

Consumers' perception towards GST Rates in India

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ARTICLE DETAILS

Article History

Published Online: 10 January 2019

Keywords

Reforms, Uniform tax, Single tax, GST rates, Implementation

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ABSTRACT

Reforms are a continuous process as and when a new reform or bill comes and a new law is imposed, it surely leaves its impact especially on the common man. It is ultimately the common man who is directly or indirectly affected by the implementation of any new tax. GST or Goods and Services Tax as the name implies, it is an indirect tax applied both on goods and services at a uniform rate. A single form of tax known as GST has applied throughout the country.

Goods and Services Tax (GST) – A new law, a new tax will bring with it new challenges to face that need to be tackled with utmost care. The GST bill covers the goods and services tax and shall be the biggest indirect tax reform providing a uniform and simplified way of indirect taxation in India.

After a lot of deliberation the GST council has finalized the rates for all the goods and major service categories under various tax slabs. 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. A bundle of indirect taxes will get replaced by GST. But how is our life going to change post GST? and also to see how GST on some day-to-day good and services will have an impact on an end user's pocket.

Through this article, let us see how GST will affect our daily lives as citizens of this great democracy. Though it is called as 'Good and Simple Tax', it is noteworthy that instead of one single GST rate, variety of goods and services will be taxed at different rates. As there are several tax rates, we need to see if it would really make our life simple.

This paper sets out to analyze the effect of the impending implementation of Goods and Services Tax (GST) in India and its impact on common man's budget and affect consumers' money.

1. Introduction

The introduction of goods and services tax as a single taxation system is considered to be a major tax reform in the country. All most all the sectors of the economy are now experiencing the effects of goods and services tax. Consumers are no way an exception to the aftermath of the goods and services tax. Different tax experts and economists have given their opinion on the long term benefits of goods and services tax for India. It is necessary to understand the consumers' opinion regarding GST. Thus, there is a need to

study the consumer perception regarding the GST rates now in India.

A consumer might not be required to do anything under GST and is also the last person in the value chain involving supply of goods and services but all this tax transformation is undertaken for his betterment only. There is an inter relationship between a consumer, business and indirect taxes. One of the leading revenue generators to the government is indirect taxes, a tax that is collected and deposited by a business but eventually passed on to the person who bears the ultimate economic burden of the tax i.e., the consumer.



2. Review of literature

Anshu Ahuja (2017)¹, 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)², 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.

Manoj Kumar Agarwal (2017)³, 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.

3. Need of the study

Most of the consumers are unaware of GST applicability on various goods and services and also they don't know the tax rates before GST and after GST. Not only that, some retailers are engaged in cut practices and they are fooling the consumers by charging GST on MRP based products. MRP includes GST but retailers are taking advantage of consumer's confusion over GST. Hence, there is a need to provide the awareness to the consumers on GST rates.

4. Objectives of the study

1. To study the consumers perception towards GST rates in India
2. To furnish the information regarding GST rates to the consumers.

5. Research methodology

The present study is totally based on secondary data. The relevant data is collected from newspapers, research studies, reputed journals, books and websites etc.



When the nationwide goods and services tax (GST) was introduced a year ago, it was accompanied by both fear and hope. The fear was that it would be used as an opportunity by firms to raise prices while the hope was that it would lead to a convergence of prices across states and cities. One year later, the evidence on GST is mixed.

The new GST regime brought with it a slew of overarching impacts on a multitude of commercial sectors. The consolidation of various levies into a singular structure has affected almost every aspect of consumption in our lives. Hence, we are doing a series of blogs about the impact of GST rates on consumers.

TABLE 1: DAILY NEED ITEMS

Items	GST Rate %	< >	Previous Effective Rate %
CHEAPER GOODS			
Hair oil	18	<	26

Tooth paste	18	<	26-28
Soaps	18	<	26-28
Spectacles lens	12	<	18.5
Steel Utensils	5	<	18.5
Namkeen	12	<	26
Tooth Power	12	<	26
Led light	12	<	26
Brooms sticks	5	<	18
Milk beverage	12	<	26
Mineral water	18	<	26-28
Rusk & Toasted bread	5	<	5-12.5

Source : The Economic Times, July 1st, 2018

The tax rates on all the daily need items were come down after implementation of GST compare to VAT rates.

TABLE 2 : DEARER GOODS

Items	GST Rate %	< >	Previous Effective Rate %
Bread, butter, ghee & cheese	12	>	5
Agarbatti	12	>	0
Jam & jellies	18	>	12
Chocolates	28	>	25-26
Pasteries & cake	18	>	11-15
Instant coffee	28	>	26
Sanitary napkins	12	>	5-6
Razor	28	>	26
Shaving cream, hair cream	28	>	26

Source : The Economic Times, July 1st, 2018

The tax rate on all the dearer goods has increased compare to VAT rate.

TABLE 3: UTILITY BILLS

Item	GST Rate %	< >	Previous Effective Rate %
Telecom	18	>	15
Insurance	18	>	15
Coaching class	18	>	15
Jewellery	3	>	2.5
Leather bags	28	>	6
Wrist watches	28	>	26
Furniture	28	>	26

Source : The Economic Times, July 1st, 2018

All the utility bills were charged on higher rate of tax under GST compare to VAT rates

TABLE 4 : LEISURE

Item	GST Rate %	< >	Previous Effective Rate %
Movie tickets(> Rs.100)	28	>	22-23
Five star restaurants	28	>	18
A/C Alcohol serving restaurants	18	<	22
Air tickets (economy)	5	<	6
Average room tariff (Rs. 2,500-7,500)	18	<	28
Average room tariff (> Rs. 7,500)	28	>	28-30

Source : The Economic Times, July 1st, 2018

The tax rates on movie tickets and five star restaurants has increased around 5-6 percent and on air tickets economy class has a little decrease.

TABLE 5: CONSUMER DURABLE

Item	GST Rate %	< >	Previous Effective Rate %
AC	28	>	25-26
Washing machine	28	>	25-26
Coolers	28	>	23-24
Refrigerators	28	>	24-27
Celle phones	12	>	6

Source : The Economic Times, July 1st, 2018

The tax rates on all most all the consumer durables has increased under GST

TABLE 6 : VEHICLES

Item	GST Rate %	< >	Previous Effective Rate %
Bicycle	12	<	18.5
Two-wheelers	28	>	27-30
Small petrol car	29	>	27-30
Small diesel car	31	>	27-30
Large car (< 1.5 L engine)	43	>	43-47
Large car (> 1.5 L engine)	43	>	47-51
SUVs (> 1.5 L clearance > 170 mm)	43	>	45-54
Rubber tyres	28	>	18.5

Source : The Economic Times, July 1st, 2018

Regarding vehicles, the tax rate on bicycle only has come down but all the vehicles using fuel has increased, the highest rate increase on SUV vehicles it is almost 11 percent and the tax on rubber types has increased 9 to10 percent

TABLE 7: INDUSTRIALS

Item	GST Rate %	< >	Previous Effective Rate %
Cement	28	>	25-27
Bulding briks	5	<	18.5
Coal	5	<	11
Paints	28	>	16
Ceramic tiles	28	>	26
Fertilizers	5	<	18.5

Source : The Economic Times, July 1st, 2018

The tax rate on cement, paints and ceramic tiles has increased and on building briks, coal and on fertilizers the rate has lowered.

TABLE 8 : DAILY CONSUMPTION ITEMS

CHEAPER	GST rate	Pre-GST rate	COSTLIER	GST rate	Pre-GST rate
Tea	5%	6%	Preserved vegetables	18%	0%
Bakery products	5%	12%	Burrer, Ghee, Cheese	12%	6%
Vegetable oils	5%	12%	Dry fruits	12%	6%
Refined sugar	18%	26%	Frozen meats	12%	6%
Milk beverages	12%	26%	Branded pannier	5%	0%
Namkeen/ Bhujia	12%	26%	Branded cereals	5%	0%

Source : The Economic Times, July 1st, 2018

The tax rate on edible items such as bakery products, oils, sugar, namkeen and milk beverages has decreased and on butter, ghee, cheese, dry fruits, frozen meats, brand pannier and cereals has increased and they become costlier

TABLE 9: PERSONAL HYGIENE ITEMS

CHEAPER	GST rate	Pre-GST rate	COSTLIER	GST rate	Pre-GST rate
Tooth paste	18%	26%	Deodorants	28%	26%
Soap	18%	26%	Perfumes	28%	26%

Hair oil	18%	26%	Shaving cream & After shave	28%	26%
Toilet paper	18%	26%	Skin care items	28%	26%
Detergents	18%	26%	Skin care items & sun screens	28%	26%
			Shampoo & Hair dyes	28%	26%

Source: The Economic Times, July 1st, 2018

Under personal hygiene items the tax rate has reduced on the items such as, tooth paste, soap, hair oil, and detergents but on the deodorants, perfumes, shaving cream,

after shave lotion skin care items, shampoo and hair dyes has increased.

TABLE 10: LIFE STYLE ITEMS

Cheaper	GST rate	Pre-GST rate	Costlier	GST rate	Pre-GST rate
Sports items	12%	18.5%	Leather bags	28%	6%
Fitness supplements	18%	26%	Cell phones	18%	6%
			Wrist watches	28%	26%

Source: The Economic Times, July 1st, 2018

Under life style items the tax rate has decreased only on sports items and on fitness supplements but an increase on

leather bags is 22 percent, on cell phones it is 12 percent and on wrist watches it is 2 percent.

TABLE 10: CONSUMER DURABLES AND HOME APPLIANCES

CHEAPER	GST rate	Pre-GST rate	COSTLIER	GST rate	Pre-GST rate
Broomsticks	5%	18%	Agarbathi	5%	0%
Candles	12%	26%	Hot plates/induction stoves	28%	19%
Aluminum utensils	12%	19%	Plastic products	28%	19%
Iron/steel/copper articles	15%	19%	Air Conditioners/Refrigerators	28%	26%
LED lights	12%	26%	Wooden furniture	28%	26%

Source: The Economic Times, July 1st, 2018

The tax rate on consumer durable goods and home appliances such as aluminum utensils, steel and copper plates, LED lights has decreased but on agarbathi, plastic products,

air conditioners, refrigerators and wooden furniture become costlier

TABLE 11: FINANCIAL SERVICES

Product type	Applicable on	GST rate	Pre-GST rate
Term policy	Premium payable	18%	15%
Unit linked policy	All applicable charges	18%	15%
Riders	Premium payable	18%	15%
Health insurance policy	Premium payable	4.5%	3.75%
Endowment policy	Premium payable-Regular premium	2%	1.9%
Single premium annuity plan	Premium payable	1.8%	1.7%

Source: The Economic Times, July 1st, 2018

As against the earlier service tax rate of 15% on banking, insurance and capital market transactions, the rate now under GST will be 18%. and on financial transactions vide ATMs, NEFT / RTGS / IMPS, debit card, credit card, e-wallets, will cost you more.

Paying insurance premiums will also prove costly. Even investors in mutual funds will have to bear a greater cost. While buying shares, the brokerage post-GST will also be greater as against earlier. Further, the cost of holding securities in a demat account would go up as well in the GST regime.

TABLE 12: TRANSPORT SERVICES

CHEAPER	GST rate	Pre-GST rate	COSTLIER	GST rate	Pre-GST rate
Cab and taxi rides	5%	6%	Business/Premium/First class air tickets	12%	8.4%
			AC travel trains	5%	4.5%

Source: The Economic Times, July 1st, 2018

With respect to travel by air, the cost would depend whether you choose to travel by economy or business class. For the economy class airline fare, the GST rate applicable is 5% as against the previous airline service tax thereto of 5.6%, making the fare marginally inexpensive. But in case you chose to travel business class, the airline fare would be a bit expensive, owing to 12% GST applicable thereto as against 8.4% service tax applicable earlier.

6. Tax rates on other goods and services

1). Footwear & apparels/garments:

Footwear costing more than Rs. 500 will have a GST rate of 18% from an earlier rate of 14.41 rate but rates for the footwear below Rs. 500 has been reduced to 5%. With respect to the ready-made garments, the rates have been reduced to 12% from an existing 18.16% which will make them cheaper.

2). Train fare:

There will not be much of an impact. The effective tax rate has increased from 4.5% to 5% in GST. But, passengers who travel for business trips can claim Input Tax Credit on their rail ticket which can help them to reduce expenses. People travelling by local trains or in the sleeper class will not be affected but first-class & AC travelers will have to pay more.

3). Movie tickets:

Movies tickets costing below Rs. 100 will be charged a GST rate of 18% but prices above Rs. 100 will have a higher tax rate of 28%.

4). Jewellery:

The gold investment will become slightly expensive because there will be 3% GST on gold and 5% on the making charges. The earlier tax rate on gold was around 2% in most of the states and the GST is increased from the existing rate to around 2% to 3%.

5). Buying a property:

The construction properties will be cheaper than ready-to-move-in properties. The GST rate for an under-construction property is 18% but the effective rate on this kind of property will be around 12% due to input tax credits the builder will avail of.

6). Education & medical facilities:

Education and medical sectors have been kept outside the GST ambit and both the primary education and healthcare is exempt from GST. It means a consumer will not pay any tax for the money you spent on these services. But due to increase in the rate of taxes for certain goods and services as procured by these organizations, they may pass on the additional tax burden to the consumers.

7). Hotel stay:

For the hotel stay, if the room tariff is less than Rs 1,000 then there will be no GST but anything above Rs 5,000 will attract 28% tax.

8). Buying a car:

Most of the cars in the Indian market will become slightly cheaper, except for the hybrid cars because the GST rate will be 28% tax on all the vehicles irrespective of their make, engine capacity or model. However, over and above this 28%, an additional cess will be levied which can be 1%, 3% or 15 %, depending on the particular car segment.

9). Mobile bills:

People will have to pay more on mobile phone bills as GST on telecom services is now 18% as opposed to the earlier tax rate of 15%. However, telecom companies may absorb this 3% rise due to fierce competition.

10). Restaurant bills/eating out:

The restaurant bill would depend on whether dined at an AC or Non-AC establishments which do not serve alcohol. Now dining at five-star hotels will be charged at 18% GST rate and the Non-AC restaurants will be charged 12% and a 5% GST will be charged from small hotels, dhabas and restaurants which do not cross an annual turnover of Rs. 50 Lakh.

11). IPL & other related events:

Events like IPL i.e. sporting events will have a 28% GST rate which is higher than the earlier 20% rates. This will increase the price of the tickets. The GST rate for other events like theatre, circus or Indian classical music shows or a folk dance performance or a drama show will be at 18% GST rate, this is lesser than the earlier tax rate.

12).DTH and cable services:

The money you pay towards your DTH (Direct-To-Home) connections or to your cable operator will reduce a bit as the rate is fixed at 18%, which is lower than the earlier taxes which were comprising of entertainment tax in the range of 10% to 30%, apart from the service tax of 15%.

13). Amusements parks:

The ticket price for amusement parks and theme parks will increase as the earlier service tax of 15% will become 28% under the GST.

Items which are completely exempt from the GST:

1. The unprocessed cereals, rice and wheat etc.
2. The unprocessed milk, vegetables (fresh), fish, meat, etc.
3. Unbranded Atta, Besan or Maida.
4. Kid's colouring book/drawing books.
5. Sindoor/Bindis, bangles, etc.

7. Adverse effect of GST on consumers:

There were many exemptions provided for various services earlier. But under GST exemptions have been given only where necessary. Thus, the businessmen will pass the ultimate economic tax burden to the consumers. Also on certain goods like tobacco products, aerated water, motor cars; additional cess is being levied which is known as "compensation cess" that making the goods costlier. Moreover, certain services such as accommodation in hotels, work contract, movie tickets, etc. to get costlier as previous

service tax charged was around 15% and the current GST rate charged for them is 18% or 28%.

8. What the future looks like

Talking about the long-term benefits, it is expected that GST would not just mean a lower rate of taxes but also having minimum tax slabs. Countries where the Goods and Service Tax has helped in reforming the economy having only 2 or 3 rates – one being the mean rate, second a lower rate for essential commodities and third one is a higher tax rate for the luxurious commodities. Currently, in India, we have 5 slabs with as many as 3 rates – an integrated rate, a central rate and a state rate. In addition to these, cess is also levied. The fear of losing out on revenue has kept the government from gambling on fewer or lower rates. This is very unlikely to see a shift anytime soon, though the government has said that rates may be revisited once the RNR (revenue neutral rate) is reached.

The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated. The revenue from the taxes for the government is

very likely to increase with an extended tax net and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb several ladders in the ease of doing business with the implementation of the most important tax reform ever in the history of the country.

9. Conclusion

In conclusion, GST is a step forward for India to integrate its market and systematically develop its economy as a whole. The essence of GST is that all goods and services be taxed at moderate rate. So, in the long run it is expected that the burden of GST on common man will be reduced. GST, the biggest tax reform in the country has kicked in. Although the goods and services get cheaper on account of ITC available to most of the goods and services and certain exemptions available thereon, there has been a drastic increase in the rate of taxes on various items. Hence, it will be good if a consumer makes the analysis of the applicable rates and then make purchases or consume the services according to his income pattern.

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