



Traders' perception towards goods and services taxes implementation in India with reference to Vellore district Tamil Nadu

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Abstract

The dream of 'One country-One tax' and India becoming one market from an indirect tax perspective is came into force on 1st July 2017. The Constitution of India 101st Amendment Act 2016 came into force on 8th September, and notification of the GST Council on 15th September – the road to GST rollout is clear. Government is keened on introducing GST- the biggest indirect tax reform, initially planned with effect from 01 April 2017. One of the biggest challenges is to train the indirect tax officials of both Centre and State, as well as the traders. This study assesses the level of tax education, particularly the level of understanding of GST among the traders. The data for the study were collected by means of structured questionnaires with the sample of 50 respondents. The findings from the study showed that there is level of understanding are less among traders towards GST implementation in India. Government should provide sufficient information pertaining to GST such as the benefits of GST, the mechanism of charging, collection and others to widespread for public education on GST matters that could involve an integration of tax education into the curricula of education in our institutions of higher learning and organized work- shops for specific groups like educators. This paper could contribute on the policy development especially involving fiscal policy as well as gaining the traders confidence on government. The results, however, could not be generalized to all traders in India since the study was conducted in Vellore district, Tamil Nadu.

Keywords: GST, tax perception

Introduction

GST is a hot topic of discussion everywhere these days. So, you need to be aware of different aspects of GST. In order to introduce GST, the Lok Sabha passed the much delayed constitutional amendment bill to pave the way for a new bill on the uniform tax regime. The bill is set to be sent to a parliamentary committee for review by the Rajya Sabha, where the opposition party has said that they are in favour of the GST bill, but want some amendments to be made by the union government to be vetted by a selection committee of the Rajya Sabha. The GST bill that was conceived twelve years ago, has been kept pending because there were some changes needed in the basic bill and all states were not in favour of many provision of the bill particularly with the clause dealing with sharing revenue collected through GST.

GST Bill has been passed in the Rajya Sabha, further ratified by the requisite number of states. Even the President has given his assented to the GST Bill. So GST or Goods and Services Tax has been implemented by the Central Govt. 1st July 2017 onwards in India.

Presently, there are around 160 countries that have implemented GST/VAT in some form or other. In some countries, VAT is the substitute for GST, but conceptually it is a destination based tax levied on consumption of goods and services.

- France was the first to introduce GST or Goods and Services tax.

- Presently, only Canada has a dual GST model (somewhat similar to the Dual GST Model that India is going to implement).

The rate of GST normally ranges in between 15–28%. However, it may differ to a higher/lower side in some of the countries. The rate of GST plays a crucial role that is yet to be decided. Various countries have been struggling to rationalize the rate structure. India is all set to introduce GST or Goods and services tax after crossing the various hurdles in its way. Let us hope it is introduced at a nominal rate that proves beneficial not only for the common man but for the country as a whole. Most people have written about benefits of GST implementation based on its benefits accrued in western, developed economies. But India has a very poor record in imitating the western concepts and implementing them in Indian Contexts. I feel that GST will create one more tax structure like service tax, while states will try to make it exercise similar to sales tax renamed as VAT Reason is that Indian administrators have provided themselves right to unlimited taxation of public. Recently UP CM passed an order that VAT on petrol will not be reduced even if petrol prices are reduced by oil marketing companies and it will remain fixed at Rs. 16.70 but it will increase upward if petrol price raises.

One can imagine what changes they will bring to GST concept to fill up the treasury, only to launch more free laptop schemes. And I found the reason behind that in Indian

Constitution. I do not know how many people are aware that central and state governments have unlimited power to tax the public. Constitution is silent on this aspect. It only says that taxes should be reasonable and equitable but remains silent on the quantum. It also gives immense power to govt. to impose any kind of taxes and it need not pass the bill in RS and only lower house simple majority is enough for that. Sometimes only an administrative order is enough for enhancing an existing tax. That gives central and State govts. Immense scopes for infinite subsidy schemes, extravagant expenditure, impose trillions of taxes and still be in deficit.

Meaning of TAX & GST

TAX-Tax is compulsory contribution and payment by the people to the government.

VAT-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.

GST- is defined as *any tax on supply of goods and services other than on alcohol for human consumption.*

In brief, before GST came into exist the tax was levied at two tax system one is on sale value or about invoice amount and second one is on the value added amount under value added taxation. Now Goods & services taxes is destination based and input tax credit system (ICT) paid at previous stage of purchases and it can be set off right from the manufacturer to the end users. In the supply chain of goods and services, value added will be taxed and ultimate burden tax to be paid by the final consumer.

Statement of problem

An Independent living and development is the real freedom to State and as the whole country. The State welfare is fully depends on a good taxation system and it should satisfy the canon of taxation in towards the public, traders and the government. When both the Union and States are vested with the authority to levy tax on the same subject matter, difference may arise regarding the understanding, appropriate State to levy tax, rate of tax, sharing of revenue, compensation to States and levy of tax on destination, and impact of new tax system of (GST) goods and services taxes on various business and moreover on common public etc.

Objectives of the study

- To know the benefits, Threats & challenges of Goods & Services Taxes.
- To examine and analyze the perception level and attitude of traders.
- To suggest to Authorities and Government toward its value.

Area of the Study

The area of study is Vellore district, Tamil Nadu, It is the Head-Quarters of Vellore District is well connected by Rail and National highway 47 bus routes easily connected with neighboring states namely Andhra Pradesh, Karnataka

and Kerala to supply of goods and services by trading. The history of the District emphasis historical movements such as the Vellore Fort 1566, battles fought in Ambur 1749 A.D., Arcot 1751 A.D. and Vandavasi 1768 A.D. as a result of the long struggle between the English and the French for Supremacy. The

Monuments of first solders mutiny 1806, Voohrees College 1898, CMC Hospital 1900 and so on. The samples were drawn from various traders and assess the perception and attitude level of GST in the study area.

Purpose of Taxation

- Protection,
- Welfare & Wellbeing
- Progress
- Development, Maintenance,
- Supra National commitments

Advantages of GST

- Wider tax base, necessary for lowering tax rates and eliminating classification disputes
- Elimination of multiplicity of taxes and their cascading effects
- Rationalization of tax structure and simplification of compliance procedures
- Harmonization of center and state tax administrations, which would reduce duplication and compliance costs
- Automation of compliance procedures to reduce errors and increase efficiency.

Destination Principle

The GST structure would follow the destination principle CGST, SGST and UGST. Accordingly, imports would be subject to GST, while exports would be zero-rated. In the case of inter-state transactions within India, State tax (IGST) would apply in the state of destination as opposed to that of origin.

Tax regimes in GST system

- Decrease in multiple taxes
- Elimination of cascading of taxes
- Anticipated reduction in compliance costs Uniform Law, Rules, Tariff between Centre and States
- Simplified and computerized procedures

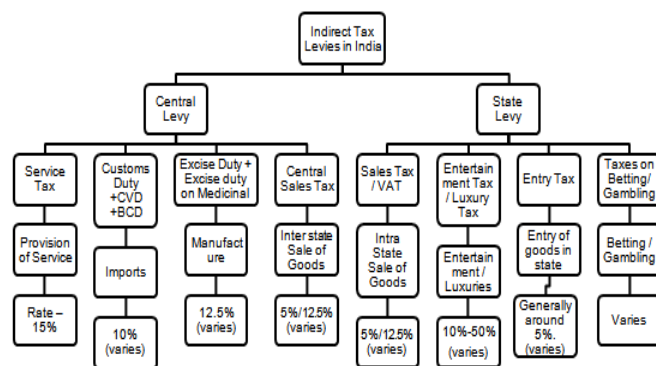


Fig 1: Problems in the Present Structure

Replace most indirect taxes

Central Taxes

- Central Excise Duty [including additional excise duties, excise duty under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955]
- Service tax
- Additional Customs Duty (CVD)
- Special Additional Duty of Customs (SAD)
- Central Sales Tax (levied by the Centre and collected by the States)
- Central surcharges and cesses (relating to supply of goods and services)

State Taxes

- Value-added tax
- Octroi and Entry tax
- Purchase tax
- Luxury tax
- Taxes on lottery, betting and gambling
- State cesses and surcharges
- Entertainment tax (other than the tax levied by the local bodies)
- Central Sales tax (levied by the Centre and collected by states)

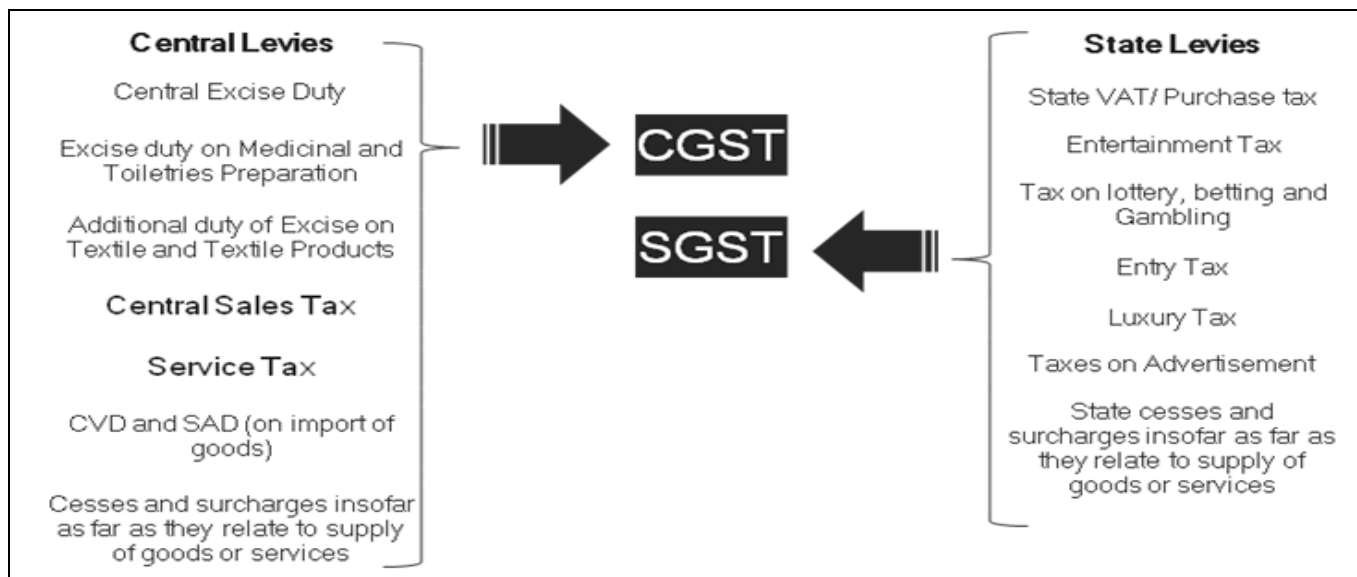


Fig 2: GST is seen as a solution to current levy of taxes

Where, CGST implies Central Goods and Services Taxes, SGST implies State Goods and Services Taxes

Parameters for Splitting of GST Revenue between Centre and States

Under the proposed GST regime, both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the States Goods and Service Tax (SGST) on all transactions within a State. The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. The proceeds of IGST will be apportioned between the States and the Centre, under the proposed Article 269A, as provided by Parliament by law on the recommendations of the GST Council. Further, the CGST collected by the Central Government as well as the Union’s share of IGST collected will be devolved to the States as per the provisions of Articles 270. The rates of GST will be recommended by the GST Council after it is constituted after the amendment of the Constitution.

Challenges for GST

- To make and ensure enough awareness to public and traders and their satisfaction.

- Protesters from various stake holders on Reduction and control the high tax products issues.
- Building up IT specialties in the central and States and enabling them towards settlements of IGST clearing agency.
- Central has to ensure the promised compensation to states for five years.
- Make a clear picture on Revenue Neutral Rate (RNR) of the tax.
- Ensure the coverage of GST to all type of business including real estates, alcohols and petroleum products.
- The training of exiting tax personnel and recruitment at both at the Central and state levels.
- To create a permanent monitoring institution to negotiate and harmonize new tax system.
- Ensuring the inter relations of all Acts relating to business or goods and services to avoid confusions and to make integrated GST Act
- Mutual understanding among ruling and opposition parties.

Review of Literature

Milestones of GST

- In Budget 2006-07, Prime Minister of India proposed introduction of GST from 1ST April 2010.
- Phasing out of CST began from April 2007 with the

- reduction in CST rate from 4% to 3%.
- Empowered Committee of State Finance Ministers constituted Joint Working Group in May 2007.
- Study paper on GST authored by Dr.Parthasarathy Shome was released 2007.
- Empowered Committee finalized its views on broad GST structure – consensus on Dual GST separate legislation levy and administration
- CST rate was further reduced its Report on GST in Dec.2009.
- First Discussion Paper on GST was released by Empowered Committee.
- The 13th Finance Commission released its Report on GST in DEC.2009.

- Constitution Amendment Bill to enable roll out of GST was tabled in Parliament.
- Standing Committee on Finance tabled its Report on GST Bill in Aug.2013.
- EC rejected Central Govt proposal to include Petroleum products under GST in Nov.2013.
- Revised Cons. Bill tabled in Parli. On 19.Dec.2014
- Passage of Cons. Bill on GST in Loksabha on 6th.May. 2015. Selec. Committee presented its report to the Rajya sabha.
- Model draft law released in public domain in June. 2016
- Passage of Constitutional Amendment Bill on GST in R.S on 3rd Aug.2016.

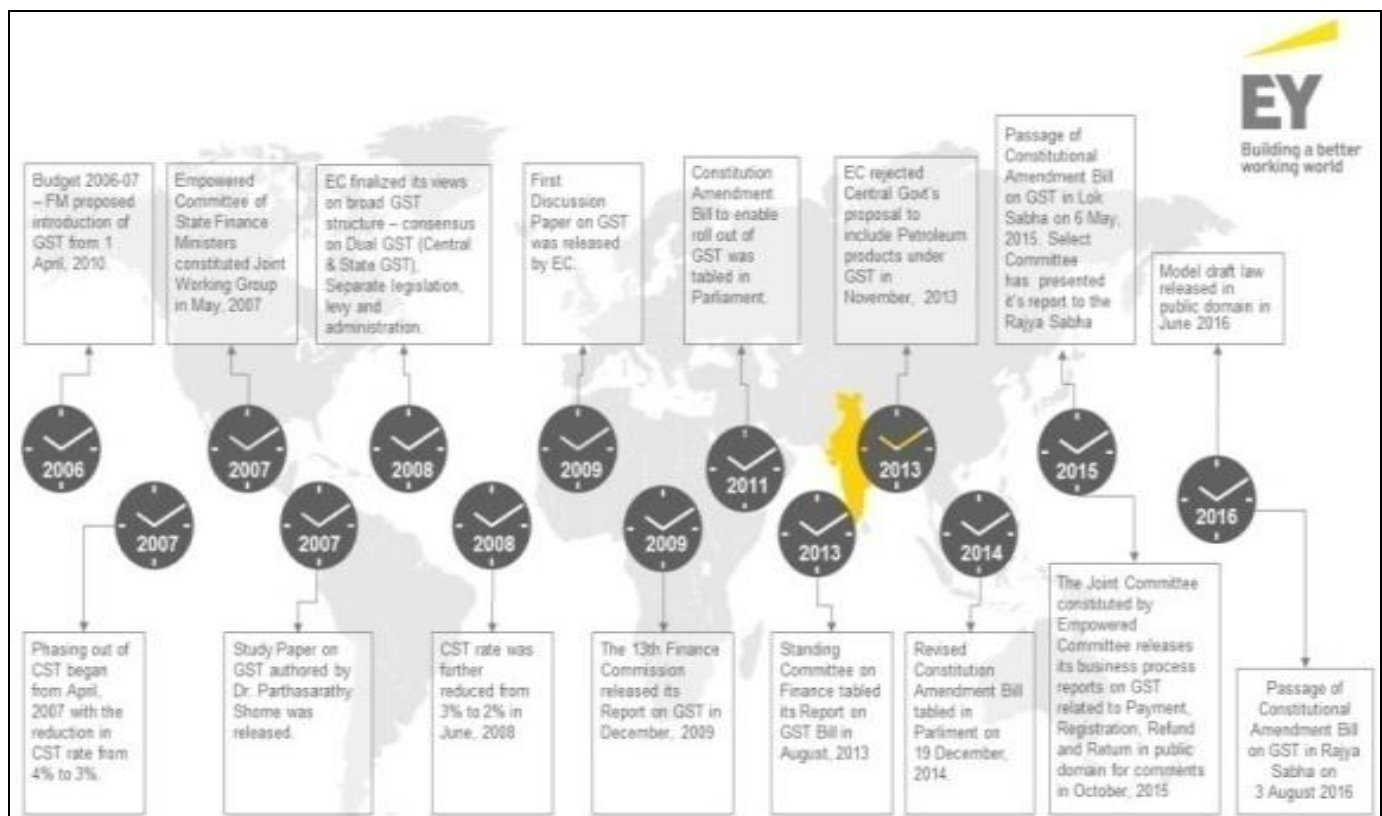


Fig 3: Milestones of GST

Roadmap of GST

- A GST Council consisting of representatives from the Centre as well as State will be formed within 60 days of the enactment of the Bill. The Council will make recommendations to the Union and the States on model Goods & Service tax laws, rates including floor rates with bands of goods & service tax., Place of Supply rules and any other matter relating to GST as the Council may decide.
- Reports of Joint Committee constituted by Empowered Committee of the State Finance Ministers on business processes of payment, registration refund and return under GST have been released and put in the public domain for suggestions.
- The draft model GST Law was released and put in public domain in June 2016.
- GST Network, an IT backbone of GST, which will facilitate online registration, tax payment and return filing, will be launched.
- States will frame their respective GST Legislations to enable them to implement GST. It will be in line with the Central GST Legislation.
- The power to make laws in respect of supplies in the course of inter-state trade or commerce will be vested only in the Union Government. States will have the right to levy GST on intra-state transactions, including on services.
- The Centre will levy IGST on inter-state supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- 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 subsume in GST.

- Petroleum and petroleum products, i.e., crude, high speed diesel, motor spirit, aviation turbine fuel and natural gas, shall not be subject to GST - date to be notified by the GST Council.
- Provision will be made for removing imposition of entry tax /Octroi across India.
- Entertainment tax,, imposed by states on movie, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- GST may be levied on the sale of newspapers and advertisements. This would mean substantial incremental revenues for the Government.
- Stamp duties, typically imposed on legal agreements by states, will continue to be levied.
- 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 comprise Central and State ministers in charge of the finance portfolio.

Articles- Spotting in News paper

Business STD, New Delhi October 19, 2016, explains about GST Council to take final decision on tax rate today. Nov 22 has been set as deadline for building consensus on all issues for rollout of GST from April 1 The decision on the Goods and Services Tax rates, which will have four slabs, will be taken on Wednesday by the GST Council that kicked off its three-day meeting on Tuesday. On Tuesday, the Council reached a consensus on state compensation and the base year will be 2015-16. The meeting reached at a consensus on the way states would be compensated for any loss of revenue from implementation of the new indirect tax regime from April 1, 2017.

Goods and Service Tax (GST) Bill, On March 10. 2017 in the same news paper written that,

The 122nd Constitution Amendment Bill, 2014 has been passed by the Parliament and after ratification by fifty percent of the States, the same has been enacted as 101st Constitution Amendment, Act, 2016. No Goods and Service Tax (GST) Bill has so far been passed.

The Central Goods and Services Tax (CGST) Bill, Integrated Goods and Services Tax (IGST) Bill and Union Territory Goods and Services Tax (UTGST) Bill will be passed by Parliament. Each State, including Union territory with Legislature will pass its own State Goods and Services Tax (SGST) Bill. It is the intended objective that the GST will simplify the trade and maintenance of accounts (income/ expenditure) and also check tax evasion in the country

GST is expected to have positive effect on trade and consumers in, *interalia*, the following manner:-

Methodology

The objective of the study is mainly concerned with the perception and attitude of Goods and services taxes of professor's. Here teachers are the main role to transfer and transmission of knowledge to the generations by explaining

new concept like GST therefore they should understand it. The necessary data will be collected through the primary data with the help of unstructured interview schedule and secondary data have been collected with the help of book, Journals, and Internet resources. The collected data were analyzed interpreted and presented with suitable tables, graphs, and diagrams. The present study is pilot study.

Sampling Design

The study is mainly based on primary data collected from traders in Vellore district, Tamil Nadu through questionnaire. It is pilot study based on survey method. The researcher has contacted a survey from 50 sample respondents by using convenient sampling techniques.

Conceptual Framework

The theory of planned behaviour (TPB) was developed by Ajzen and Fishbein in 1988. The theory proposes a model which can measure how human actions are guided. It predicts the occurrence of a particular behaviour, provided that behaviour is intentional. Models of behavioural intention are depending on three factors which are attitude toward the behaviour (AB), subjective norms (SN) and perceived behavioural control (PBC). This theory suggests that a person's behavioural intention depends on the perceptions of the person's about the subjective norms and therefore, they will act according to what they believe is the most appropriate. Here the researcher emphasis the last two factor that is subjective norms and perceived behaviour control. PBC indicates people's perception of their ability to perform a given thing namely GST the subjective norms. This factor is lead the individual behaviour directly towards what they have been understands the subject matter. Normally the people get satisfaction and behave themselves in and out based on the perception of the subject but not based behaviour they will understanding. Hence, this is how the people are decided to perform and not to perform their behaviour. Therefore, in this paper, this theory will be adopted in order to answers the research questions and objectives research. The conceptual model is developed in order to understand the trader's perception towards the newly implemented goods and services tax in India. The conceptual model can be seen in Figure 4 below.

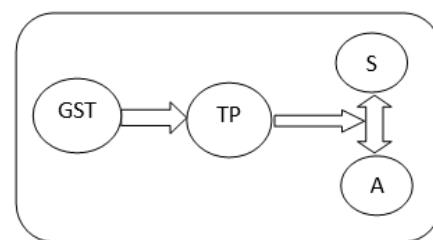


Fig 4: Conceptual model

Where

S-Satisfaction, A- Attitude, TP-Traders Perception, GST-Goods & Services Taxes.

The collected primary data were analyzed by applying statistical tools such as percentage analysis.

Descriptive Analysis

Descriptive statistics is the first step in data analysis. This type of statistics function as a mechanism that will help in describing or summarizing the data that has been collected descriptive statistics permit the researcher to meaningfully describe many pieces of data with a few indices. The sample

consists of 50 respondents comprising of various traders at Vellore district, Tamil Nadu. The frequency distributions are obtained for respondents' Category of business, Place of business, business life, and income level, as shown in table below.

Table 1: Profile of Respondents

Demographic Factors		F	%
Category of business	Wholesaler	6	12%
	Retailer	40	80%
	Distributor	2	04%
	Job worker/ Casual trader	2	04%
Place of business	Vellore	10	20%
	Ambur	22	44%
	Vaniyambadi	12	24%
	Tirupattur	6	12%
Business Life (in Years)	5 - 10	10	20%
	10 -15	22	44%
	15 - 20	12	24%
	20 & Above	6	12%
Income level	5-10 lacs	2	4%
	10-15 lacs	7	28%
	15-20 lacs	32	64%
	20 lacs & above	9	18%

Where, 'F' Means - Frequency

Table 2: Sources of knowing about GST

There are various sources available like friends/professionals, TV debates/Interviews, News paper, Articles/ magazines, face book/ watzap, Internet and Govt. sites etc., to know the details

of Goods & Services taxes. Most of the respondents knowing about it through News papers and TV debates and interviews. Some of them from friends and govt. sites and social media. (Chart: 1)

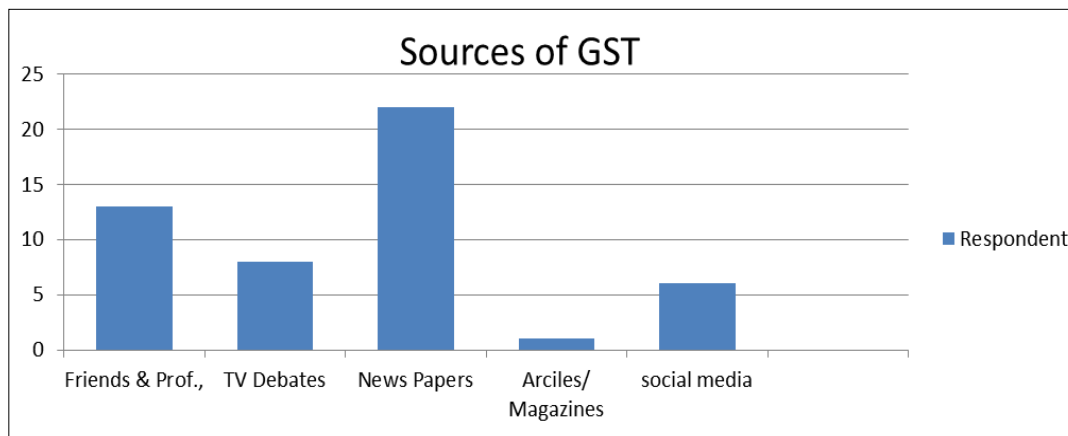


Fig 5

Conclusion

The purpose of this study was to explore the perception of tax agents regarding the GST in terms of their general perception and probable area of difficulties. The result shows that most of the traders are not having good perception towards the GST. There are many channels that can be used by the authorities or government such as advertisement in television, radio and also in the social network to easy to access. It is one of the government strategies to substitution of tax reform for the improvement of the revenue, value, and transparency of tax administration and management. But the government needs to change the perception towards GST implementation to the

traders as well as public. It is crucial for the government on the policy development. In the next article researcher will illustrate the conceptual theory and do the Data analysis by applying various statistical tools such as and descriptive statistics like Mean and Standard deviation, t-test, correlation, regression etc.

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