

Consumer Perspective towards GST in Chennai

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Abstract:

Introduction: The introduction of the Goods and Services Tax has been a very noteworthy step in taxation since the country has celebrated its independence. It has been designed on the principle of “one nation, one market, one tax”. With the GST the single biggest indirect tax regime has come into force in India. It has disintegrated all the inter-state barriers with respect to trade. This study tries to find the awareness about GST and its demographic relation in population of Chennai.

Methodology: The data required for the study was collected from 100 subjects using the mode of questionnaire and the subjects were chosen randomly from population with income less than 3,00,000 among inhabitants of Chennai.

Result: The results show no variation in awareness among individuals in different age groups. It also shows a positive correlation between the awareness about GST and knowledge on taxation, rebate, effect on employment, dividend and interest rates and the penalty for defaulters.

Conclusion: The study concludes by recommending the government to put in more effort to ensure that Consumers have a clear understanding and develop a positive perception towards GST, leading to its acceptance.

Keywords: GST, Consumer Awareness, Taxation.

Introduction

Taxation is the inherent power of the state to impose and demand contribution upon persons, properties, or right for the purpose of generating revenues for public purposes. Taxes are enforced proportional contributions from persons to property levied by the law making body of the state by virtue of its sovereignty for the support of the government and all public needs.

The introduction of the Goods and Services Tax has been a very noteworthy step in taxation since the country has celebrated its independence. It has been designed on the principle of “one nation, one market, one tax”. With the GST the single biggest indirect tax regime has come into force in India. It has disintegrated all the inter-state barriers with respect to trade.

GST has merged a large number of Central and State taxes into a single tax and avoided the interstate check post and reduced commutation time upto 80%. The final customer is also being benefited in the process due to the reduction in the overall tax burden on goods and services. This study tries to find the awareness about GST and its demographic relation in population of Chennai.

Literature Review

Dr. R. Vasanthagopal ^[1] on 2011 wrote an article titled ‘GST in India: A Big Leap in the Indirect Taxation System’ where the author remarked that switching to seamless GST from 11 current complicated indirect tax systems in India will be positive step in becoming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of Indirect Tax System in Asia. But for this to happen, sufficient education of the tax payers and the consumers is essential. Djawadi and Fahr (2013) used structure equation modeling to examine the relationships between tax awareness and tax knowledge and found that tax knowledge has positive relationship with tax awareness. Hence, taxpayers will be more aware about tax system when they have knowledge and understanding towards the tax system.

The correct knowledge and awareness of tax is important to create a positive attitude in the tax payers. M R Palil and Mustapha ^[3] suggested that when a taxpayer has better tax knowledge, attitudes towards tax would be positive and this will in turn increase compliance and reduce the propensity to evade taxes.

M R Palil and Mustapha (2011) ^[3], McKerchar (2002)^[4] and Braithwaite et al. (2009)^[5] demonstrates that younger taxpayers and lower income earners are shown to be less knowledgeable about taxations. M R Palil and Mustapha(2011)^[3] explained the fact as younger taxpayers who normally earn lower incomes are new to the tax system and they have been shown to have less well developed sense of moral obligation to pay tax (Orviska and Hudson, 2002; Wearing and Headey, 1997). The study done by Guruswamy and Vasanthakumar (2018) ^[8] also suggests a similar result on a study to analyze students response to GST in Coimbatore, India.

Garg et al (2018) ^[9] indicated that there is significant impact of attitude and satisfaction on the acceptance level of the GST and there is a difference in these levels among accounting and nonaccounting respondents. Moreover, regression analysis results showed that the satisfaction level of GST and attitude toward GST are significantly associated with the acceptance level of GST. The author calls for more efforts from the government to educate its citizen on GST.

Methodology

The data used for the study were collected from 100 people from across the Chennai city whose perspective towards GST is studied. Demographic information of the respondents is given in Table 1A & B.

A. *Sampling Technique*: Simple Random sampling method has been used for the purpose of data collection. Under Simple Random Sampling each element of the population gets an equal chance of being selected.

B. *Sampling Unit*: The study has considered population with their annual income below 3,00,000 rupees.

A questionnaire was circulated among the respondents and the questions were divided into 3 sections, namely: Section A- tax

Table 1.A
Demographic information of respondents

Age (Years)	Frequency (percentage)	Gender	Frequency (percentage)
16-30	57	Male	55
31-45	21	Female	45
46-60	18	Total	100
61-45	4		
Total	100		

Table 1.B
Demographic information of respondents

Education	Frequency (percentage)	Occupation	Frequency (percentage)
High School	14	Student	12
UG	45	Self employed	18
PG	31	Private sector	38
Others	10	Public sector	27
Total	100	Others	5
		Total	100

knowledge; Section B- direct questions to determine tax compliance and Section C- respondent background. Data was analyzed predominantly by one-way analysis of variance and multiple correlations. The results are tabulated and analyzed using R software (version 3.4.2).

C. Hypothesis of the study:

H₀₁: There is no significant difference in the awareness and perception on GST as per age category of the respondents.

H₀₂: Tax knowledge is positively associated with attitude towards tax compliance behavior.

Results and Discussion

A. The demographic information of the respondents:

The respondents comprised of 55 (55%) males and 45 (45%) females. The majority of the respondents belongs to the age group 16-30 (57%), followed by the age groups 31-45 (21%), 46-60 (18%) and 61-75 (4%). The personal attributes of the respondents shows that 14% had a High School education, 45% were undergraduates, 31% were postgraduates. Majority of the respondents worked with private firms (38%), public servants comprised of 27%, 18% were self-employed and 12% were students.

B. Awareness on GST and age of respondents

To test the hypothesis H₀₁, one-way ANOVA is done and the result is summarized in Table 2. F- value of the test is 0.134 and p value is 0.938. As the p value is greater than the significance level 0.05, we can accept H₀₁, there is no significant difference between age of the respondents and awareness on GST.

C. Tax knowledge and tax compliance behavior

Table 3 illustrates the Pearson correlation matrix for knowledge on GST (dependent variable) and tax compliance attributes such as awareness about GST, knowledge on impact of GST on employment income, knowledge about rebates, knowledge about dividend and interest, and knowledge about offences and penalties related to GST. The variables considered here are:

1. *AWARE*: Awareness about GST and its different slab rates
2. *EMPLOY*: Knowledge on impact of GST on employment
3. *REBATE*: Knowledge about rebates
4. *DIVIDEND*: Knowledge about dividend and interest rates
5. *PENALTY*: Knowledge about offenses and penalties related to GST

Table3.

Table 2
One-way ANOVA

Group	Df	Sum Sq	Mean Sq	F Value	Pr (>F)
Group	3	74.2	24.73	0.134	0.938
Residuals	12	2213.3	184.44		

Pearson correlation(r) matrix

	Variable	1	2	3	4	5
1	AWARE	1				
2	EMPLOY	0.028	1			
3	REBATE	0.237**	0.046	1		
4	DIVIDEND	0.054	0.125**	0.134**	1	
5	PENALTY	0.258**	0.453**	0.536**	0.479**	1

Dependent variable is AWARE; **Correlation is significant at the 0.01 level (2-tailed).

There were a number of significant correlations between tax knowledge and tax compliance behavior. There were fairly high correlations ($p < 0.01$) between AWARE and REBATE ($r = 0.237$), EMPLOY and PENALTY ($r = 0.453$) and DIVIDEND and PENALTY ($r = 0.479$). The results show that tax knowledge is positively associated with attitude towards tax compliance behavior. Table 3 also gives the evidence that the independent and dependent variables were not all highly correlated (more than 0.8), hence the analysis included most of the dependent variables.

Limitation of study:

- The study being limited to population below income of 3, 00, 000, the perception of population belonging to other income tax slab may be different.
- The study and its analysis were limited to a particular period of time and the people's perception may change for an analysis made at any other of time.
- The study limits itself to the population in Chennai city. The results might possibly diverge if the study is conducted in different geographical location.

Conclusion:

Current study highlights the overview of GST in few parts of Chennai. It suggests that the awareness of GST doesn't change with the age of the tax payer. The study put forward the finding that awareness about GST doesn't depend entirely on the knowledge on taxation but also its rebate, effect on employment, dividend and interest rates and finally the penalty for defaulters.

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