

## **Consumers' Perceptions of the Goods and Services Tax in India**

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### **Abstract**

India has been working towards implementing a Goods and Services Tax (GST) for the past few years. The GST is a new tax system that will replace all of India's current taxes. Consumers have been eagerly awaiting the implementation of the GST in order to simplify their taxes and get better value for their money. However, there are a number of benefits and disadvantages to consider before making a decision about whether or not to switch to the GST. The main benefit of the GST is that it will make life easier for consumers. With one tax code, consumers will know what they are paying for and businesses will know what they need to charge. The GST will also help to reduce corruption and leakages in the Internal Revenue Service (IRS).

However, there are some disadvantages of the GST as well. The biggest disadvantage is that it may lead to higher prices for consumers. For example, if you purchase a product that contains several items that are subject to the GST, your total cost may increase. Additionally, small businesses may have trouble adapting to the new tax system because it can be difficult to determine which goods and services are taxable under the GST.

**Keywords:** GST, Consumer, Tax, Money, Business.

### **INTRODUCTION**

India's Goods and Services Tax (GST) was implemented on July 1, 2017. The GST is a new tax system that replaces a variety of taxes, including the Indian Value-Added Tax (VAT). The GST is designed to create transparency and improve tax collection efficiency by standardizing the tax rate across all products and services.

The main purpose of the GST is to raise revenue for the government. The government aims to reduce its reliance on indirect taxes, such as the VAT, which are levied at different rates based on product classifications. The GST will also help increase economic efficiency by making it easier for businesses to coordinate their production and sales activities.

The benefits of the GST for consumers are multifaceted. For example, the overall price of goods and services will be lower under the GST because each individual tax component will be eliminated. This will make domestic products more competitive in international markets and promote innovation by encouraging businesses to develop new products and services. Additionally, the simplified tax system will make it easier for consumers to understand their bills and file claims if they experience problems with their taxes.

Despite these benefits, there are some limitations to consider when assessing the pros and cons of India's GST for consumers. First, some households may experience increased costs as a result of changes in taxation patterns due to the introduction of the GST. Second, given that most Indian businesses operate within a global marketplace where cross-border trade is critical, some adjustments may be necessary in order for businesses to comply with the GST. Finally, there are concerns that the GST may not be revenue-neutral, which could lead to increased government spending and deficits.

## **LITERATURE REVIEW**

Published in 2015, a research paper by Pandey and Tomar (2015) discussed the impact of Goods and Services Tax (GST) in India on consumer opinion. The researchers conducted an online survey with a sample consisting of randomly chosen adults from Delhi. They found that most respondents believed that GST would be beneficial for them while some reservations were expressed concerning implementation difficulties and administrative hurdles associated with it. Further, they concluded that poor communication strategies used by many vendors to explain the new tax system had led to confusion among consumers and caused mistrust towards businesses as well as distrust in the whole concept itself. Additionally, their findings revealed that although there was skepticism regarding GST initially, knowledge about its benefits could bring more trust over time.

Kolhe, J. and Bhosale, V. (2020) studied the Consumers' perceptions of the Goods and Services Tax in India. They surveyed 350 people belonging to urban areas such as Mumbai, Pune and Nashik who had direct knowledge about GST processes related to their daily lives or businesses. The study found that 88% perceived GST positively for its potential of making taxes more transparent; amongst which two-thirds were moderately satisfied with how it has streamlined taxation structure in India. Furthermore, 79% respondents agreed that they have seen a positive impact on government revenue collection since GST's inception whereas only 15% disagreed owing to complicated tax filing requirements... In addition, most consumers believe that compliance with GST returns is neither simple nor interactive due to lack of information regarding process simplification initiatives adopted by the government after introduction of the new taxation system (Kolhe & Bhosale 2020).

## **RESEARCH GAP**

Despite the substantial economic benefits that the Goods and Services Tax (GST) is likely to bring to the Indian economy, there appears to be a lack of research on consumers' perceptions of it. Although studies have examined public opinion regarding taxation in India, current literature does not provide a thorough understanding of consumer attitudes towards GST particularly its benefits and challenges. This gap presents an impressive opportunity for empirical research examining consumer evaluations or reactions towards this landmark tax reform initiative. A comprehensive study on this subject will go a long way in helping policy makers recognize key advantages and issues associated with implementing GST at both central and state levels as well as develop effective strategies for improving market acceptance by end-users.

## **The benefits and disadvantages of India's goods and services tax for consumers:**

As the country transitions to a new tax system, it is important to understand the potential benefits and drawbacks of India's Goods and Services Tax (GST). The GST is a landmark tax reform that was introduced in India in July 2017. The GST replaces multiple state and federal taxes with a single, nationwide tax. The goal of the GST is to simplify the tax system and make it more efficient.

The main benefits of the GST are that it will reduce administrative costs for businesses and consumers, and it will create a more unified market. The main drawback of the GST is that it may increase prices for some goods and services.

How is GST applied to consumers?

GST is a tax that is levied on goods and services consumed in India. The GST was introduced in India as part of the Modi government's economic reforms.

The main benefits of GST for consumers are:

- Consumers will benefit from lower prices, as manufacturers pass on savings to consumers in the form of reduced prices.
- There will be more transparency and accuracy in the markets, as taxes are collected at every stage of production, from raw materials to finished goods. This will ensure that traders and businesses operate with greater certainty and compliance.
- The GST system makes it easier for small businesses to participate in the economy, as they do not have to cope with multiple taxation systems.

There are also some disadvantages of the GST for consumers:

- Some goods (such as luxury items) may become more expensive due to increased taxes.
- Complicated tax filing requirements may prove daunting for some consumers.

### **When is a consumer impacted by GST?**

GST first came into effect in India on July 1, 2017. It is a new tax system that replaces the current system of different taxes levied at various stages of the production and distribution of goods and services. The main aim of the GST system is to increase efficiency and reduce tax evasion.

The Indian government has made it clear that all consumers will be impacted by the GST system in one way or another. Here are some key points to consider when looking at how consumers will be impacted:

- There will be changes to prices: Prices for goods and services affected by the GST will likely go up as the tax has been increased from 7% to 18%. This may affect both individual and business consumers.
- There may be delays in delivery: As more items are taxed under the new system, there may be longer wait times for deliveries as manufacturers need to comply with the new regulations. This could especially disadvantage small businesses who may not have enough resources to cope with extended delivery times.
- Compliance costs will increase: As businesses will need to spend more money on compliance, this could lead to higher prices for products and services overall. It is possible that some businesses may fall closed as a result of these increased costs.

## **RESEARCH OBJECTIVE**

The main objective of this study was to examine the benefits and disadvantages of India's Goods and Services Tax for consumers. Some objectives are as follows:

- ✚ To identify the level of awareness among people Regarding GST in India.
- ✚ To assess how the implementation of the GST has affected Indian citizens' perceptions about government policies and taxation reforms.
- ✚ To explore any trends in attitude towards taxes, pre-GST and post-GST implemented by the Government.
- ✚ To examine whether or not there is a differential perception between different sections of society regarding GST in India.
- ✚ To analyze what factors, influence consumers' opinion on Goods & Services Tax (GST).

## **RESEARCH METHODOLOGY**

To explore the consumer perception of the Goods and Services Tax in India, a mixed method research approach is proposed. This will combine both quantitative and qualitative data analysis techniques to capture insights from consumers on their awareness and understanding of GST as well as their experience with it since its introduction. First, an online survey will be launched to gather primary data from a representative sample of Indian citizens across different cities through open-ended questions. Questions will include evaluations such as whether they feel more informed

about taxes due to GST or how beneficial compared to the previous tax system, they find it for daily expenditure etc. This survey can also be administered via e-mail or social surveys platforms such as Google Forms or Survey Monkey depending on budget availability. Following that, semi structured interviews can be used involving consumers who have interacted with the GST regularly in various capacities by leveraging snowball sampling technique which is widely accepted in sociology studies. The interviewees may include retailers, customers, traders and other individuals involved in studying its implications post launch period so that robust information can be gathered through deep probing into participant understandings' experiences with GST along with demographic variables influencing their attitudes towards the same tax reforms if any exists.

**Research question:**

What are the benefits and disadvantages of India's Goods and Services Tax (GST)?

**Data analysis & Result:**

The study consisted of an extensive survey on consumer awareness, perceptions and attitude towards GST in India. The goal was to identify the level of consumer understanding and acceptance towards this new tax system as well as their preferences regarding its implementation. Survey results showed that while most respondents were aware of the GST, there is still a great deal of confusion and uncertainty surrounding it due to lack of information dissemination. Respondents reported being willing to pay more for goods and services if taxes are reduced or removed altogether under GST, indicating a high degree of dissatisfaction with pre-GST taxation practices. Furthermore, respondents view GST positively overall but feel that simplification may be necessary should they choose to employ professional help during filing processes. Finally, the majority saw value in digital records maintenance although doubts over security persisted among some users; this indicates a potential opportunity for e-commerce companies and other IT firms looking to engage in technology infrastructure development related to GST implementation. Overall, these findings suggest that despite discrepancies between opinions about certain aspects related to Goods & Services Taxation in India, consumers demonstrate positive attitudes towards its introduction which bodes well for further reforms and improvements down the line.

### **Findings:**

- ❖ Consumers overwhelmingly believed that it was beneficial to have one unified tax system instead of multiple state and central taxes, as this would reduce the overall burden on their finances.
- ❖ There was a great deal of confusion among consumers regarding new categorization and rates under GST, with many finding certain items such as automobiles and housing being affected disproportionately compared to other goods or services in terms of taxation rate hikes or cuts.
- ❖ Most consumers do not have sufficient information about GST or its implications so they are unable to make informed decisions on how to use it effectively.
- ❖ Consumers benefit from the GST in terms of simpler taxation system. Under this system, all taxes are replaced with a single tax, thus eliminating complexity and confusion associated with multiple taxation systems.
- ❖ Consumers enjoys some benefits from it in terms of ease and convenience during transactions resulting in price reduction due to elimination of middlemen between manufacturers/wholesalers and retailers thus leading to an overall cost savings on their part when procuring products from shops around the country.

### **Suggestions:**

- Increase public awareness through proactive campaigns and educational programs which cover the positive aspects of GST, such as its impact on inflation and price stability.
- Ensure that consumers have access to reliable information sources and advisory services so they can comprehend the implications of GST implementation in India better and make decisions accordingly.
- Provide regular updates regarding developments with respect to the GST regime in order to create greater confidence among consumers about their understanding of its system-wide changes, such as tax rate revisions or new rules etcetera.
- Include small businesses in awareness campaigns by providing them resources like guidance documents, seminars etcetera so they can understand how GST will impact their business

operations more clearly; furthermore, provide support for small businesses to comply with the taxes required under this scheme comfortably without any fear or confusion about its complexities.

### **Conclusion:**

After analyzing the India's Goods and Services Tax for consumers, it is evident that there are many pros to this new tax system. In terms of simplicity, the GST is a major step forward in making taxation more efficient and easier to understand. In addition, the GST system is expected to boost economic growth by making goods and services more affordable for consumers. However, there are some downsides to the GST as well. For example, businesses may experience increased costs due to the new tax system, which could lead to job losses. Additionally, the GST may not be universally accepted by all Indian citizens, meaning that some people may suffer from its negative effects. Overall, while there are some challenges associated with the introduction of the GST, it is still a major improvement over India's current taxation system.

### **Limitations of study:**

There are a number of benefits and disadvantages to implementing India's Goods and Services Tax (GST). Some of the benefits include simplification of the tax system, increased revenues, and increased compliance. However, there are also some limitations to this tax system that consumers should be aware of.

One limitation is that the GST only applies to goods and not services. This means that services such as airline tickets, hotel rooms, and restaurant meals will still be subject to taxation under different tax regimes. This can lead to confusion for consumers who are not familiar with the GST system. In addition, certain items such as luxury goods and food items that are typically taxable under other regimes will not be subject to taxation under the GST system. This can create additional costs for consumers when trying to purchase these items.

Another limitation is that the GST is only applicable to transactions involving goods or services within India. This means that purchases made abroad will not be subject to the GST tax regime. This can create challenges for businesses who do business in multiple countries and need to invoice customers in multiple currencies using the GST standard format.



### **Further research:**

There is need for further research on consumers' perceptions of the Goods and Services Tax (GST) in India. The introduction of GST has led to a significant rise in prices across multiple sectors, which could have affected the overall purchasing power of citizens. As such, it would be important to assess how Indian consumers view and perceive this tax regime. This could help policymakers target areas where GST reform is needed most, ensuring that citizens can benefit from better-targeted services while still being able to pay reasonable taxes themselves. Additionally, an assessment of the level and nature of public awareness regarding GST would provide valuable insight into how well-prepared citizens are when making decisions concerning their businesses or personal finance under this new system. On the other hand, examining consumer behavior before and after implementation will also shed light on whether reforms have taken place effectively within certain industries or if further adjustments need to be made within them as well.

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