in Rajya Sabha on 3rd August 2016 (03-08-2016)
4. When GST is applicable – Modi Government want to applicable GST Bill from 1st July 2017, due to some legal problems, GST bill is not applicable before 1st July 2017.
5. In 2017 – Four GST related Bills become Act following Presidents assent and passage in Parliament:
 - a) Central GST Bill
 - b) Integrated GST Bill
 - c) Union Territory GST Bill
 - d) GST (Compensation to States) Bill

The Constitutions (One Hundred and First) Amendment Act, 2016

The Central Government has introduced Constitutional Amendment Bill 122nd for GST in the Lok Sabha on 19/12/2014. The bill came into effect after it passed by both the houses in the parliament, i.e. Lok Sabha and Rajya Sabha. A Goods and Services Tax (GSTC) shall be constituted comprising the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to recommend on the GST rate,

exemption and thresholds, taxes to be subsumed and other features.

Objectives of GST

Various objectives of GST are as follows:

- i) To ensure One Country – One Tax
- ii) To ensure consumption based tax
- iii) To ensure Uniform GST Registration, payment and Input tax Credit.
- iv) To eliminate the cascading effect of Indirect taxes on single transaction.
- v) To ensure the subsumation of all indirect taxes under the Centre and State Level.
- vi) To reduce tax evasion and corruption.
- vii) To increase productivity.
- viii) To increase Tax to GDP Ratio and revenue surplus.
- ix) To increase Compliance.
- x) To reduce economic distortions.

Scope of GST

All goods and services are covered under GST Regime except Alcoholic liquor for Human Consumption.

Tobacco Products subject to levy of GST and Centre may also levy excise duty GST Council yet to decide the incidence and levy of GST on following:

- a) Crude Petroleum
- b) High Speed Diesel (HSD)
- c) Motor Spirit (Petrol)
- d) Natural Gas
- e) Aviation Turbine Fuel

Advantages of GST

For Citizens:

- (i) Simpler tax system
- (ii) Reduction in prices of goods and services due to elimination of cascading
- (iii) Uniform prices throughout the country
- (iv) Transparency in taxation system
- (v) Increase in employment opportunities.



For Trade/Industry

- i) Reduction in multiplicity of taxes.
- ii) Mitigation of cascading/double taxation.
- (iii) More efficient neutralization of taxes especially for exports.
- (iv) Development of common national market.
- (v) Simpler tax regime-fewer rates and exemptions.

For Central/State Governments:

- i) A unified common national market to boost Foreign Investment and "Make in India" campaign.
- (ii) Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.
- (iii) Improving the overall investment climate in the country which will benefit the development of states.
- (iv) Uniform SGST and IGST rates to reduce the incentive for tax evasion. Reduction in compliance costs as no requirement of multiple record keeping.

Need for GST in India

(There is a saying in Kautilaya's Arthshastra, the first book on economics in the world, that the best taxation regime is the one which is "liberal in assessment and ruthless in collection". The proposed GST seems to be based on this very principle)

Benefits of Implementing GST

The benefits of GST can be summarized as under:

- 1. For Business and Industry
 - (i) Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online,

which would make compliance easy and transparent.

- (ii) Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business.
 - (iii) Removal of cascading: A system of seamless tax-credits throughout the value-chain and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
 - (iv) Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.
 - (v) Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity tax rates and procedures across the country will also go a long way in reducing the compliance cost.
- 2. For Central and State Governments
 - (i) Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST could be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.



ii) Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.

(iii) Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

3. For the Consumer

(i) 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.

(ii) 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.

Impact of GST

GST has brought in 'one nation one tax' system, but its effect on various industries is slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service.

The tax rate under GST are set at 0%, 5%, 12%, 18% and 28% for various goods and services and almost 50% of

Goods & Services comes under 18% tax rate.

As per Article 246A, the power to levy GST has been given to the Parliament as well as to Legislature of every State.

* CGST – enacted by Central Government of India.

* IGST – enacted by Central Government of India.

* SGST – enacted by respective State Governments

* UTGST – enacted by Central Government of India

1. CGST: Central Goods and Service Tax

CGST refers to the Central GST tax that is levied by the Central Government of India on any transaction of goods and services tax taking place within a State. It is one of the two taxes charged on every intrastate (with in state) transaction, the other one being (or UTGST for Union Territories). CGST replaces all the existing Central taxes including Services Tax, Central Excise Duty, CST, Customs Duty, SAD, etc., The rate of CGST is usually equal to the SGST rate. Both taxes are charged on the base price of the product.

2. SGST: State Goods and Service Tax

SGST (State GST) is one of the two taxes levied on every intrastate (within one state) transaction of goods and services. The other one is CGST. SGST is levied by the state where the goods are being sold/purchased. It will replace all the existing state taxes including VAT, State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cases and Surcharges on any kind of transaction involving goods and services. The State Government is the sole claimer of the revenue earned under SGST.



3. IGST: Integrated Goods and Services Tax

Integrated GST (IGST) is applicable on interstate (between two states) transactions of goods and services, as well as on imports. This tax will be collected by the Central Government and will further be distributed among the respective states. IGST is charged when a product or service is moved from one state to another. IGST is in place to ensure that a state has to deal only with the Union Government and not with every state separately to settle the interstate tax amounts.

4. UTGST: Union Territory Goods and Services Tax

The Union Territory Goods and Services Tax, commonly referred to as UTGST, is the GST applicable on the goods and services supply that takes place in any of the five Union Territories of India, including Andaman and Nicobar Islands, Dadra and Nagar Haveli, Chandigarh, Lakshadweep and Daman and Diu. This UTGST will be charged in addition to the Central GST (CGST) explained above. For any transaction of goods/services within a Union Territory: CGST + UTGST.

The reason why a separate GST was implemented for the Union Territories is that the common State GST (SGST) cannot be applied in a Union Territory without legislatures, so SGST is applicable to them.

Need of the Study

This study examines the impact of GST after its implementation. It will show the gap between past indirect taxes and GST. As most of the Consumers and Business entities are so far not aware of the exact structure and process of GST. Similarly, there is a conception that GST has resulted in increased prices of goods and services in general. Hence this is an

attempt to evaluate all these factors affecting the implementation of GST

Objectives of the Study

- To Study the impact of GST after its implementation.
- To Know the perceptions of Traders and Consumers on GST implementation.
- To identify benefits and challenges of GST after implementation.
- To know the level of awareness on GST among Traders and Consumers.

Scope of the Study

The study of the project will give an insight about the very understanding of the GST bill amongst traders and consumers in the sample area. The study covers very few kinds of traders and limited categories of consumers. Similarly, specific impact on slab-wise categorization has not been studied and their impact is not covered in this study. The Scope of the study is limited to three cities of Warangal only.

Research Methodology

The study covers both Primary and Secondary sources of data.

PRIMARY DATA: A structured questionnaire is used to collect the primary data.

SECONDARY DATA: Secondary data is collected by referring related books, journals and web sites.

PERIOD OF THE STUDY: The study covers a period of one month from 5th November 2018 to 5th December 2018

Sample Size

For the purpose of the study, 60 traders and 150 consumers were selected from three cities of Warangal, i.e., Hanamkonda, Warangal and Kazipet.

Only limited traders were selected like small hotels and cafeterias, Beauty parlors, Provisional and Kirana shops, Book shops, electronics shops and Automobile show rooms etc.



Similarly, among the consumers segment house wives, salaried persons and business men were included.

Limitation of the Study

- Due to time constraint, the study was restricted to Warangal tri cities only.
- The number of respondents was limited to 60 traders and 150 consumers only.
- Some of the respondents were not open in giving their opinions.
- Since sample size is very limited, the results of the study may not be generalized.

Perceptions of Consumers on GST – An Analysis – Demographic Analysis

Gender	No. of Respondents	Percentage
Male	92	61%
Female	58	39 %
Total	150	100
Age Group		
Below 25	36	24%
25 to 40	72	48%
Above 40	42	28%
Total	150	100

Demographic Analysis Continued

Qualifications	Number	Percentage
Below Intermediate	40	27%
Graduation/Degree	71	47%
P.G and above	39	26%
Total	150	100
Income Per Month		
Less than 20,000	15	10%
20,000 to 40,000	31	21%
40,000 to 80,000	66	44%
80,000 and Above	38	25%
Total	150	100

Options about GST

Variable	Number	Percentage
Generalized Sales Tax	85	57 %

Goods and Service Tax	65	43 %
Will Increase Price - YES	92	61 %
NO	58	39 %
Awareness about GST Rates –YES	54	36 %
NO	96	64 %
GST – Whether Beneficial To Public - YES	87	58 %
No	63	42 %

Descriptive Analysis Of Respondent’s Awareness On GST

Factors	Categori es	Frequen cy	Percenta ge	Level
General Awareness	Yes	138	92	High
	No	12	8	
Information Provided	Yes	90	60	Modera te
	No	60	40	
Promotional Activity	Yes	52	35	Low
	No	98	65	
Implementat ion	Yes	126	84	High
	No	24	16	
Tax Payer Responsibility	Yes	96	65	Modera te
	No	54	35	
Respondents Readiness	Yes	22	15	Low
	No	128	85	

Descriptive Analysis for Respondent’s Acceptance on GST

Factors	Item	Mean
Acceptance	GST in Sample area	2.63
	GST is Fairer	2.93
	Bridging the Gap	2.85
	Contribution of Additional Revenue	3.31
	Understandability of the System	2.88
	Development of Economy	2.96
	Total Mean	17.56



Consumers' Knowledge on the Issue of GST (Using Five Point Scale)

Variable	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
GST aims to make the tax system more efficient, comprehensive and transparent.		105 (70%)	30 (20%)	15 (10%)		150
GST will generate and increase revenue for the country	34 (23%)	100 (66.7%)	16 (10.67)			150
GST can overcome the sale and services tax which was introduced earlier.	16 (10.67)	52 (35%)	52 (35%)	30 (20%)		150
GST will not burden people.		52 (35%)	52 (35%)	16 (10.67%)	30 (20%)	150
GST protects the interests of low income earners	34 (23%)	52 (35%)	58 (39%)	6 (4%)		150
Do not understand how GST would be implemented		117 (78%)	14 (9%)	19 (13%)		150
GST will result in higher prices	54 (36%)	14 (9%)	52 (35%)	30 (20%)		150
GST is the best tax system adopted by many countries	52 (35%)	52 (35%)	34 (23%)	12 (8%)		150
No GST is imposed on exported goods and services.	32 (21%)	52 (35%)	36 (24%)	30 (20%)		150

Mean, Standard Deviation and Correlations

Constructs	Mean	SD	Correlation N = 150					
			1	2	3	4	5	6
1.Comprehensive and Transparency	3.56	0.91	1					
2. Impact on Revenue	4.00	0.75	0.162**	1				
3. Simplicity	3.74	0.87	0.357**	0.122*	1			
4. Impact on Prices	3.84	0.76	0.690**	0.092	0.183**	1		
5. Understandability	3.35	0.81	0.596**	0.135*	0.388**	0.617**	1	
6. Overall Awareness	3.57	0.90	0.374**	0.267**	0.278**	0.302**	0.323**	1
√AVE				0.62	0.73	0.74	0.75	0.62

Analysis of Traders Perceptions on Implementation of GST

Traders Perceptions on GST

Opinion Variable	Number	Percentage
WHETHER GST IS EASIER OR DIFFICULT TO COMPLY WITH		
Easier	08	13 %
Difficult	22	37 %
Do not know	30	50 %
Total	60	100
REGISTRATION OF BUSINESS		
Yes	45	75 %
No	15	25 %
Total	60	100
WHETHER CURRENT SOFTWARE SYSTEM SUITABLE TO HANDLE GST		



Yes	12	20 %
No	48	80 %
WHETHER GST IS A FAIR TAX		
Yes	51	85 %
No	09	15 %
IMPACT OF GST ON PRICES		
Prices Increased	38	63 %
Prices Decreased	14	24 %
No Change in Prices	08	13 %
IMPACT OF GST ON TURNOVER		
Sales Increased	08	14 %
Sales Decreased	38	63 %
No Change in Sales	14	23 %
Total	60	100
IMPACT OF GST ON PROFITS		
Profit Increased	17	28
Profit Decreased	33	55
No Change in Profits	10	17
Total	60	100

Descriptive Analysis of Traders Perception on GST

<i>Statement</i>	<i>Mean</i>
GST is a very good tax reform for India	2.62
GST has increased the legal compliances	2.41
GST has increased the tax burden on Businessman	3.12
GST has increased the tax burden on Common man	2.82
Government has imposed GST on People without preparation	2.45
GST is very difficult to understand	2.62
GST will increase the prices of goods and services	3.13
GST is beneficial in the long Run	2.52
GST will improve the tax collection and revenue to the Government	2.81
GST is affecting small business very badly	2.72
Total Mean	21.88

Conclusion

- The GST mechanism is advancement over the present tax system, the idea being that a unified GST Law will create a seamless nationwide market.
- It is also expected that Goods and Services Tax will improve the collection of taxes as well as boost the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate

Suggestions

1. Since the implementation of GST is in initial stages only, the Government and other officials should create more awareness among the consumers and traders on the positive effects of GST.
2. There must be dispute redressal mechanism and the same should be transparent and fair.
3. Trader must be given training and orientation on registration of their business entities under GST act.