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# A STUDY ON CUSTOMER'S PERCEPTION TOWARDS GOODS AND SERVICES TAX (GST)

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## **Abstract**

*This research is to examine the key factor that has contributed to the customer's perception towards goods and service tax (GST) in Pondicherry region. In this study several identifiable variables were selected concerning tax knowledge, tax morale, tax compliance. Using questionnaire as research instrument, 50 sets of questionnaires has been distributed. Multiple regression analysis was used to test cause of relationship among tax knowledge, tax morale, and tax compliance with tax payer's awareness on GST. The result revealed that all of three independent variables were found to have significant impact towards the public awareness on goods and service tax (GST).*

**Keywords;** Tax, Compliance, impact, Goods and Services.

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## **INTRODUCTION**

The President of India approved the Constitution Amendment Bill for Goods and Services Tax (GST) on 8 September 2016, following the bill's passage in the Indian parliament and its ratification by more than 50% of state legislatures. This law will replace all indirect taxes levied on goods and services by the central government and state government and implement GST by April 2017. The implementation of GST will have a far-reaching impact on almost all the aspects of the business operations in India. With more than 140 countries now adopting some form of GST, India has long been a stand-out exception.

GST is a value-added tax levied at all points in the supply chain, with credit allowed for any tax paid on input acquired for use in making the supply. It would apply to both goods and services in a comprehensive manner, with exemptions restricted to a minimum.

In keeping with the federal structure of India, it is proposed that the GST will be levied concurrently by the central government (CGST) and the state government (SGST). It is expected that the base and other essential design features would be common between CGST and SGSTs for individual states. The inter-state supplies within India would attract an integrated GST (IGST), which is the aggregate of CGST and the SGST of the destination state.

**The following are the salient features of the proposed GST system:**

- The power to make laws in respect of supplies in the course of inter-state trade or commerce will remain with the central government. The states will have the right to levy GST on intrastate transactions, including on services.
- The administration of GST will be the responsibility of the GST Council, which will be the apex policy-making body for GST. Members of GST Council will comprise central and state ministers in charge of the finance portfolio.
- The threshold for levy of GST is a turnover of Rs.1 million. For a taxpayer who conducts business in a north eastern state of India the threshold is Rs. 500,000.
- The central government will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services (other than on alcohol for human consumption).
- Central taxes such as central excise duty, additional excise duty, service tax, additional custom duty and special additional duty, as well as state-level taxes such as VAT or sales tax, central sales tax, entertainment tax, entry tax, purchase tax, luxury tax and octroi will be subsumed in GST.
- A provision will be made for removing imposition of entry tax/ octroi across India.
- Entertainment tax, imposed by states on movies, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- Stamp duties, typically imposed on legal agreements by states, will continue to be levied.
- The key benefits associated with GST are:
  - Offers a wider tax base, necessary for lowering tax rates and eliminating classification disputes
  - Eliminates the multiplicity of taxes and their cascading effects
  - Rationalizes the tax structure and simplifies compliance procedures
  - Automates compliance procedures to reduce errors and increase efficiency

GST would be levied on the basis of the destination principle. Exports would be zero-rated, and imports would attract tax in the same manner as domestic goods and services. In addition to the IGST in respect of supply of goods, an additional tax of up to 1% has been proposed to be levied by the central government. The revenue from this tax is to be assigned to the origin states. This tax is proposed to be levied for the first two years or a longer period, as recommended by the GST Council.

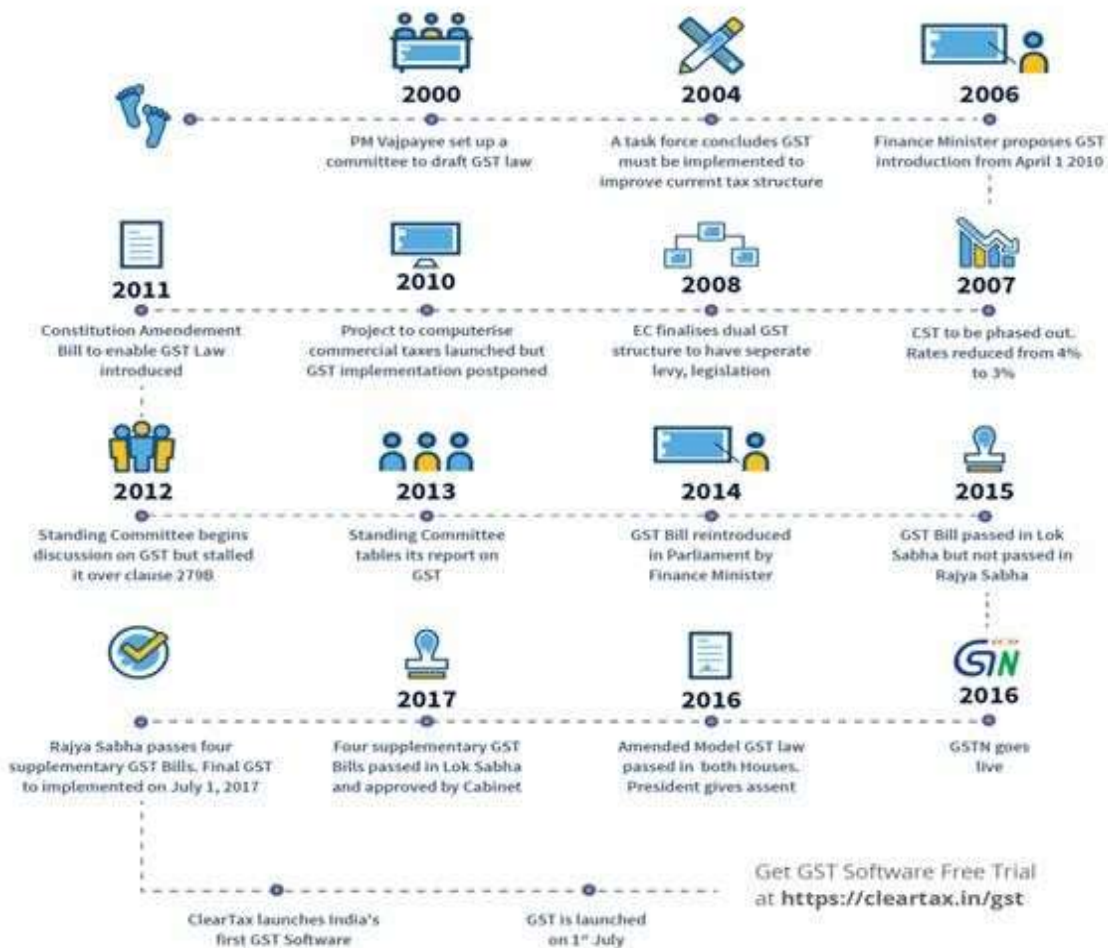
With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions. GST would bring in a modern tax system to ensure efficient and effective tax administration. It will bring in greater

transparency and strengthen monitoring, thus making tax evasion difficult. While the process of implementation of GST unfolds in the next few months, it is important for industry to understand the impact and opportunities offered by this reform. GST will affect all industries, irrespective of the sector. It will impact the entire value chain of operations, namely procurement, manufacturing, distribution, warehousing, sales and pricing.

### Journey of GST in India

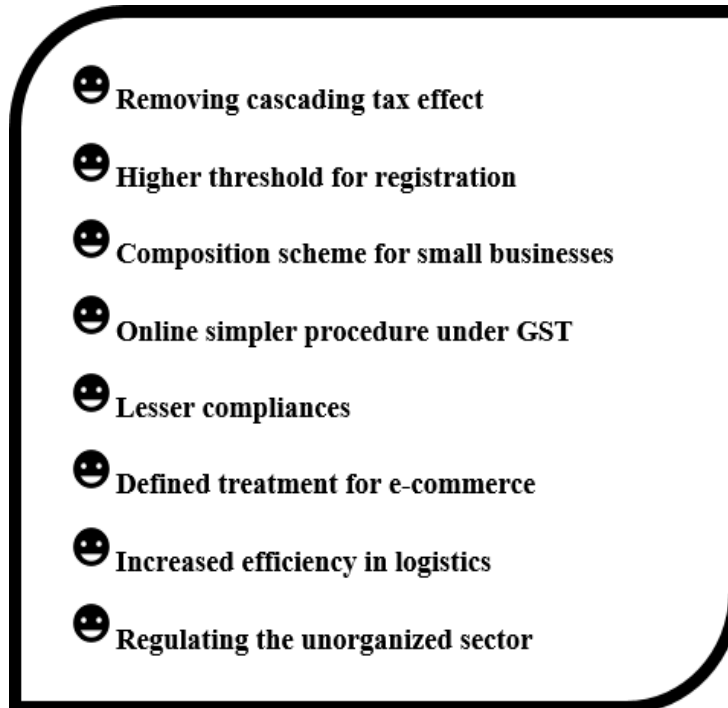
The GST journey began in the year 2000 when a committee was set up to draft law. It took 17 years from then for the Law to evolve. In 2017 the GST Bill was passed in the Lok Sabha and Rajya Sabha. On 1st July 2017 the GST Law came into force.

### HISTORY OF GST



## Advantages of GST

GST has mainly removed the Cascading effect on the sale of goods and services. Removal of cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases. GST is also mainly technologically driven. All activities like registration, return filing, application for refund and response to notice needs to be done online on the GST Portal; this accelerates the processes.



## The components of GST

There are 3 taxes applicable under this system: CGST, SGST & IGST.

- **CGST:** Collected by the Central Government on an intra-state sale (Eg: transaction happening within Maharashtra)
- **SGST:** Collected by the State Government on an intra-state sale (Eg: transaction happening within Maharashtra)
- **IGST:** Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

**In most cases, the tax structure under the new regime will be as follows**

<b>Transaction</b>	<b>New Regime</b>	<b>Old Regime</b>	
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

### **Tax Laws before GST**

In the earlier indirect tax regime, there were many indirect taxes levied by both state and centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations. Interstate sale of goods was taxed by the Centre. CST (Central State Tax) was applicable in case of interstate sale of goods. Other than above there were many indirect taxes like entertainment tax, octroi and local tax that was levied by state and centre. This led to a lot of overlapping of taxes levied by both state and centre. For example, when goods were manufactured and sold, excise duty was charged by the centre. Over and above Excise Duty, VAT was also charged by the State. This led to a tax on tax also known as the cascading effect of taxes. The following is the list of indirect taxes in the pre-GST regime:

- Central Excise Duty
- Duties of Excise
- Additional Duties of Excise
- Additional Duties of Customs
- Special Additional Duty of Customs
- Cess
- State VAT

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- Central Sales Tax
  - Purchase Tax
  - Luxury Tax
  - Entertainment Tax
  - Entry Tax
  - Taxes on advertisements
  - Taxes on lotteries, betting, and gambling

CGST, SGST, and IGST has replaced all the above taxes. However, the chargeability of CST for Inter-state purchase at a concessional rate of 2%, by issue and utilisation of c-Form is still prevalent for certain Non-GST goods such as: (i) Petroleum crude; (ii) High-speed diesel; (iii) Motor spirit (commonly known as petrol); (iv) Natural gas; (v) Aviation turbine fuel; and (vi) Alcoholic liquor for human consumption. in respect of following transactions only:

- Resale
- Use in manufacturing or processing
- Use in the telecommunication network or in mining or in the generation or distribution of electricity or any other power

#### **What changes has GST brought in?**

In the pre-GST regime, every purchaser including the final consumer paid tax on tax. This tax on tax is called Cascading Effect of Taxes.

**GST has removed** this cascading effect as the tax is calculated only on the value-addition at each stage of the transfer of ownership. Understand what the cascading effect is and how GST helps by watching this simple video:

This indirect tax system under GST has improved the collection of taxes as well as boosted the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate.

#### **REVIEW OF LITERATURE**

Anshu Ahuja (2017) in the research paper titled “Perception of people towards goods and services tax” found that consumers are satisfied that goods and services tax will reduce the tax evasion in the country and will increase the transparency in the tax structure. He further suggested that government should give some relaxation to farmers and small scale business to avoid the adverse impact of goods and services tax on their income level

Gowtham Ramkumar (2017) in his study titled “Impact of GST on consumer spending ability in Chennai City” concluded that consumers are left with less money after GST, rise in inflation level and fall in prices of certain goods after GST implementation. He further concluded that GST rates will have a significant impact on the spending ability of the consumers and suggested that benefits of input tax credit must be transferred by the companies to the consumers.

Karthick R et.al(2017) in their research paper “A Study on consumer perception towards goods and services tax in Kanchipuram district” found that consumers feel that the tax rates are high for the products of daily use. They further found that consumers feel that method being followed for GST is highly complicated and periodic evaluation of tax rates is required. Further they concluded that GST can be successful only when business persons have a right understanding of how GST has to be charged to the consumers.

Manoj Kumar Agarwal (2017) in his research paper titled “People’s perception towards GST – An empirical study” found that people feel that GST has increased the legal compliances and it will increase the tax collection of the government. He further found that GST has increased the tax burden of businessmen and suggested that efforts should be made on the part of the government to ensure people have a proper understanding of the goods and services tax implemented in India.

Agog Mawuli (May 2014) studied, “Goods and Service Tax-An Appraisal” and 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.

Garg (2014) studied “Basic Concepts and Features of Good and Service Tax in India” and found that a tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority” and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST.

### **OBJECTIVES OF THE STUDY**

The objectives of the study are as follows

- To study the consumers opinion with regard to goods and services tax implementation.
- To study the consumers opinion with regard to goods and services tax rates.
- To study the consumers opinion with regard to various aspects of goods and services tax.
- To study the consumers opinion with regard to disposable income and spending ability after GST implementation.

### **RESEARCH METHODOLOGY**

The data required for this study is collected from both primary and secondary sources.

### **TYPE OF RESEARCH**

This research study is a quantitative research study. A quantitative research study is a study where a problem which is being studied by the researcher is supported by generating data

which can be later converted into usable statistics giving meaningful conclusion.

### SOURCES OF DATA

**Primary data:** Primary sources are the sources that are collected originally rather than being already made available. The data obtained from these sources are called primary data. The primary data for the study is collected through survey method using structured questionnaire. The primary data often is available in raw form which is then processed to make itself suitable for further analysis to arrive at meaningful conclusion.

**Secondary data:** The secondary sources represent those data made available in a suitable form to lend itself for further analysis. Often they do not require any processing and can be used for analysis purpose. The Secondary data for the research is collected through journals, magazines and books relating to economic effects of taxes on the economy.

### LIMITATIONS OF THE STUDY

The various limitations of the study are as follows

1. The analysis is for a particular period of time and results will change for an analysis made at any other of time.
2. The study limits itself to the consumers in Pondicherry city. The results might vary if the study is conducted in different geographical location.
3. The study uses various multivariate analysis techniques for analyzing the results. The limitations of these tools might affect the outcome of the study.
4. The study confines itself to FMCG sector and therefore may not be reflect the impact of GST on consumers of other sectors.

### DATA ANALYSIS AND INTERPRETATION

**Table 1**

#### Opinion with regard to GST implementation

GST IMPLEMENTATION					
	N	Min	Max	Mean	Std. Deviation
I am satisfied with four GST rates	150	1	5	2.93	1.143
I am satisfied with dual model of GST	150	1	5	2.92	1.100
I am satisfied with rates allocated for products and Services	150	1	5	2.89	1.110
I am satisfied regarding implementation of GST in 2017	150	1	5	2.88	1.150



I am satisfied with implementation of GST soon after demonetization	150	1	5	2.81	1.249
Valid N (list wise)	150				

### INTERPRETATION

It shows the respondents opinion with regard to GST implementation. From the above table, based on mean score of 2.93 it is clear that respondents are satisfied with regard to four tier GST rates applicable for goods and services. Further they are also satisfied with regard to dual model of GST in the form of CGST and SGST. With the mean score of 2.89, it is clear respondents have a neutral opinion with regard to rates allocated for the products classified under different slabs of GST. Based on the mean score of 2.88 and 2.81, it is clear that people are highly dissatisfied with regard to implementation of GST in 2017 especially within few months after demonetization

**Table 2**

### Opinion with regard to various aspects of GST in India

GST Aspects					
	N	Min	Max	Mean	Std. Deviation
GST rates applicable to different products	150	1	5	3.51	.978
Dual model of GST – CGST and SGST	150	1	5	3.39	1.138
GST Working mechanism	150	1	5	3.27	.977
Different types of GST rates	150	1	5	3.19	1.147
GST related concerns are addressed through GST council	150	1	5	3.12	1.052
Valid N (list wise)	150				

### INTERPRETATION

From the above table it shows the respondents opinion with regard to various aspects of GST implemented in India. The highest mean score is considered to be most preferred opinion of the respondents. From the above table, it is clear that consumers are aware about GST rates applicable to the products and it is indicated by the mean score of 3.51. Followed by it, based on the mean score of 3.39, it is clear that the respondents are aware and satisfied with dual model of GST implemented in India. However, based on the mean score of 3.27 it is clear that respondents have a neutral opinion with regard to the GST working mechanism and respondents are dissatisfied with regard to rates applicable for different products and the role of GST council in addressing problems arising out of GST.

**Table 3**

**opinion with regard to the impact of GST on their disposable income**

<b>Descriptive Statistics</b>					
	N	Min	Max	Mean	Std. Deviation
GDP of India has increased	150	1	5	2.92	1.037
Cost of borrowing has been reduced	150	1	5	2.75	1.104
There is no fear of rising taxes	150	1	4	2.64	1.035
Increase in personal income	150	1	5	2.53	1.044
Level of unemployment reduced	150	1	5	2.48	1.031
Valid N (list wise)	150				

**Table 4 showing the respondents opinion with regard to GST rates in India**

	N	Min	Max	Mean	Std. Deviation
I am satisfied with 0% rate for milk and other items included in this list	150	1	5	3.63	.969
I am satisfied with slashing of GST rate to 5% for restaurants	150	1	5	3.05	1.138
I am satisfied with 12% rate for Agarbatti and other items included in this list.	150	1	5	3.01	.951
I am satisfied with 28% rate for shampoo and related products	150	1	5	2.64	1.204
I am satisfied with 18% rate for vegetables	150	1	5	2.61	1.251
Valid N (list wise)	150				

### **INTERPRETATION**

From the above table it shows the respondents opinion with regard to GST rates in India. The mean values are arranged in descending order indicating level of agreeableness of the

respondents to the statements given to them. Based on the mean score of 3.63, it is clear that respondents are satisfied with 0% GST rate for milk and other items added to that list. However, it should be noted that not all varieties of milk are subject to 0%. Then, it is clear that respondents are satisfied with regard to slashing of GST to 5% to the restaurants based on the mean score of 3.05. However respondents are not willing to accept 28% GST rates for daily usable items like shampoo and other products and 18% for vegetables. This is due to the rise in prices of essential daily use items soon after the implementation of GST. However in due to course of time, various revisions have taken place with regard to the GST charged for different FMCG Products.

**Table 5**

**Opinion with regard to the impact of GST on their spending ability**

	N	Min	Max	Mean	Std. Deviation
Low interest for consumer credit	150	1	5	3.07	1.031
Consumer credit is available more in number	150	1	5	3.07	1.044
Supply and demand of FMCG products increased	150	1	5	3.03	1.078
Increase in disposable income	150	1	5	2.93	1.107
Inflation is reduced	150	1	5	2.85	1.023
Valid N (list wise)	150				

**INTERPRETATION**

From the above table it shows the respondents opinion with regard to the impact of GST on their spending ability. Any consumer's purchase decision depends on his/her spending ability. The spending ability depends on several factors like availability of consumer credit, interest charged for it, market demand and supply position, inflation and disposable income. Based on the mean score, it is clear that consumers have no problem with regard to availability and interest charged for consumer credit and is indicated by the high mean score of 3.07. However, consumer do not experience any increase in disposable income and fall in inflation level. This is indicated by low mean score of 2.93 and 2.85.

**FINDINGS**

The findings of the study are as follows

- Based on the mean score 2.92, it is clear that GDP of India has increased taken a top position because of rising hopes for possible increase in GDP in upcoming days.

- Based on the mean score, it is clear that consumers have no problem with regard to availability and interest charged for consumer credit and is indicated by the high mean score of 3.07. Since India is moving towards digitalization, credit facilities are easily made available to them in the form of credit cards and small retailers also allow credit to their loyal customers.
- Based on mean score of 2.93 it is clear that respondents' are satisfied with regard to four tier GST rates applicable for goods and services. This is because four tier goods and services tax will enable to tax goods and services depending on their importance for the consumers.
- Consumers are aware about GST rates applicable to the products and it is indicated by the mean score of 3.51.
- Based on the mean score of 3.63, it is clear that respondents are satisfied with 0% GST rate for milk and other items added to that list. This is because if these are charged high rate of GST, again it will lead to rise in prices which cannot be afforded by the consumers.

## CONCLUSION

This study highlighted the overall overviews of GST in Pondicherry district. To conclude, goods and services tax is considered as the important tax reform for the nation. It seeks to make the country one common economic market. However, the concept of goods and services tax followed in our country is different from the way it is followed abroad. Consumers also have a neutral opinion with regard to the impact of goods and services tax on their disposable income and spending ability and time will take to evaluate and the Government to put in more effort to ensure that consumer have a clear understanding and develop a positive perception towards GST, leading to its acceptance. Good understanding among customer is important as it can generate a positive perception towards the taxation..

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