

IDENTIFYING THE DETERMINANTS OF TAX PAYER'S ATTITUDE TOWARDS GST

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Abstract

GST is a remarkable tax reform aimed at creating a unified market by removing all hurdles in trade, thereby resulting in free movement of goods and services across the States. Amidst the controversies and confusions about the legislation, finally it was launched on 1 July 2017 but still many issues are being encountered that need to be addressed properly for the smooth execution of GST. This paper is intended to identify the major factors influencing the perception of tax payers concerning GST. Data is collected through structured questionnaire from taxable persons who are registered under GST in Amritsar City. While GST implementation was perceived to bear a positive long term impact in terms of enhanced transparency but at the same time, it was feared to exert negative short term impact on account of issues associated with inflation, compliance and administration.

Keywords: GST, Compliance, Transparency, Issues.

INTRODUCTION

In India, the considerable part of government's revenue comes from taxes. Essentially, they are of two types- direct and indirect taxes. Direct tax includes the Income Tax, Property Tax, Corporation Tax, Gift Tax etc. and Indirect taxes include

Sales Tax, VAT, Excise, Service Tax, Luxury Tax, Entertainment Tax etc. The earlier system of indirect taxation was complex on account of numerous taxes and various authorities involved at the central and state level. The inability of one tax to be set off from the other led to significant increase in prices of goods and services. Addressing these issues was incumbent that led to the introduction of GST in India. Moreover, E-way billing will prove to be an icing on the cake in confronting tax evasion. It's a historical tax reform that encompasses 17 major indirect taxes and led to the 'ONE TAX ONE NATION' market but was lying unresolved since year 2000 when the idea to usher GST was inclined by Vajpayee Government. Being unable to gain consensus of majority by the government, it took seventeen years to be in reality, when it rolled out on 1st July 2017.

GST is a destination based tax which is imposed on goods and services at every stage of value addition and the burden of tax is shifted to the end consumers. GST registered taxpayers are required to collect GST on sale invoices, termed as output tax and GST paid at the time of purchase is called input tax. While filing returns of GST, Input Tax Credit (ITC) is available in respect of input tax paid at the time of purchase thereby reducing the output tax to that extent and balance tax is deposited with government (Pheng and Loi, 1994). Currently it has four tax brackets- 5, 12, 18 and 28 per cent except for gold where GST rate is 3 per cent. Certain essentials and daily used items are in zero rated brackets, conversely the sin and luxury products are in highest tax bracket.

Challenges encountered by business community after GST rollout

Since the roll out of GST, there has been a strong opposition by the business community. Hence, it is necessary to find out the real challenges being faced by tax payers registered under GST and this paper has made an attempt to capture all those difficulties also.

The major problem being faced by the business community is the lack of awareness regarding GST causing reluctance to the GST system. This newly coined term has

created a buzz in the market and many tax payers have still not got themselves registered because they are unaware of GST and its proposed benefits.

Resistance to GST by business community impelled the government to change the rates frequently in order to satisfy them and the public. Frequent change in rates of items has created a chaos in the market and it was condemned that government has implemented it in an ill-planned manner. Moreover, filing of returns is found to be very cumbersome because of frequent crashing of GSTN website resulting in creating panic of late fees & penalties in tax payers' mind. But gradually, the government is making a lot of efforts to make GSTN site adaptable and more users friendly.

Another issue is being faced regarding refund of ITC that is standing in credit ledger which is to be refunded by 31st March 2018 by the government and till date many tax payers have not received the refund yet. Delay in refund is hampering the growth of businesses as working capital of tax payers is stuck by the way of excessive tax paid to government.

Inflation in compliance cost is another issue as tax payers have to change their accounting and billing software, hiring a permanent accountant and tax consultants for filing their GST returns. Filing of separate returns for purchase, sale and combined return has resulted in significant increase in time cost, monetary cost and psychological cost. As stated by Palil et al. (2013) monetary cost involves the cost of purchasing software, payments to accountants etc. and time cost is the time spent on filing of returns and performing paper work, whereas psychological cost is the stress of handling too much work.

LITERATURE REVIEW

In order to conduct the proposed study, past literature has been examined on the verge of perception and awareness regarding GST and few of the studies conducted around the world and in India are quoted as-

Study conducted in Malaysia by Ahmad et al. (2016) on awareness and perception of tax payers showed negative perception of respondents towards impact of GST in Malaysia on account of various issues like lack of awareness and fear of inflation. The results disclosed moderate level of awareness as tax payers are not aware of classification of goods and services that are subject to GST. Bidin et al. (2014) examined the perception and probable areas of difficulties faced by tax agents after implementation of GST in Malaysia. Tax agents, being the intermediaries between government and tax payers, were found to exhibit satisfactory level of awareness and perceived positive outcomes of GST implementation. Meanwhile, some difficulties are encountered like burden of documentation, getting refund claims, upgradation of accounting system to make it familiar with this regime

With reference to studies in India, a study conducted by Nagaraju (2018) examined the perception of consumers after GST implementation and found that people perceive it as inflationary and are not aware of it. They opined that it is neither beneficial for business nor the government. Agarwal (2017) highlighted the significance of GST in terms of long run benefit as perceived by people but at the same time it has increased tax burden on ultimate consumer. Barhate (2017) emphasized GST as a tool to check tax evasion and revenue generator for government as perceived by tax payer traders in rural areas. Maji & Giri (2016) examined the perception of tax professionals in India before its implementation and found that they have high positive perception of impact of GST and are well prepared for its implementation.

Since it has been few months that GST is implemented in India and it has created lot of confusion among tax payers leading to their dissatisfaction. Thus, it is important to find the perception of taxable persons and the major issues being faced by business community after its roll out. The present study aims to explore the major factors affecting the perception of taxable persons, their awareness, satisfaction, impact on Indian economy and its effectiveness as a tool to counter tax evasion.

METHODOLOGY

The sample for present study constitutes 200 tax payers from Amritsar city who are registered under GST. Structured questionnaire was administered personally to the respondents. 141 filled questionnaires were received, which were complete and found fit for the proposed study. Data was collected during two months i.e. November and December 2017. Judgement-cum-Convenience sampling technique was employed to select respondents. Data obtained is tested analytically through SPSS version 21 and techniques employed are Factor Analysis, frequencies and percentages.

RESULTS AND DISCUSSION

Demographics

The demographic profile of the respondents as per Table 1 depicts that out of 141 respondents 73 (51.8%) are of age group 18-35 while 42 (29.8%) respondents fall in age group 35-50 and rest in above 50 age group. 41.8% of the respondents have qualification +2 or below and only few (19.9%) are post graduate or above.

(Insert Table 1)

Descriptive Statistics

In order to gain perspective of respondents about level of awareness, satisfaction, convenience, positive impact of GST on Indian economy and its effectiveness to counter tax evasion, certain questions have been asked from respondents and results of descriptive are shown as in Table 2. 60.3% of the respondents are well versed of GST and its provisions applicable to their own business while the rest 39.7% are not aware. As far as satisfaction with regard to GST is concerned 56.7% of the respondents are satisfied with the present legislation and rest are not. With reference to ease of doing business or convenience 58.2% of respondents found the previous tax regime as convenient and GST as complex. Moreover, 68.1% of the respondents favoured positive long run impact of GST on Indian economy and 51.1% of the respondents perceive it to be an effective tool to counter tax evasion in

India but still 26.2% of the respondents sense its failure to achieve the desired results and rest of respondents react that they can't say anything.

(Insert Table 2)

Results of Factor Analysis: To identify significant factors concerning business community's attitude towards GST, 20 propositions have been formulated to which degree of agreement or disagreement is located using 5-point Likert's scale ranging from Strongly Disagree-1 to Strongly Agree-5. As Comrey (1985) stated that before applying Factor analysis, its assumptions must be checked. So, data is checked and is not subject to any outlier or missing response with respect to 141 respondents. Factor analysis is performed and method of Principal component analysis is used to extract major factors. Prior to use this technique, it's an imperative to check the reliability of responses obtained. Cronbach's Alpha is the measure of internal consistency based on test-retest outcomes (Gliem & Gliem, 2003). Its range lies between 0 to 1. The more it approaches to 1, the results will be beneficial (George and Mallery, 2003). Here in our analysis value of Cronbach's Alpha is .743 corresponding to N=20 as in Table 3, which indicates adequate reliability and we can proceed to factor analysis. In order to extract factors, multicollinearity among the statements must be present. Bartlett's test of Sphericity checks significant correlation among statements so that they could be grouped into factors. Null hypothesis is formed here that Correlation matrix is an identity matrix. KMO test signifies sample adequacy and its value above .6 is acceptable (Beavers et.al, 2013). As in Table 4 the value of Chi-Square is 1103.211, df is 190 and Significance value is .000 ($p < .01$) significant at 1% significance level, so we can conclude that correlation is present and we can proceed to extract factors. Value of KMO .639 is acceptable and discloses that sample size is adequate. As in Table 5, statements having factor loadings above .4 are extracted. Numbers of factors are extracted based on Eigen value and seven factors showed Eigen Value more than 1 that account for 70.140% of total variance.

(Insert Table 3)

(Insert Table 4)

(Insert Table 5)

Naming of Factors on basis of statements under each Factor:

F1: Transparency

The most significant factor comes out with maximum explained variance is 'Transparency' that accounts for 11.628% of total variance. As in Table 6, 3 statements S16, S14 and S17 are loaded in this factor. GST has brought transparency on account of regular maintenance of accounts that lead to quick knowledge of stock position at any time and less chances of tax evasion also contribute for transparency in tax system.

F2: Compliance Burden

This factor accounts for 10.768% of total variance and 3 statements S1, S3, S2 are loaded in this factor. It is found that GST has made tax payers more compliant but at the same time compliance burden has increased significantly on account of difficulty to file return, preparation of accounts on regular basis and challenges being faced using brand new GST accounting software.

F3: Complexity

This factor is explaining 10.65% of total variance and 4 statements S4, S9, S8 and S7 are loaded in this factor. GST being difficult to understand has made the system more complex and it is found that penalty for non-compliance of GST is extreme and not appropriate. Moreover, mentioning HSN codes on bills has made the system more compliant.

F4: Propitious

This factor accounts for 10.65% of total variance and 2 statements S6, S19 are loaded here. Respondents perceive it to be beneficial for business as well as for economy as a whole in the long run as it will prosper country's GDP itself thereby creating more avenues in the field of national as well as international market.

F5: Administrative Issues

This factor is explaining 10% of total variance and 3 statements S11, S10, S5 are loaded in this factor. Still many administrative issues are involved such as mechanism of reverse charge and difficult to get refund of excessive tax paid to government that need to be addressed on urgency basis by government.

F6: Desirable

This factor accounts for 8.92% of total variance and 3 statements S20, S13, S12 are loaded in this factor. GST is a desirable in India on account of no loopholes to evade tax in this system and regular maintenance of accounts will prove to be beneficial for tax payers also.

F7: Inflationary

This factor explains 7.5% of total variance and 2 statements S18, S15 are loaded in this factor. GST proves to be inflationary as prices of certain goods and services have increased significantly, shifting burden of tax to the ultimate consumers.

CONCLUSION AND POLICY RECOMMENDATIONS

As perceived by respondents it has brought transparency in tax system and chances of tax evasion are minimal, ultimately government revenue will increase in long run with the successful implementation of E-way bills under GST. No doubt, inflation in some of the goods is seen as well as significant increase in compliance cost is one of the issue but expectations that it will be beneficial for government as well as for businesses are on the way. Government should arrange seminars and webinars to provide knowledge to businessmen as well as professionals so that they can gain as much as intended under new tax regime. For now, the system has become more complicated rather than getting easier as it was one of the major objectives behind implementation of GST. Government need to address the administrative issues like refund claims, need of robust GST portal and forms of filing returns that are so cumbersome, should be simplified to the extent that businessmen able to file return at their own in order to save some cost of accountants and C.A. So, still government

have to do much more in this way in order to extract maximum benefits out of this major tax legislation.

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Tables

Characteristics		Frequency	Percentage
Age Groups	18-35	73	51.8
	35-50	42	29.8
	Above 50	26	18.4
	Total	141	100
Qualification	+2 or Below	59	41.8
	Graduation	54	38.3
	Post-Graduation or Above	28	19.9
	Total	141	100

Source: *Primary Data*

Characteristics		Frequency	Percentage
Are you satisfied with present GST law?	Yes	80	56.7
	No	61	43.3
	Total	141	100
What do you think is the more convenient?	Previous tax regime	82	58.2
	GST	59	41.8
	Total	141	100

Do you think GST will positively affect the Indian Economy?	Yes	96	68.1
	No	45	31.9
	Total	141	100
Are you well versed with GST provisions applicable to your business?	Yes	85	60.3
	No	56	39.7
	Total	141	100
Do you think GST will be an effective tool to counter tax evasion?	Yes	72	51.1
	No	37	26.2
	Can't Say	32	22.7
	Total	141	100

Source: *Primary data*

Table 3: Reliability Statistics	
Cronbach's Alpha	N of items
.743	20

Source: *Primary data*

Table 4: KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.639
Bartlett's Test of Sphericity	Approx. Chi-Square
	1103.211
	Df
	190
	Sig.
	.000

Source: *Primary data*

Table 5: Rotated Component Matrix								
	Component							H2
	1	2	3	4	5	6	7	
There is less chances of tax evasion	.894							.751
It is easy to know stock position at any time.	.876							.741
GST brings more transparency in tax system.	.511							.619
GST has affected the accounts maintenance practice on regular basis.		.742						.675
It is difficult to file return under GST.		.697						.562
GST accounting software for maintaining accounts is difficult to use.		.636						.805
GST is difficult to understand.			.696					.683
Mentioning HSN codes on invoices has made the system complex.			.692					.569
Penalty on non-compliance of GST rules is extreme.			.652					.552
GST has made the system more complex.			.522					.715
It has increased tax revenue of government.				.808				.773
GST will be beneficial in long run.				.795				.634
Mechanism of reverse charge is difficult to comply with.					.813			.717
It is difficult to get input tax credit claim.					.778			.814
Difficult to get refund of excessive tax paid to government.					.470			.680
GST is a good tax reform to be implemented in India.						.853		.847
Regular maintenance of accounts is very beneficial.						.777		.693

There are no loopholes to evade tax in GST.						.516		.654
It has increased inflation.							.759	.779
It has increased tax burden on consumers.							.547	.769
Eigen Value	4.490	2.611	1.888	1.481	1.331	1.214	1.013	14.032
Cumulative Variance (%age)	11.62	10.76	10.65	10.65	10.00	8.92	7.5	70.140
Source: <i>Primary data</i>								