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IMPACT OF GOODS AND SERVICES TAX ON BEHAVIOR OF TAX PAYERS

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ABSTRACT

A perfect tax system is the basis to the development of a nation's economy and prerequisite for sustainable growth. Managing of taxation is an extremely difficult issue. Government of India by Central Value Added Tax (CENVAT) and sales tax system of the State governments by the VAT marked a major mile stone in the reform process of indirect taxes in India. It addressed the pouring effect under the previous system by giving set-off for tax paid on inputs as well as tax paid on previous purchases and resulted in a major simplification of the rate structure and lengthening of the tax base. But both the CENVAT and the State VAT have certain incompleteness. Though a number of initiatives by the various machineries at the Centre, the present taxation regime is marked as burdensome, complicated and unfriendly. Over the past few decades, the worldwide trend has been for the introduction of a multi-stage GST system. Today, almost 90% of the world's populations live in countries with GST, including China, Indonesia, Thailand and Singapore.

Keywords: Value Added Tax, Goods and Services Tax.

INTRODUCTION:

Goods and Services Tax is a tax on goods and services with comprehensive and continuous chain of set of benefits from the producer's point and the service provider's point up to retailer's level. It is essentially tax on value addition in each stage and supplier at each stage is permitted to set off through a credit mechanism. It is in this point of view, the Central government has delegated Dr.Vijay Kelkar, Chairman of 13th Finance Commission to suggest a rational, scientific and modern but unified system of taxation in tune with developed nations form the base behind the introduction of Goods and Services Tax (GST) in India. Although there are many hurdles to be crossed before the implementation of GST the Central government restated its commitment towards the adoption of a 'flawless' GST for the survival of the India's economy in the face of increasing international competition consequent to globalization and liberalization. Even though the various impediments to the proposed transition, until the time GST is implemented, it would be worthwhile to assess its positive impacts on the various development areas viz. agriculture, manufacturing industry, MSME, housing, poverty reduction, employment, price level, EXIM trade, GDP, government revenue, etc.

Goods and Services Tax has been defined in article 366(2A) of the 122nd constitutional amendment bill as "any tax on supply of goods and services or both except alcoholic, liquor for human consumption".

Goods and Services Tax is proposed to be an indirect tax levy. There is no distinction between rate for goods and services. Goods and services tax is extended version of value added tax. All indirect taxes should be merged in to one tax called Goods and Services Tax it will be a indeed for further significant the next logical step towards a comprehensive indirect tax reform in the country¹.

MAIN FEATURES OF GOODS AND SERVICES TAX:

The following are the main features of Goods and Services Tax which are mentioned as below:

1. Input tax credit available across state and central tax justification.
2. Subsumes all indirect taxes and single rate to apply on all goods and services.
3. As a measure for the support state petroleum products, alcohol for human consumption and tobacco have been kept out of the purview of Goods and Services Tax.
4. It will have two components central Goods and Services Tax levied by the centre and state Goods and Services Tax levied by the state.
5. State will be compensated for loss of revenue arising on account of implementation of the Goods and Services Tax for a period of five years.
6. Input tax credit set off to be available across interstate and intrastate transaction
7. Each tax payer would be allotted a pan linked tax payer identification number with 13 to 15 digits².

IMPACT OF GOODS AND SERVICES TAX ON INDIAN ECONOMY:

The following paragraphs depict the impact of Goods and Services tax on Indian economy:

Impact on tourism, hospitality and restaurants:

India already has a higher hotel tariff due to multiple taxes both at the centre and those levied by states with revenue neutral state being higher than the present tax rates. The industry likely to suffer higher rates will discourage users of services and tourist. In case of restaurants presently there is double taxation in the form of VAT and services being levied on the same transitive by implementing goods and service tax it reduces burden of tax.

Impact on intangible goods or services:

Presently, intangible goods or services or rights are taxed as one of the declared services under section 66 (E) under temporary transfer of intangible property, rights, services, such services are liable to value added tax and often there is a despite on levy of service tax and value added tax or both. This is likely to be resolved in goods and services tax regime as such services suffer one common tax.

Impact on E-Commerce:

Implementation of goods and services tax big positive for E-Commerce industry with no tax laws in place for the industry currently, tax imposed based on goods understandings of various state governments it will resolve many supply chain issue surroundings E-Commerce the shipment and returns across the country will done more efficiently and less paper work more important uniform tax structure across India.

Impact on information technology:

The based on IT plan for enabling goods and services tax was presented to the government of India and the empowered committee of state finance ministers. An IT infrastructure for goods and services tax is risk based scrutiny by tax authorities. Facilitation centre can be setup to ease the migration, reduce leakages, facilitate investors and stake holders, small tax payers, corporate tax payers and state tax authorities.

Impact of goods and services tax on food industry:

Goods and services tax to food items will have a significant impact on those who are living under subsistence level. If the scope of goods and services tax such sales would be largely remain exempt due to small business registration threshold. Goods and services tax under a single rate would lead to elimination of tax burden on food³.

Impact on agriculture:

In India food items generally exempt from the CENVAT many of food items and food grain, cereals, attract the state VAT these items should be subjected to tax in GST at a lower rate, while the poor would pay less tax on consumption basket.

Impact on International trade:

Imports of goods and services may be affected under goods and services tax regime due to

- a. Probable withdrawal of exception, high seas sales under CST act.
- b. The impact which may arise due to change in tax rates
- c. Exporters of goods and services shall continue to be zero rated and will eligible to claim certain refund of input tax credit.

Impact on certain petroleum, liquor and tobacco products:

Petroleum, liquor and tobacco are kept outside the purview of goods and services tax. At present these products are known as demerit goods and are taxable not only higher rate but also subjected to multiple taxes. By excluding products from goods and service tax its manufacturer would be adversely affected by cascading effect since they could not claim full input tax credit.

Impact on financial services:

India has followed the approach of bringing virtually all financial services within the ambit of service tax where the consideration for them in the form of an explicit fee. Goods and services tax has also included financial services on the above grounds only.

Impact on small enterprises:

The impact of GST on small enterprises is of great concern. There will be three categories of small enterprises in the GST regime. Those below the threshold need not register for the GST. Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime. Given the possibilities of input tax credit, not all small enterprise may seek the turnover tax option. The third category of small enterprises above the turnover threshold will need to be within the GST framework. Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligations being created for some dealers⁴.

The affected small enterprises if considered desirable. In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemption of excise up to a turnover of Rs1.5 crores. These units, which may be required to register for payment of GST, may see this as an additional cost.

Table No.1: Working of Goods and Service Tax

The following table represents the how Goods and Service Tax works in India⁵.

| Stage of supply chain | Purchase value of Input | Value addition | Supply value towards next stage | Rate of GST | GST on output | Input Tax credit | Net GST= GST on output – Input tax Credit |
|-----------------------|-------------------------|----------------|---------------------------------|-------------|---------------|------------------|---|
| Manufacturer | 100 | 30 | 130 | 10% | 13 | 10 | 13-10=3 |
| Whole seller | 130 | 20 | 150 | 10% | 15 | 13 | 15-13=2 |
| Retailer | 150 | 10 | 160 | 10% | 16 | 15 | 16-15=1 |

REVIEW OF LITERATURE:

To find-out the gap in the literature, the following review of earlier works been done and summarized as below: Anshu jain (2013), "An empirical analysis on goods and service tax in India: Possible impacts, implications and policies", highlighted that goods and service tax is a destination -based consumption tax based on value added tax principle and it will increase competitiveness of Indian goods and services in the international market by reducing

cost of inputs due to this there is a transparency and rationalization of tax structure that would benefit the consumers by lowering the overall tax burden on goods consumed by them. If the goods and service tax is implemented in the true spirit it will have many positives for the stakeholders and it will lead to better tax environment.

Nikhil Saket (2011), "Goods and service tax, a way for fiscal prudence", states that idea of goods and service tax also known as value added tax. It will facilitate seamless credit across the entire supply chain and across all states under a common base it provides a harmonized tax and also explained about three systems of goods and service tax i.e. Invoice system, payment system and hybrid system and also stated that the entire supply chain up to final consumers gets taxed with in-built mechanism of input stage credit the final consumer ends up bearing the full burden of tax without any set off benefit.

Dr. R. Vasanthagopal (2011), Studied "GST in India: A Big Leap in the Indirect Taxation System", and found that the positive impacts on political commitment for a fundamental tax reform with a constitutional amendment, the switchover to a flawless GST would be a big leap in the indirect taxation system and also give a new impetus to India's economic change. It is also noted that, buoyed by the success of GST. More than 140 countries have introduced GST in some form or other and is fast becoming the preferred form of indirect tax in the Asia Pacific region.

Jaiparkash (2014), "Indirect tax reforms in India and a way ahead for GST". Highlighted that GST will ensure greater uniformity in the tax rates throughout the country it is also called as national level VAT it gives more relief to the industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax setoff and service tax setoff. Study also concentrated on future of economy after implementing GST system.

Mukesh Kumar Kumawat Dr. Vibhor Paliwal (2015), studied "emergence of goods and service tax in India" and found that by implementing GST Indian economy would be more and more globalized and it will improve international competitiveness of native goods and services further they stated it will be a significant step towards a comprehensive tax it will greatly help to removing economic distortions caused by present complex tax structure.

Girish Garg (2014), studied "basic concepts and features of GST in India", and found that GST is the logical step towards the comprehensive indirect tax reform and boost overall growth of Indian economy and further stated that GST taxation burden will be divided equitably between manufacture and services.

Dr. Mahesh Bhiwandikar (2015), "Goods and service tax", highlighted that GST will be in favour of free flow of trade and commerce throughout the country. It will improve efficiency in tax administration and cost compliance will be reduced for the dealers further stated that GST will assure the benefit of input tax credit is ultimately enjoyed by consumers and GST will provide a significant fillip to the investment and growth of the country's economy.

Due to the facet of time, researchers could not review more articles and books, but with the available literature, they found that a very few works have been done on the area of this topic earlier, hence, it's a small effort is put in to fill-up the literature gap.

OBJECTIVES OF THE STUDY:

The primary objective of the study is to assess the Impact of Goods and Services tax on behavior of tax payers. Based on this primary objective, other specific and detailed objectives are drawn as under:

1. To know the reactions of tax payers towards goods and services tax
2. To recognize the benefits of GST towards Indian tax payers'
3. To study impact of goods and services tax on various sectors of Indian Economy
4. To examine working pattern of goods and services tax in India.

RESEARCH METHODOLOGY:

The following paragraphs elucidate the methodology followed in this study:

4.1: Type of research: This study is an empirical in nature, conducted to know the impact of Goods and Services tax on behavior of tax payers.

4.2: Scope of the Study: The study aims at various tax payers' behavior towards the proposed goods and services, tax study limits only to the extent of taxpayers' further sample area of Shimogga district and the study area comprises wholesalers, retailers, commerce graduates, auditors and ultimate tax payers.

4.3: Research tool: This study is conducted through random sampling method.

4.4: Sample size: Sample size is 50 respondents. Respondents are scattered over Shivamogga district, so

interview is conducted only for the selected respondents of the study area.

4.5: Sources of Data: For the purpose of data collected in two ways:

Primary data: Primary data is collected through structured questionnaire and personal interview with respondents and auditors.

Secondary data: Secondary data is collected through Journals, Books, E-Sources, and Reports etc.

ANALYSIS AND INTERPRETATION:

The data collected through field study is presented in tables and interpreted as below:

Table No.2: Demographical Factors - Age and Sex

| Particulars (in years) | No. of Respondents | | | Percentage (%) |
|------------------------|--------------------|-----------|-----------|----------------|
| | Male | Female | Total | |
| Up to 25 years | 10 | 6 | 16 | 32 |
| 26 years – 35 years | 7 | 6 | 13 | 26 |
| 36 years – 45 years | 6 | 6 | 12 | 24 |
| Above – 46 years | 5 | 4 | 9 | 18 |
| Total | 28 | 22 | 50 | 100 |

Source: Field Survey

Table No.2 depicts the age and sex of the respondents. 56% of the respondents are males and remaining are females. And 32% of the respondents come under the age group of up to 25 years, 26% falls under 26 years - 35 years, 24% comes under 36 years - 45 years, and remaining are aged above 46 years.

It shows that majority the respondents are male because, the dominant proportion of males in the respondent's group reflect they major players in accounting and tax practice. It indicates that majority of the respondents comes under the group of below 25 because youngsters are more in business and auditing field

Table No. 3: Demographical Factors - Occupation

| Particulars | No. of Respondents | | | Percentage (%) |
|-------------------|--------------------|-----------|-----------|----------------|
| | Male | Female | Total | |
| Clerks | 4 | 1 | 05 | 10 |
| Auditors | 8 | 2 | 10 | 20 |
| Businessmen | 10 | 2 | 12 | 24 |
| Teachers/lectures | 5 | 7 | 12 | 24 |
| Others | 1 | 10 | 11 | 22 |
| Total | 28 | 22 | 50 | 100 |

Source: Field Survey

Table No. 3 describes the sex-wise occupation of the respondents. 10% of the respondents are clerks, among them 75% are men, 20% of the respondents are auditors, among them, 80% are men, 24% represents businessmen and among them 83% are men, 24% denotes teachers or lecturers, among them, 58% are women, and remaining are belong to others. It shows that majority of the respondents are businessmen and teachers/lecturers because, business people are the primary tax payers in indirect tax and teachers or lecturers are having more aware about goods and service tax

Table No.4: Demographical Factors - Monthly Income

| Particulars (Rs) | No. of Respondents | Percentage (%) |
|-------------------------|--------------------|----------------|
| Up to Rs. 20,000 | 12 | 24 |
| Rs. 20,001 – Rs. 25,000 | 11 | 22 |
| Rs. 25,001 – Rs. 30,000 | 10 | 20 |
| Rs. 30,001 – Rs. 35,000 | 10 | 20 |
| Above Rs. 35,000 | 7 | 14 |
| Total | 50 | 100 |

Source: Field Survey

Table No.4 depicts the monthly income of Respondents. 24% of the respondents earn monthly income up to Rs 20,000, 22% monthly income is between Rs 20,001 - Rs 25,000, 20% earns between Rs 25,001 - Rs 30,000, 20% falls under the group of Rs 30,001 - Rs 35,000, and remaining 14% monthly income is above Rs 35,000. It indicates that majority of the respondents earn monthly income of up to Rs 20,000 because the respondents like teachers, clerks and some of the retailers were comes in that earning.

Table No.5: Importance of GST in Indian economy

| Particulars | No. of Respondents | Percentages (%) |
|----------------------|--------------------|-----------------|
| Very important | 19 | 38% |
| Important | 24 | 48% |
| Neutral | 0 | 0% |
| Not so important | 05 | 10% |
| Not at all important | 02 | 4% |
| Total | 50 | 100 |

Source: Field Survey

Table No.5 represents the importance of GST in Indian economy. 38% of the respondents opined that GST is very important for them, 48% of the respondents felt that it is important, 10% of the respondents' impression is that it is not so important and remaining 4% feel that it is not at all important for Indian economy. Surprisingly none opted neutral option. It shows that majority of the respondents opined that GST is important to Indian economy because if it is implemented it impacts positively.

Table No.6: Registration of GST

| Particulars | No. of Respondents | Percentage (%) |
|-------------------------|--------------------|----------------|
| Registered for GST | 32 | 64 |
| Not- registered for GST | 18 | 36 |
| Total | 50 | 100 |

Source: Field Survey

Table No.6 shows that importance of registration under GST. 64% of the people opined that all business needs to register under the GST and remaining 36% of the people thought all business aren't registered under GST. It indicates that the Majority respondents stated that all business needs to be registered under GST.

Table No.7: Probable effect of GST implementation

| Particulars | No. of Respondents | Percentage (%) |
|---|--------------------|----------------|
| Increases in the employment opportunities | 19 | 38 |
| Decreases in the employment opportunities | 6 | 12 |
| Increases demand for professionals | 15 | 30 |
| Improve only some sectors | 10 | 20 |
| Total | 50 | 100 |

Source: Field Survey

Table No.7 delineates the probable effect of GST implementation on Indian economy. Out of 50 respondents, 38% of the respondents opined that GST will leads to increase in employment opportunities, 12% of respondents opined that it will decrease employment opportunities,30% of people thinks it will increase demand for professionals and remaining 20% says it will improve only some sectors. It indicates that majority of the respondents opined GST will increase employment opportunities because implementation of GST leads to application of new methods and techniques in indirect tax field.

Table No.8: Impact of GST on sectors

| Particulars | No. of Respondents | Percentage (%) |
|---|--------------------|----------------|
| Distribution channel from manufacturer to retailers | 24 | 48 |
| Only for necessitated products | 6 | 12 |
| Tourism and business | 5 | 10 |
| Service and distribution sector | 13 | 26 |
| Petrol and petroleum | 2 | 4 |
| Total | 50 | 100 |

Source: Field Survey

Table No. 8 represents impact of GST on different sectors. Out of 50 respondents, 48% of the respondents opined that GST will more impact on distribution and manufacturing sector, 12% respondents thinks it will only impact on necessary products, 10% respondents thought it will more impact on tourism and business, 26% people opines it will more impact on service and distribution sector and remaining 4% thought it impacts on petrol and petroleum. It is clear that majority of the respondents opined that it will more impacts on distribution and service sectors.

FINDINGS OF THE STUDY:

The following findings are drawn based on the study:

- Majority of the respondents stated that GST is important to Indian economy because if it is implemented it impacts positively.
- GST eliminates cascading effect it will leads to decreases in the prices of goods and services.
- Comparatively GST is a better system (ie.GST >VAT, sales tax).
- Majority of the respondents opined that it will be more impacts on distribution and service sectors.
- It is found that Move towards GST is to have uniform floor rate for all states.
- Implementation of GST will leads to increase in the % of GDP.
- Majority of the respondents' opined that GST will increase employment opportunities because implementation of GST leads to application of new methods and techniques in indirect tax field.
- Majority of the respondents stated that all business needs to be registered under GST.

SUGGESTIONS:

Following suggestions are drawn based on opinion of respondents and secondary data which are summarized as below:

- Standardization of systems and procedures, policies
- There must be a dispute settlement or redressal cell
- Necessary of training for both taxpayers and authorities who are going to handle GST
- Necessary of stable decision while implementation of GST
- Advanced technology (special software) base is acts as a backbone of GST
- Only few number of people are aware about GST, government must take some measures GST concept must reach each and everyone
- A poor understanding of the tax structure and difficulty in maintaining books are the major reasons for tax - evasions so there must be a need of simple tax structure with minimal paperwork
- Revenue neutral system is the better way while find outing GST rate structure
- Ultimate users are the consumers or general public, government must give attention towards public and take their opinion while framing major policies
- The anti - profiteering clauses curb 'unjust enrichment' of firms, the requirement for branch offices to register separately in each state, and treating all transactions between related parties (including head office and branch offices) as taxable.
- For service sector, in particular, compliance requirements could go up multi-fold.

CONCLUSION

The main purpose for introducing GST is to make the current taxation system more comprehensive, efficient, effective, and transparent and business friendly. GST is expected to increase government income and dependency. It will encourage an unbiased tax structure. It will more likely to improve tax collections and boost's economic development by braking tax barriers between states and integrating India through uniform tax rate under this system tax burden will be divided equitably between manufacturing and services through a lower tax rate by increasing the tax base and minimizing exemptions, however implementation of GST has delayed from several years because of lack of co-ordination between political parties that is central and state. So finally implementation of GST will definitely give a positive face towards Indian economy.

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