

Perception Of Service Tax Payers Towards Gst-An Exploratory Study

Mrs. Preeti Singh Chouhan

Assistant Professor,
Sushila Devi Bansal College of Engineering. Indore.
Email preetirsinghchouhan@gmail.com

Dr. Swaranjeet Arora

Associate Professor,
Prestige Institute of Management and Research, Indore.
Email: swaran_jeet76@yahoo.co.in

Dr. Sachin Mittal

Assistant Professor,
Jaipuria Institute of Management, Indore
Email: sachin.mittal@jaipuria.ac.in

ABSTRACT

Purpose: The aim of the study is to identify the perception of the service tax payers toward Goods and service tax (GST).

Research methodology: The study is based on the primary data collected from 400 service taxpayers of different cities of India by the means of questionnaire.

Result: It is found that there is linear relationship between perception toward service tax reform and perception toward GST.

Originality/value: The study assumes importance in view of the fact that no significant studies have been conducted to look into the perspective of tax payers. Hence, a study is required to identify the perception of service tax payers towards GST which is recently implemented in India.

Limitation: The data collected for this research was collected from all states of India. The result received from this research may or may not be suitable for application to the other countries due to geographical limitations. Possible bias of some respondents in answering the questions might have affected the findings.

Policy implication: Findings of the study are expected to serve as a guide and help to government and managers to understand the perception of tax payers towards tax reforms.

Keywords: Tax, Service Tax, Reform, Taxpayer, GST

INTRODUCTION

Indian taxation system has undergone through set of reforms during the previous decade and is still continuing the process through advent of goods and service tax system. *The Goods and Services Tax (GST) is a value added tax that directly affects every sector and sections of our economy.* Earlier excise tax was imposed on manufactured goods, Value Added Tax (VAT) or Central Sales Tax (CST) was imposed on sales, but now GST is levied on supply of goods i.e. where the goods are delivered and consumed and where services have been provided. Indian services sector is the fastest growing sector in India, contributing significantly to gross domestic product (GDP). India is a major proponent of liberalizing services both in the World Trade Organization and in its bilateral trade agreements, Service tax rate @15 percent was charged on the services, but GST is introduced at a higher rate as a result the cost of services is increased. In other words, all the **services** like telecom, banking, airline etc. **are more expensive.** Goods and Service Tax in place of service tax at higher rate but single tax in place of multiple taxes and how the taxpayers are considering this

reform is important aspect to be considered. Based on previous studies, perception can be made that individual with positive attitude towards tax, commonly believed to equality and fairness in the tax system, tax administration and compliance with the commission of the tax law (Norsiah, 2002). Positive attitude towards citizen regarding tax system is important to enable individual have responsible towards development of country. Hence, present study is an attempt to identify perception of service tax payers towards Goods and Service Tax in India.

LITERATURE REVIEW

An indirect tax reform has been an integral part of the liberalization process since 1991. In the first phase, India has been gradually attempting to move towards a tax structure that is simple, fair, rational and easy to administer and comply with. Studies show that liberalization and reforms is one of the important factors contributing to the growth of service sector in India (Gordon & Gupta, 2003; Banga & Goldar, 2004; Chanda, 2002; Jain & Ninan 2010); Eichengreen & Gupta (2013), discussed the country's major policy initiatives, such as trade reforms and liberalization of domestic industrial and service sectors, and their importance for jump starting the process of services growth and its exports. And they discuss the extent to which India's performance as an exporter of services has been shaped by policies liberalizing the service sector itself and by liberalization of the manufacturing sector.

Palil, Zaini & Mamat (2013) examined consumers' readiness, perception and acceptance of GST in Malaysia and found that the majority (73.2%) of the respondents were aware about the implementation of GST while 53.6% believed that GST would have significant impact of their livelihood. Saira, Zariyawati & May (2010) found that 95% of the respondents were aware that GST is a major source of government revenue, although around 50% did not understand the operations of the GST system. This study also revealed that non-accounting students did not understand what GST is all about. This implies that tax knowledge and education could probably have bearings on the awareness of the implementation of GST.

Yusri & Yee (2015) studied the perception of individual taxpayers toward GST implementation in Malaysia, particularly in Klang Valley. Their study used the theory of planned behavior to examine the factors that influence the behavior among the individual taxpayers in Klang Valley, explored the factors which affect the perception of taxpayers i.e. attitude, subjective norm and perceived behavioral control and among the all factors, it was found that the perceived behavioral control was the strongest factor that influences the intention to comply with GST among the individual taxpayers in Klang Valley. Thus, issues in GST system need to be taking into high consideration as it can affect the revenues and income of the country. **Das (2017)** *stated that proposed Goods and Services Tax would aggravate the already high degree of inequality in the country, and would inevitably curb the fiscal autonomy of state governments significantly. Contrary to the government's claims, the implementation of the GST would not automatically enhance growth rate, reduce inflation or improve tax compliance. The calculations of the revenue neutral rates depend on various assumptions. Different states should be allowed to set their own state-GST rates with provisions for an entry tax. More emphasis should be put on direct taxes rather than the GST for improving India's abysmally low tax to gross domestic product ratio.*

Mukherjee (2016), found an overview of the Indian service sector that shows that service sector is the fastest growing sector in India, contributing considerably to GDP, its growth, employment, trade and investment. They identified a number of barriers faced by the service sectors and suggest policy measures, which, if implemented, will lead to inclusive growth, increased productivity, generate quality employment, increase trade and investment, and enhance India's global competitiveness in services.

Mathai, Ramalingam & Venkiteswaran (2001), examined that indirect taxation in our country is over dependent on goods disregard of the phenomenal growth of the service sector, because of this, there is a

disparity in taxation and is biased apart from leaving a major area of revenue like services untapped. Moreover, in manufacturing and service sector does not take enough account of fact that these sectors use each other's products in the form of goods and services. Therefore, the tariff on these services and goods shall be unified into VAT.

Garg (2014) Studied “Basic Concepts and Features of Good and Service Tax in India”, and found that GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.

Guptha (2014), stated that implementation of GST in the Indian framework will lead to commercial benefits which were not covered by the VAT system and would basically lead to economic development. Therefore GST may usher in the possibility of a collective gain for industry, agriculture, trade, and common consumers as well as for the Central Government and the State Government.

Pinki, Kamma & Verma (2014) concluded that the new NDA government in India is Positive towards the GST implementation and it is beneficial for central government, state government and also for consumers in long run if its implementation is supported by strong Information Technology infrastructure.

Vasanthagopal (2011) concluded that switching to flawless GST from current complicated indirect tax system in India will be an important step in booming Indian economy. GST success will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Most of the researchers have done lot of research work in the area of 'Tax' and moving a step further some investigators have done a small amount of research in the field of “Tax Reform” thus increasing the scope of studying the impact of tax reforms on tax payers. No significant studies have been conducted to look into the perspective of tax payers. Hence, a study is required to identify perception of service tax payers towards GST which is implemented in India.

OBJECTIVE

The objective of present study is to identify the perception of service tax payers toward Goods and Service tax with respect to India.

HYPOTHESIS

H_{01} : *There is positive relationship between perception toward Service tax reforms and perception towards GST.*

RESEARCH METHODOLOGY

The Study

The present investigation is based on exploratory research inquiry and examines the perception of tax payers in India. The study is based on primary data that is collected through the use of a questionnaire. This questionnaire is divided into two sections. The first section comprised of question related demographic information including gender, age, race, education level and qualification. For the second section contain 27 questions related to general information about tax and GST. The period of data collection for the present research ranged from 15th April 2015 to 31st March 2016.

The Sample

For this study the data was collected from 400 service tax payers of different states of India i.e. 2 from Arunachal Pradesh, 17 from Delhi, 22 from Gujarat, 184 from Madhya Pradesh, 8 from Mumbai, 5 from Rajasthan, 162 from Uttar Pradesh. Out of these 400 respondents majority of them belong to the age group of 30-40 years. In this survey male respondents were 65 percent and female respondents were 35 percent. Educational qualifications of respondents revealed that majority of them were MBA's and CA's. The respondents were selected through convenient sampling method.

Variables

The present research is a quantitative research to understand the perception of service tax payers. As this research has a quantitative base so questionnaire used in this research is close ended questionnaire. The research instrument comprises of number of statements under one macro statement (variable). It includes perception of tax payers toward tax reform. Perception is measured on 2 dimensions i.e., perception towards tax reforms and perception towards GST. Respondents were asked to indicate their degree of agreement with each of the questions on a five-point likert scale. In this study the reliability of the scales was first evaluated using Cronbach's alpha, which measures the consistency with which respondents answer questions within a scale.

The dependent variable under this study is perception towards GST and independent variable is perception towards service tax reform.

Conceptual model

This paper examines relationship between perception toward service tax reform and perception towards GST

$$PTGST = f (PTSTR)$$

Where:

PTGST = Perception towards Goods and service tax;

PTSTR = Perception towards Service Tax reforms

This model is adopted to test the first hypothesis of the study. The model is checked by Linear Regression Methods.

The data were analyzed using window based statistical package of the social science (SPSS).

Item Total correlation and reliability of the measures

Reliability of the measures was assessed with the use of Cronbach's alpha on 27 items that is .910. Cronbach's alpha allows us to measure the reliability of different variables. It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltiz et al., 1976). Internal consistency is considered reliable when Cronbach's alpha is closer to 1 (Sekaran & Bougie, 2009).Hence, it was found reliable for further analysis

Table 1: Reliability Statistics	
Cronbach's Alpha	No. of Items
.910	27

RESULTS AND DISCUSSION

Linear Regression Analysis

Pearson correlation is used to analyze correlation between the explanatory variable viz perception towards services tax reform and perception towards GST. Table 2 reveals the correlation coefficients between the variables. As a “rule of thumb” suggested by Anderson et al. (1990) states that any correlation coefficient exceeding (0.7) indicates a potential problem.

Table 2: Correlation Coefficient between Explanatory Variable

Correlations			
		GST	reform
Pearson Correlation	GST	1.000	.786
	reform	.786	1.000

Table 3 depicts the regression results. It can be seen from the results provided in table 3 that the R2 value is 0.618(the R square column). This indicates that perception towards service tax reform explain 61.8 percent of the variation in the perception towards GST.

Table 3: Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.786 ^a	.618	.617	.37802	1.509
a. Predictors: (Constant), reform					
b. Dependent Variable: GST					

The study finding indicate relationship between independent variable perception towards service tax reform and dependent variable perception towards GST as demonstrated by the R value represent the simple correlation value of .786 (the “R” Column) which indicates a high degree of correlation. The Durbin-Watson reveals test value of d = 1.509 which is between the two critical values of 0 < d < 4, hence model is good fit.

Table 4 ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89.964	1	89.964	629.572	.000 ^b
	Residual	55.587	399	.143		
	Total	145.551	400			
a. Dependent Variable: GST						
b. Predictors: (Constant), reform						

The F ratio in ANOVA TABLE 4 test s whether the overall regression model is good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable perception toward GST F (1,399) =629.572, p<.0000, which is less than 0.05 and indicates that overall the regression model is statistically significant and predict outcome variable. Hence the regression model is good fit for the data.

Table 5:Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	-.025	.149		-.170	.865	-.318	.268					
	reform	.997	.040	.786	25.091	.000	.919	1.075	.786	.786	.786	1.000	1.000
a. Dependent Variable: GST													

The study finding indicates that β coefficient provided direction to the relationship (+ve or – ve). Secondly all coefficients are statistically significant (t=p<0.05). So we can write

$$Y(GST) = -.025(\text{Constant}) + 0.997(\text{Reform})$$

Table 5 coefficient showed the unstandardized coefficient to predict the dependent variable based on the independent variables and t values is 25.091, which is higher than the threshold value of 1.96 and significant value showed is less than .05,. Tolerance should be > 0.1 (or VIF < 10) for all variables. Hence model is significant at 5 percent level so null hypothesis is accepted and hence, it is concluded that there is linear

relation between perception towards service tax reform and perception towards GST. Thus, analysis results are positive.

There is linear relation between perception towards Service tax reform and perception towards Goods and service tax. We can say that perception of service tax payers is favorable towards GST because they believe that it will simplify the tax system.

According to Saira et al., 2010; Palil, (2011) surveyed participants had diverse opinion over the implementation of GST and most of them had misconceptions of the implications of GST. The awareness of GST among citizens is not consistent due to the lack of understanding or knowledge regarding GST and similarly, in this study the taxpayers are confused but ready to accept GST, they believe that it will simplify the return and assessment aspect of the tax system. Studies conducted earlier showed that different views and opinions regarding the implementation of GST and had misconceptions of the implications on goods and services, business and economic development (Lai and Choong, 2006). Many opinions arise because consumers are interested to know how GST will effect and affect their interest with some agree and some refuse of GST. Some respondents believe that GST would result in negative impact on their lives. This is proven by a number of studies related to the implementation of GST.

CONCLUSION

This study was conducted to identify the perception of service tax payers towards Goods and service tax and on the basis of the above analysis we can conclude that there is positive relationship between perception towards reform and perception towards GST. This paper provide useful insight to the Government about the perceptions of the taxpayers regarding the reforms which are taking place in Indian tax structure. This positive relationship between tax reform and perception towards GST could be useful as a key input for the government in increasing taxpayers' awareness regarding tax matters and as input into the designing of tax education programmes. The findings of the study may help policy makers and institutions in reframing the policies in the interest of the trading community, society and economy in general. It could also be useful for helping the government in designing the best mechanism of delivering the latest information on tax regulations as the taxpayers are considering reforms in a positive way which can improve the governments' tax revenue collections. Tax payers believe that the implementation of a national goods and services tax (GST) will simplify the tax system as there were multiple taxes, different tax authorities, different rates and different legislation for indirect taxes in India which leads to the complexity. GST is a long term strategy planned by the Government and its positive impact shall be seen in the long run only. The **rate of GST** and **how effectively GST works** in all states and at the centre also **plays a crucial role** in deciding the actual impact of GST. Some of the critical factors for successful GST implementation in India can be commitment from the government, drafted laws; cooperation between the different authorities involved, public education campaign, enforcement and an effective GST audit programme will explain its failure and success. It is a landmark reform having a great impact on India and its taxation system. GST is a long term strategy planned by the Government and its positive impact shall be seen in the long run only.

FUTURE SCOPE OF THE STUDY

However, this study did not address in detail tax management system. Further research may also consider the perception of tax payers with respect to Goods and service tax return and assessment procedure, the perception of taxpayers with respect to income tax return and assessment or perception can also be identified towards online tax filing procedure.

REFERENCES

- Anderson, C., Sheldon, T., and Dubay, J. (1990). *The effects of instruction on college nonmajors' conceptions of respiration and photosynthesis. Journal of Research in Science Teaching*, 27, 761-776
- Banga, R. and Goldar, B., (2004). Contribution of Services to Output Growth and Productivity in Indian Manufacturing: Pre and Post Reforms, *ICRIER Working Paper No. 139*
- Bidin, Z. and Mohd Shamsudin, F. (2013). Using Theory of Reasoned Action to Explain the Taxpayer Intention to comply with Goods and Service Tax. *Middle East Journal of Scientific Research*, 17 (3), 387
- Bobek, D. (1997). Tax Fairness: How Do Individuals Judges Fairness and What Effects Does It Have on their Behaviour. Ph.D. Dissertation, University of Florida, Gainesville
- Chanda, R. (2002). *Globalization of Services: India's Opportunities and Constraints*. Oxford University Press, New Delhi.
- Das, S. (2017): Some Concerns Regarding the Goods and Services Tax. *Economic & Political Weekly*, 52(9).
- Eichengreen, B. and Gupta, P. (2013). The two waves of service-sector growth. *Oxford Economic Papers, Oxford University Press*, 65(1), 96-123.
- Garg, G. (2014). Basic Concepts and Features of Good and Service Tax In India, *International Journal of Scientific Research and Management*, 2, 542
- Gordon, J. and Gupta, P. (2003). Understanding India's Services Revolution. The IMF-NCAER Conference, A Tale of Two Giants: India's and China's Experience with Reform, New Delhi, 14-16
- Goh, P. J.; Cham, T. H. & Tay, A. G. M. (2017). Consumers' Perception towards the Implementation of Goods and Services Tax (GST) in Malaysia: A Review Paper. *Journal of Global Business and Social Entrepreneurship (GBSE)*, 1, 17-23
- Guptha, N. (2014). Goods and Services Tax: its implementation on Indian economy, *International Research Journal of Commerce, Arts and Science*, 5(3), 126-133
- Jain, S. and Ninan, T. (2010). Servicing India's GDP Growth, in Acharya, Shankar and Rakesh Mohan (ed.), *India's Economy: Performance and Challenges -Essays in Honour of Montek Singh Ahluwalia, Oxford University Press*, 328-365
- Jhunjhunwala, S. (2009). Baby Steps towards Unified Goods and Service Tax. *The Chartered Accountant Student*, 12(9), 26
- Keen, M. (2014). Targeting, cascading and indirect tax design, *Indian Growth and Development Review*, 7(2), 181 – 201
- Knut, E. and Lars, F. (1996). Tax knowledge and attitudes towards taxation; A report on a quasi-experiment. *Journal of Economic Psychology*, 17, 387-402
- Lai, M. and Choong, K. (2006). Towards goods and services tax in Malaysia: A preliminary study. *Global Business & Economics Anthology*, 1, 75 – 86

- Loo, E., McKerchar, M., and Hansford, A. (2007). The effect of the introduction of self-assessment on tax knowledge of individual taxpayers in Malaysia: Survey findings. Paper presented at the Accounting studies *International Conference, Kuala Lumpur, Malaysia*, 30-31
- Mathai, J., Ramalingam, N. and Venkiteswaran, C. (2001). *State level Taxation of Services in the VAT Context: A Proposal* (Thiruvananthapuram: CTS, Govt. of Kerala, 2001): 3.
- Mukherjee, A. (2016). Services sector in India: trends, issues, and the way forward, *Eurasian Geography and Economics*, 56(6), 635-655
- Norsiah, A. (2002). Effect of tax knowledge on attitudes towards taxation. Collected Papers of AAAA2002 in Nagoya. *Graduate School of Economic*. Nagoya University, Japan. 221 -230
- Palil, M.R., Zain, N.H.M., & Mamat, N.H. (2013). Consumer Readiness, Perceptions and Acceptance of Goods and Services Tax (GST): Middle and Lower Income Earners Perspective. Proceeding-Kuala Lumpur *International Business, Economics and Law Conference*, 1, 353–360.
- Palil, M. A. (2011). The Impacts of Goods and Services Tax (GST) on Middle Income Earners in Malaysia. *World Review of Business Research*, 192-206
- Pinki, Kamma, S. and Verma, R. (2014). Good and Service Tax–Panacea for Indirect Tax System in India, *Tactful Management Research Journal*, 2(10)
- Ramalingam, M. (2001). *State level Taxation of Services in the VAT Context: A Proposal* (Thiruvananthapuram: CTS, Govt. of Kerala,): 3.
- Saira, K., Zariyawati, M.A., & May, L.Y. (2010). An exploratory study of Goods and Services Tax awareness in Malaysia, 265–276
- Sekaran, U. and Bougie, R. (2009). *Research methods for business a skill building approach*. (Fifth Edition). UK: John Wiley & Sons Ltd.
- Selltitz, C., Wrightsman, L. and Cook, W. (1976). *Research Methods in Social Relations*. Holt, Rinehart and Winston: New York, NY.
- Vasanthagopal, R. (2011). GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, 2(2).
- Yusri, Y. and Yee, K. (2015), Malaysian Taxpayers' Perception Towards The Implementation of Goods and Service Tax (GST), *International Journal of Economics, Commerce and Research (IJEER)* 5(6), 1-8.