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GST Implication and its Impact-A Public Perspective

Dinesha A S
Faculty Member, Sahyadri Commerce and Management College Shivamogga

Abstract: ***Goods and Services Tax issue has been debated for several years since 2005 some of the individuals support the implementation of GST, some oppose to it. The main reasons for the consumer unwilling to support or opposed the implementation of GST because of the fear of price hike majority of the respondents believed that GST would causes higher inflation. In addition , lack of information and unclear about the purpose of GST implementation consumers are too worried until they brought up one issue , particularly regarding charges of 6% of GST on money withdrawn from the ATM . This will replace sales tax and service tax which has been payable tax annually, where as GST is payable monthly. Because of this SME'S should plan for additional cash and be aware that GST is payable whether they have received payment from their customers or not. This paper begins with introduction to GST, Concept of GST, further analysis of challenges, problems of indirect tax system and GST implicationin Indian economy. It also cites on effective management of GST implications in Indian Economy.***
Hence, this present article explores how perception of public on GST implication and its impact on the Indian economy. The study has been conducted with respect to Shivamogga region general public professionals and non-professionals. The primary data have collected from 100 respondents and draws some conclusions about possible future directions for research in GST offered by various researchers.
Keywords: Goods and Service Tax, Indirect Tax, Service Tax, Public

I. INTRODUCTION

Government needs fund and various purposes like maintenance of law and order, defense, social or health services etc, for which taxation occupies pivotal part. Tax is the contribution made by the individuals to the Government without expecting any quid Pruco. This tax is conventionally classified into two types namely direct as well as indirect tax. In India, constitution is the supreme legislation, come into force on 26th January, 1950incorporates taxation matters too. It describes the power to levy and collection of taxes in India. As the structure of Government is federal in nature, the power and authority also divided in between Central and State government. Article (246) of constitution gives an exclusive power to the Central Government to make any law with respect to any of the matter. The government of India had made many amendments with respect to tax through its Financial Bills and Budget. Goods and Service Tax is one of such proposed bill in the parliament to sharpen the existing tax system Indirect tax system of India is not so comprehensive. Cascading effect is exhausting in every field. Moreover, indirect tax has taken different faces like excise duty, service tax, entertainment tax, etc, which ultimately leads to increased administration efforts and low level of accumulation of wealth to the Government.In order to overcome from the limitations of the present indirect tax system a new tax code is in front of the parliament called "Goods and Service Tax (GST)". GST is a comprehensive tax levy on manufacture, sale of goods/ service or on consumption of goods and services at a national level as well as at the state level, through a tax credit mechanism, collected as value added tax at each level.GST is targeted to be a simple, transparent and an efficient system of indirect tax system in India. It will replace the existing tax structure and it will become the solution for the plenty problems of existing tax system.

II. LITRATURE REVIEW

1) Archit Gupta (2013)

"The effect of goods & services tax on online retail habits. **"**In his study he highlighted the major effects on online retail business. Goods & services tax will impact the behavior of both sellers & buyers transacting online. The GST can be introduced for the purpose of replace the VAT. One major benefit is the removal of entering into the state, that means buyers can now expect or receive the faster delivery of goods. The tax can be collected from the buyers at the time of online purchase so the goods& services tax also impact on online retailers.

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2) Mahammad Hanif,(2013)

"Students perception towards the newly implemented goods and service tax in Malaysia."In his study he mainly focused on "The perception towards the newly implemented goods & service tax that has been implemented in Malaysia starting from April 1, 2015. Malaysia is an upper middle income country with a highly open economy. Its economic transition is moving towards the path of achieving the vision. Taxation in the Malaysian context can be divided into two categories namely direct tax & indirect tax. Direct taxes are income tax , real property gain tax ,stamp duty, petroleum come tax & film hire duty .In other hand indirect taxes are service tax ,sales tax, custom duty ,excise duty gaming tax & entertainment tax etc., and then sets questionnaire has been designed & distribute to 242 students at international Islamic university Malaysia.

3) Amanuddinshamsuddin, (2014)

Educator awareness & acceptance towards goods and service tax implementation in Malaysia.. In his article studied that the national budget of Malaysia 2014 had been tabled it5n parliament on 25 october 2013 proposing that GST would be implemented commencing on April 2015 at 6% rate .Many people including educators were skeptical of their purchasing capabilities as well as the other effects on them .This paper aim to investigate level of awareness and the difference on the acceptance among educators regarding GST implementation in Malaysia. This study focused on educators from these higher institutions since they represent the private & public educators respectively. The population for this study was 244.Data was collected through questionnaires with sample of 51 educators from UNITEN and 62 educators from PMS.Since the data for this study was normally distributed, this theory between variables. It suggests that educators are not ready to GST implementation due to insufficient & unclean information provided by govt.

4) Monika sehrawat, (2015)

"International Journal of Research Granthaalayah" .In his article studied that "Goods & Services tax – An Appraisal"He has found that GST is not good for low income countries& 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. The proposed GST islikely to poor countries want to implement GST then the rate of GST should be less than 10% for growth. The proposed GST is likely to change the whole scenario of current indirect tax system. It is considered as biggest tax reform since 1947. GST will unify all the indirect taxes under an umbrella and will create a smooth national market. & exports also say that GST will help the economy to grow in more `efficient manner by improving tax collection as it will disrupt all tax barriers between states & integrate country via single tax rate .but various political issues &conflicting interest of various stake holders it is still pending.

5) Nor Asmat Ismail (2015)

Comparison between the effect of goods and services tax and wealth tax on low income households". In his study highlighted "Comparison between the effect of goods and services tax and wealth tax towards GST. Taxation is a major source of government revenue. In conventional, economies, there are several types of taxation, such as sales and service tax, advaloremtax, just to name a few. If the government revenue is not sufficient to finance government spending, the government may increase the tax rate or implement a new type of taxation in order to obtain more revenue. Malaysia is also considering reforming the nation's tax system by introducing a goods and services tax. Many arguments have arisen from various parties including academicians, professionals, politicians and the nation as a whole concerning on how GST will effects the market price. In relation to this argument, this paper analyzed effects GST may have on low income households.

III. RESEARCH OBJECTIVE

The primary objective of taking up this study is to analyze various aspects of GST in India and analysis of challenges of GST implementation, its contribution to the Indian economy, and difficulties ahead. The objective also involves putting forth some recommendations, to help spread effective implementation of GST in India.

IV. HYPOTHESIS

H_O: There is no significant difference between Challenges to implement GST and Impact on Indian Economy.

H_1: There is a significant difference between Challenges to implement GST and Impact on Indian Economy.

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V. RESEARCH METHOLODGY

The paper searches the various dimensions attached to the concept of GST. It looks into some of initiatives taken in India, and the challenges ahead. This paper is a descriptive study, where opinion collected from the respondents through structured questionnaire to know the opinion of pubic on GST implementation.The study suggests some measures that can help to manage effectively GST in Indian economy.To test the hypothesis the present study used chi-square method and the study alsouses Tabular method to interpret the data systematically and draw the meaningful conclusion.

VI. ANALYSIS AND DISCUSSTION:

Table No. 6.1: Profile of the respondents:

Particulars	Number of Respondents	Percentage (%)
Gender		
Male	58	58
Female	42	42
Total	100	100
Age		
18-25	36	36
26-35	24	24
36-50	25	25
51-100	15	15
Total	100	100
Educational Qualification		
Less than SSLC	9	9
SSLC	9	9
PUC	12	12
UG	34	34
PG	36	36
Total	100	100
Basis of Occupation		
Business man	16	16
Charted Accounts	6	6
Employee	36	36
Tax officers	14	14
Others	28	28
Total	100	100
Monthly Income		
Below 10000	29	21
10000-20000	25	25
20000-30000	22	22
Above 30000	24	24
Total	100	100

Source: Primary Data

From the above table it is found that, the 58% male respondents and 42% female respondents. There are more respondents constituted on male respondents. Because as random sampling method is followed variation between two groups is common and another quotable reason is that, as the target respondents group is Tax consultants, Chartered Accountants, Accounting and teaching Professionals, tax officers, in over all, those who are aware of GST. The major portion of sample (36%) is constituted of population in the age group between 18-25 years and also same portion of sample i.e. (24%) of respondents are in the age group between 26-35 years, (25%) of the respondents are in the age group between 36-50 years, and the rest of (15%) of the respondents are in the age group of 51-65 years of old people.

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The reason for variation is that, GST is an emerging concept and young generation are aware about GST as they are keeping much interest in knowing the consequences of GST implication and they directly or indirectly know about GST in their study or through their profession. The above table shows that majority of the respondents i.e. less than SSLC 9% , SSLC 9%, PUC 12%, UG 34%, PG 36 %, the majority of the respondents belong to the age group of PG. It indicates more number of educated respondents are aware about the GST. All graduation and post-graduation people are more knowledge and aware about the GST rather than the remaining respondents in India.

The above table it clearly evident that majority of the respondents that is 16% of them are business man , 6% of respondents are charted accountants , 36% of respondents are employees,14% of respondents are tax officers and the remaining 28% of respondents are belongs to other category . By the above analysis it clears that the employees and others are clearly know about the GST.As the students will learn about the new things very sooner compared to other sector constitute more in the total respondents and the Chartered Accountants.

The above table is clearly evident that 29% of respondents are below 10000 income, 25% of respondents are 10000-20000 income , 22% 0f respondents are 20000-30000 income, and finally 24% of respondents are belongs to above 30000 income. Majority of the respondents have their monthly income below rupees 10000. This shows that all types of respondents are having awareness and knowledge about GST and also encourages to implementation of GST. Because more income respondents are pay tax to the government, so they encourages to implementation of GST.

Table No. 6.2: Classification of Respondents on the Basis of Challenges are Experienced in present Indirect Tax in India

Particulars	Respondents	Percentage
Cascading effect	18	18
Burden to the consumer	30	30
Existence of multiple taxes	25	25
Non harmonization of tax rates	13	13
Legacy issues	14	14
If any other	5	5
Total	100	100

Source: Primary Data

The above table that various challenges faced by the respondents from the present indirect tax system of India. Out of 100 respondents 30% respondents says that they are suffered from the tax burden, and 25% of respondents focus on existence of multiple taxes rates another one of their problem is cascading effect says by 18% of respondents and 13% of respondents says non-harmonization of tax rates are also creates some problems . 14% of respondents find the GST also makes legacy issues and remaining 5% of respondents opined it faces all other challenges relating to necessary goods and services. Because a product or services is supposed to incur a number of indirect taxes from its birth to the stage of consumption made the people to think as the burning issue. Cascading effect is the result of that multiple taxes.

Table No. 6.3: Respondents on the basis of Opinions Regarding GST Power to Neutralize Weakness of Present Indirect Tax in India

Particulars	Less than 20%	20%t-40%	41%-60	61%-80	81%-100
Cascading Effect	22	50	13	15	4
Presence of multiple taxes	26	27	35	9	7
Tedious registration filling &payment of tax return	20	20	30	20	10
Additional levy on GST	15	27	23	21	14
Extensive Training to tax administration staff	19	21	17	25	18
Robust if networks	22	24	23	19	12
Other specify	21	20	21	18	20

Source: Primary Data

The above table indicate that, to what extent GST will be effective to vanish the weakness of present indirect tax system in India 50% of the respondents are GST is good in between 21 % to 40 % and the 31% of respondents are neutral about presence of multiple taxes , 30% of the respondents are tedious registration , filling and payment of tax returns in between 41% to 60% and additional levy on GST 27 % of respondents in between 21% to 40% , 25% of respondents are in between 61% 80% , extensive training tax administration and lastly 21% and 24% of respondents are in between 21% to 40% . Majority of the respondents are neutralizing about the present tax system.

Table No. 6.4: Respondents Opinions Regarding Impact of Present Indirect Tax System of India on Various Sectors

Sectors	% Poor	% Average	% Good	% Very good	% Excellent
Agriculture	14	21	23	15	27
Manufacturing Industry	4	30	43	18	4
Medium &small scale industry	4	26	39	20	6
Housing	16	31	27	18	5
Poverty	24	23	30	19	5
Employment	11	30	29	22	4
Price Level	12	35	33	15	2
Food	19	26	25	21	8

Source: Primary Data

The above table shows that, the opinion of respondents regarding the impact of present indirect somewhat favorable that about 52% of the respondents reacted positively Manufacturing industries are getting only by 4% of excellent opinion from the respondents 39% of respondents are belongs to medium & small scale industry. For the present indirect tax system have the good impact on agriculture & manufacturing small scale industry as well food also.

A. Hypothesis Testing

Table No. 6.5: Relationship between Challenges for GST implementation in India

Response	Frequency
Yes	53
No	47
Total	100

Source: Primary Data

Table No. 6.6: Calculation of Chi-Square Test

Observed frequency(Oi)	Expected frequency(Ei)	[Oi –Ei]	$[Oi-Ei]^2$	$[Oi-Ei]^2/Ei$
53	50	3	9	0.18
47	50	3	9	0.18
Degree of freedom= 01	$\chi^2 = \sum \frac{(O-E)^2}{E}$	Table Value for 10% significance level =2.70		Calculated value=0.36

Source: Primary Data

The table value of x^2 for two degree of freedom at 10% level of significance is 2.706. The calculated value of x^2 is 0.36 so, less than the table value therefore; there is significant relationship between the Challenges for the GST implementation and there is challenges for implementation of GST.

VII. SUGGESTIONS

A. Suggestion to Public

1) Manufacturers and the dealers play the role of 'tax collection agents'. Hence it is the primary need to create awareness about the major reforms in the indirect tax system like Goods and Service Tax in India.

2) It is better to keep the sin products away from the GST regime. As it is highly difficult to de motivate the people to use those products with a single tax rate.GST should be implemented in the whole India at a single instance. For this the Central Government should attract the State Governments by providing the compensation equal to the probable loss in the initial year of implementation.

3) The Central GST concurrently along with the IGST in the required circumstances. In order to minimize the administration cost on the one hand and the Consumer friendly on the other.Proper measure should be taken to harmonize the view's of different authorities on GST and such that a consolidated, exhaustive report should be released. So that confusions among different provision can be avoided.

4) For necessary items it should fix the GST rate at moderately low level, for general goods a standard rate, a special rates for precious metals and a list of exempted goods and services. Otherwise rich people will start to purchase the gold like rice and the poor will have to purchase the rice like gold.

B. Suggestion to Government

1) As the newspaper, journals, and media can reach all category of public, it can be used by the government to create awareness among the public.The government takes various steps to overcome those challenges while implementing GST to our India .

2) The role of GST should not only neutralising the present indirect tax system weaknesses, it should also look into further improvements like balanced societal developments, reduced inflation effect etc.

3) Implementation of GST in India will be beneficial to the public as well as to the government in various manners. So, the Government should make the efforts to provide the complete and comprehensive road map for the GST implementation in India. Government should set the effective date of implementation.

4) GST helps to improve the saving schemes and tax is the one of big source to our government and it helps to increase the Indian economy so there is no risk to increase our government revenue.

VIII. CONCLUSION

Indirect tax system plays a significant role in Indian economy. The consumption based indirect tax system has a long history and have been modified from time to time with major twin objectives, one is to reduce the tax burden on the consumers and the other is to increase the government revenue. Even then present indirect tax system is suffering from plenty of problems.

GST-Goods and Service Tax is a revolutionary reform at the doorstep of indirect tax system of India, expected to be the tonic to all the weaknesses of the present indirect tax problems like cascading effect, presence of multiple taxes etc. GST can be levied on all goods and services by replacing the majority of the indirect taxes in India. Majority of the people waiting for the GST implementation in India to promote government revenue, tax GDP at the national level and reduced price level effect, reduced tax burden on the consumer on the other.

However, GST implementation had been delayed since 2007. The target date of implementation had passed in 2010. Still the discussion is going on for the further revision of the provisions of GST. However, a concrete single opinion failed to obtained and have a lot of challenges to convert it into opportunities for its implementation. Nevertheless, the efficiency of this system depends on its implementation. A lot of preparation is needed for its success as it needs harmonization between the Centre and the State Governments. Therefore, if properly implemented, the implementation of GST could be the greatest reform in the field of indirect taxation in India. It will bring about efficiency in the indirect tax mechanism in India and will be no doubt is a big leap forward for the benefit of the public at large.

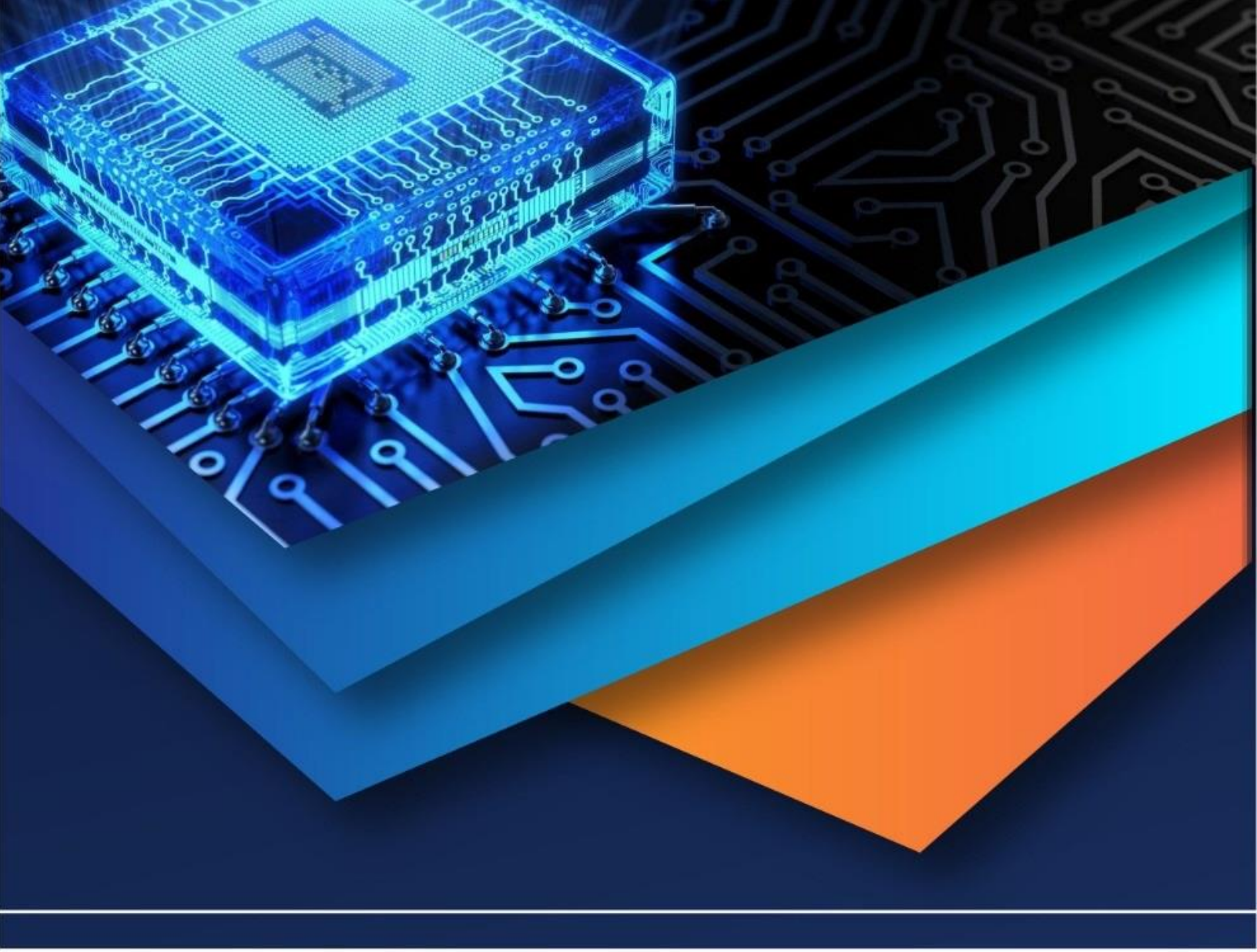
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