



---

## A STUDY ON THE IMPACT OF GOODS AND SERVICE TAX ON CUSTOMER SATISFACTION WITH SPECIAL REFERENCE TO BENGALURU SOUTH

**Anusha N.**

Assistant Professor,  
SSMRV College, Bengaluru.

**Rakesh Nadig H S.**

Research Scholar, R&D Centre, Bharthiar University  
Head, PG Department of Commerce, SRN Adarsh College, Bengaluru

### ABSTRACT

*The present paper is a brief overview of the introduction of Goods and Service tax (GST), a progressive tax system and the impact on the retail customers. GST is an indirect taxation that merged multiple taxes into a single system. It will eliminate cascading effects and generate revenue for both center and state government. Composition of GST as Central goods and services tax (CGST), state goods and service tax (SGST), and integrated goods and service tax (IGST) projects scientific and transparent indirect tax system in India. Under GST system tax rates are fixed for the retail products. GST is beneficial to the customers as the final tax burden is less on the customers unlike in the previous regime and the prices of the products are reduced unlike in the previous regime. To present the study, descriptive type of research design on the basis of primary and secondary data is applied.*

**Keywords:** Goods and Service Tax, Cascading Effect, Tax Evasion, Impact on Retail Customers

## **Introduction**

The word “tax” is derived from Latin word “taxare” meaning to estimate. A tax is not a voluntary payment or donation, but enforced contribution, exacted pursuant to legislative authority and is contribution imposed by the government, whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or any other name. Most countries have a tax system in place to pay for public/common/agreed national needs and government functions: some levy a flat percentage rate of taxation on personal annual income amounts, and some countries impose almost no taxation at all, or a very low tax rate for a certain area of taxation. Tax is imposition of financial charge or other levy upon a tax payer by a state or other the functional equivalent of the state.

Taxation was first imposed in Ancient Egypt around 3000B.C.-2800B.C. during the first dynasty of the old kingdom. Records indicate from that period that the Pharaoh would conduct a biennial tour of the kingdom, collecting tax revenues from the people. Other data indications are granary receipts on limestone flakes and papyrus.

Taxes are the only way for financing the public goods because of their inappropriate pricing in the market. It can only be levied by the government, via funds collected from taxes. It is highly important that the taxation system is designed in such an appropriate manner that it doesn't lead to any sort of market distortions and failures in the economy. The taxation laws should be highly competitive so that revenue can be raised in a highly efficient and effective manner.

In India, the taxation system was started in ancient times. The early taxation system's existence can be seen in many ancient books like Manu- Smriti and Arthashastra.

During the British empire, the entire taxation system was transformed. It was entirely in favor of the British empire, but it also incorporated modern and scientific techniques of taxation systems. Another remarkable transformation came in the year 1922 in the taxation system when Britishers established an entirely new administrative and taxation system in India. In this system, the taxation system was categorized in two main categories: Direct Taxes and Indirect Taxes. In India, the taxation system is entirely controlled, imposed and updated by Central and State governments. The authority to levy tax is derived from the Indian Constitution, which allocates the power to levy taxes between Central Government System and State Government System.

## **Review of Literature:**

**NabenduBasak (2018)** The researcher has examined that GST is a single consumption based tax or levy applied for both central and state governments. The implementation of GST has a number of positive impacts, there will be a reduction in number of indirect taxes with transparency in tax mechanism. The prices will be reduced which help consumers to satisfy their needs and demands. There will also be an increase in the foreign investment. However there are also certain negative impacts – all the services like Telecom, Banking, Airlines have become expensive. GST will bring down the tax burden on final consumers as a result price will fall, consumption and demand will go up, ultimately investment will increase and GDP will go up.

**AnubhavPandey (2017)** narrates that GST reduces the cost of manufacturing goods and the consumption goes up. The implementation of the unified taxation system will be a positive step towards this mission and will help the manufacturing sector to stand up and recover. GST will reduce the production costs, transportation time and cost, less requirement of warehouses. It also removes area based incentives and enables easy credit availment.

**Poonam (2017)** determines that for charging tax on goods and services, GST is a better approach. The biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. After amalgamation of local state and central taxes competitiveness of industry, exporter and company will increase. The extra revenue which can be generated from broaden tax base structure can be utilized for the growth of nation. In economy tax polices play an important role because of their impact on efficiency and equity. Indirect tax reforms have been as integral part of the liberalization process since new economic reforms. A progressive and welfare oriented nation like India tries to keep a balance between direct and indirect taxes. The new tax will be a further significant breakthrough and the next logical step towards a comprehensive indirect tax reform in the country.

**AnandNayar and Inderpal Singh (2017)** narrate that GST after implementation will bring uniformity with tax rates and will also overcome lots of shortcomings in the previous taxation system. GST plays a very important role for trade, government and consumers. GST will reduce multiplicity of taxes and bring tax neutrality especially for export goods which will harmonize the trade. GST also provides a lot for the transparent working system for the Government by providing easy and simple taxation system and reduction in the cost of goods and services due to

significant elimination of cascading effect on taxes will make the consumers to fulfill their desires. GST will bind the entire nation under single taxation system rate.

### **Objectives of the Study:**

- To understand the previous regim of Taxation.
- To cognize the concept of GST
- To evaluate customer satisfaction on Uniform Tax structure and Destination Based Taxation under GST

### **The Indian Taxation System – Scenario before GST:**

Tax policies play a vital role in any country's progress and have a direct impact on any country's economy in terms of efficiency and equity. A good taxation policy is that which takes care of the entire income distribution and also generates tax revenues in such a manner for Central and State Governments, which can lead to overall benefit in the nation's infrastructure, defense, public amenities, people's security and a country's exports.

Indirect tax is a type of tax collected by the government from an intermediary such as a manufacturer or retailer. The eventual burden of tax falls on to consumers who buy goods and services from the intermediary, as the intermediary applies indirect taxes on the product in the form of Value Added Tax (VAT), service tax, sales tax etc.

To overcome the loopholes in the previous taxation system such as The CENVAT (excise duty) was imposed on the products manufactured in India. But issues originated regarding product valuations. The issue regarding implementation of CENVAT only at the manufacturing level acted as a critical barrier to efficient and neutral flow of tax credit. With the booming of the service sector, the Central government has monopolistic right to impose tax. The State Governments, on the other hand, are losing their revenue by not imposing any tax on the service sector. Considering CST on interstate sale of goods, no set off was allowed, which increased the cascading effect. Lack of cross verification of returns filed under Central and State taxation systems led to a lot of discrepancies, Goods and Service Tax was introduced.

## **History of Goods and Service Tax (GST)**

The major milestones on the proposal for the introduction of GST in India are as follows

In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Service Tax based on VAT principle.

A proposal to introduce a National level Goods and Services Tax (GST) by April, 2010 was first mooted in the Budget Speech for the financial year 2006-07.

Since the proposal involved reform/restructuring of not only indirect taxes levied by the Central but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).

Based on inputs from Government of India and states, the EC released its First Discussion Paper on Goods and Services Tax in India in November, 2009.

In order to take the GST related work further, a Joint Working Group consisting of officers from Central as well as State Government was constituted in September, 2009.

In order to amend the Constitution to enable introduction of GST, the constitution (115<sup>th</sup> Amendment) Bill was introduced in the Lok Sabha in March 2011. As per the prescribed procedure, the Bill was referred to the Standing Committee on Finance of the Parliament for examination and report.

Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers on 8<sup>th</sup> November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted.

This Committee did a detailed discussion on GST design including the Constitution (115<sup>th</sup> Amendment) Bill and submitted its report in January, 2013. Based on this report, the EC recommended certain changes in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.

The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:-

- (a) Committee on Place of Supply and Revenue Neutral Rates;
- (b) Committee on dual control, threshold and exemptions;

(c) Committee on IGST and GST on imports.

- The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined in the the Ministry in consultations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised.
- The final draft Constitutional Amendment Bill incorporating the above stated changes were sent to the Empowered Committee for consideration in September 2013.
- The EC once again made certain recommendations on the Bill after its meeting in Shillong in November 2013. Certain recommendations of the Empowered Committee were incorporated in the draft Constitution (115<sup>th</sup> Amendment) Bill. The revised draft was sent for consideration of the Empowered Committee in March, 2014.
- The 115<sup>th</sup> Constitutional (Amendment) Bill, 2011, for the introduction of GST introduced in the Lok Sabha in March 2011 lapsed with the dissolution of the 15<sup>th</sup> Lok Sabha.
- In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after the approval of the new Government.
- Based on a broad consensus reached with the Empowered Committee on the contours of the Bill, the cabinet on 17.12.2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The Bill was introduced in Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015. It was then referred to the Select Committee of Rajya Sabha , which submitted its report on 22.07.2015.

### **Launch of Goods and Service Tax**

In 2014, the NDA government was re-elected into power, this time under the leadership of Narendra Modi. With the consequential dissolution of the 15<sup>th</sup> Lok Sabha, the GST Bill- approved by the standing committee for re-introduction- lapsed. Seven months after the GST Bill in Lok Sabha , where the BJP had a majority. In February 2015, Jaitley set another deadline of 1 April 2017 to implement GST. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. The Goods and Service Tax was launched at the midnight on 1 July

2017 by the President of India, Pranab Mukherjee, and Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight (30 June- 1 July) session of both the houses of parliament convened at the Central Hall of Parliament.

Goods and Service Tax (GST) is a comprehensive tax levied on manufacturing, sales and consumption of goods and services at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set- of benefits from the producer's/service provider's point up to the retailer's level where only the final consumer should bear the tax. GST is advantageous in the following ways GST offers a wider tax base, necessary for lowering tax rates and eliminating classification disputes. GST eliminates the multiplicity of taxes and their cascading effects. GST rationalizes the tax structure and simplifies compliance procedures.

### **Types of GST**

**CGST:** Central Goods and Service Tax will be recovered by the Central Government

**SGST:** State Goods and Service Tax will be recovered by the State Government

**IGST:** Integrated Goods and Service Tax- If any business is between two states, then this tax will be levied on it. It will give equal share to both the states and central government.

**Union Territory GST:** The Union Government will look at goods, services or both to be administered by the Government. It will be recovered by the Central Government only.

### **GST and Retail Sector**

GST is one of the biggest tax reforms since independence. GST will subsume almost all the indirect taxes levied by state and central government and will make a significant impact across industries.

The government has proposed four tax slabs at 5%, 12%, 18% & 28 % for a different type of items and services. The impact of GST on retail sector is going to be positive as it will bring down total indirect taxes, increase supply chain efficiency and facilitate seamless input tax credit. After implementation of GST, state boundaries will be irrelevant from taxation and documentation point of view. Vanishing state boundaries will reduce the complexity for retailers and increase the distribution reach as well as efficiency.

GST is much more than just a tax reform. It's a whole new way of conducting business.

It's been over a month now of the GST implementation and it has enveloped more than 6 million businesses across industries and counting fast. The Indian Retail Sector, which is the fastest growing industry in the world is expected to be hugely benefitted by this potential game changer. GST is supposed to play a pivotal role in stretching the retail scenario to 1.3 trillion USD by 2020, registering a CAGR [Compound Annual Growth Rate] of 16.7% spread over a span of five years from 2015 – 2020.

Retail is penetrating super-fast in the tier-2 and 3 cities of India [5<sup>th</sup> largest retail destination in the world] and the industry is well backed up by the FDI policies, which allow 100% FDI on single brand and 51% in the multi-brand retail.

GST is expected to only propel the growth of the Indian Retail and there are many evident benefits, which the industry experts foresee.

- Reduced taxes
- Enhanced supply chain efficiency
- Seamless Input Tax Credit
- Stretching of retail markets

**Table No 01: Showing the Level of Satisfaction of Customers Towards GST**

| Statements            | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|-----------------------|----------------|-------|---------|----------|-------------------|-------|
| Uniform tax structure | 40             | 16    | 2       | 2        | 0                 | 60    |
| Destination based tax | 38             | 17    | 4       | 1        | 0                 | 60    |

From the above table we can understand that 40 respondents strongly agree, 16 respondents agree, 2 respondents are neutral, 2 respondents disagree and none of them strongly disagree that there is uniform tax structure in GST. 38 respondents strongly agree, 17 respondents agree, 4 respondents are neutral, 1 respondent disagree and non-disagree that GST is a destination based tax. 17 respondents strongly agree, 12 respondents agree, 18 respondents are neutral, 12 respondents disagree and 1 respondent strongly disagree that there are higher rates of tax under GST. 19 respondents strongly agree, 7 respondents agree, 20 respondents are neutral, 12 respondents disagree and 2 respondents strongly disagree that there is inflation in the price of the product.



**H0:** There is no significant difference between age group and satisfaction level of respondents on uniform tax structure

**H1:** There is significant difference between age group and satisfaction level of respondents on uniform tax structure

**Table No 02: Showing Age group and Satisfaction Level of Respondents on Uniform Tax Structure**

| Opinion<br>Age | Strongly agree | Agree | Neutral | Disagree | Strongly Disagree |
|----------------|----------------|-------|---------|----------|-------------------|
| Under 18       | 4              | 0     | 0       | 0        | 0                 |
| 18-30          | 25             | 9     | 1       | 0        | 0                 |
| 30-40          | 3              | 1     | 1       | 0        | 0                 |
| 40-60          | 6              | 3     | 0       | 2        | 0                 |
| Over 60        | 2              | 4     | 0       | 0        | 0                 |

**Calculation of Mean for each sample**

$$\bar{x}_1 = \frac{4+0+0+0+0}{5} = 0.8$$

$$\bar{x}_2 = \frac{25+9+1+0+0}{5} = 7$$

$$\bar{x}_3 = \frac{3+1+1+0+0}{5} = 1$$

$$\bar{x}_4 = \frac{6+3+0+2+0}{5} = 2.2$$

$$\bar{x}_5 = \frac{2+4+0+0+0}{5} = 1.2$$

**Calculation of Mean of mean:**

$$\bar{X} = \frac{\bar{x}_1 + \bar{x}_2 + \bar{x}_3 + \bar{x}_4 + \bar{x}_5}{5} = \frac{0.8+7+1+2.2+1.2}{5} = 2.44$$

**SS Between:**

$$= n_1(\bar{x}_1 - \bar{x})^2 + n_2(\bar{x}_2 - \bar{x})^2 + n_3(\bar{x}_3 - \bar{x})^2 + n_4(\bar{x}_4 - \bar{x})^2 + n_5(\bar{x}_5 - \bar{x})^2$$

$$= 5(0.8-2.44)^2 + 5(7-2.44)^2 + 5(1-2.44)^2 + 5(2.2-2.44)^2 + 5(1.2- 2.44)^2$$

$$= 135.8$$

**S.S Within:**

$$= \sum (\bar{x}_{1i} - \bar{x}_1) + \sum (\bar{x}_{2i} - \bar{x}_2) + \sum (\bar{x}_{3i} - \bar{x}_3) + (\bar{x}_{4i} - \bar{x}_4)$$

$$= [(4-0.8)^2+(0-0.8)^2+(0-0.8)^2+(0-0.8)^2+(0-0.8)^2] + [(25-7)^2 + (9-7)^2+(1-7)^2+(0-7)^2+(0-7)^2] + [(3-1)^2+(1-1)^2+(1- 1)^2+(0-1)^2+(0- 1)^2] + [(6-2.2)^2+(3-2.2)^2+(0-2.2)^2 + (2-2.2)^2+ (0-1.2)^2] + [(2-1.2)^2+(4-1.2)^2+(0-1.2)^2+(0-1.2)^2+(0-1.2)^2]$$

$$= 518.4$$

**SS Total**

$$= \text{SS Between} + \text{SS Within}$$

$$= 135.8 + 518.4$$

$$= 654.2$$

| Source of Variance | Sum of Square (SS) | Degree of Freedom | Means Square(MS) | F Ratio            | 5% L.O.S         |
|--------------------|--------------------|-------------------|------------------|--------------------|------------------|
| Between Sample     | 135.8              | (5-1)=4           | 135.8/ 4= 33.95  | 135.8/518.4 = 1.31 | F(4,20)<br>=2.87 |
| Within Sample      | 518.4              | (25-4)=20         | 518.4/20= 25.92  |                    |                  |

**Inference:**

The calculated value of F- Ratio is 1.31 which is less than the table value that is 2.87 hence the null hypothesis is accepted. We can conclude that there is no significant difference between the age group and satisfaction level of respondents on uniform tax structure.

H<sub>0</sub>: There is no significant difference between age group and satisfaction level of respondents on destination based tax

H<sub>1</sub>: There is significant difference between age group and satisfaction level of respondents on destination based tax

**Table No 03: Showing Age Group and Satisfaction Level of Respondents on Destination Based Tax**

| Age Group      | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|----------------|----------------|-------|---------|----------|-------------------|
| Under 18 years | 3              | 2     | 0       | 0        | 0                 |
| 18- 30 years   | 25             | 6     | 2       | 0        | 0                 |
| 30-40 years    | 3              | 2     | 1       | 0        | 0                 |
| 40-60 years    | 5              | 2     | 1       | 2        | 0                 |
| Over 60 years  | 3              | 3     | 0       | 0        | 0                 |

**ANOVA : Single Factor**

**ANOVA**

| Source of Variation | SS    | df | MS       | F        | P-value  | F crit   |
|---------------------|-------|----|----------|----------|----------|----------|
| Between Groups      | 5.7   | 4  | 1.425    | 0.544586 | 0.705659 | 3.055568 |
| Within Groups       | 39.25 | 15 | 2.616667 |          |          |          |
| Total               | 44.95 | 19 |          |          |          |          |

**Inference:**

The above table shows that the calculated value of F- Ratio i.e. 0.544586 is less than the table value 3.055568, hence the null hypothesis is accepted. Therefore it is proved that there is no significant difference between age group and satisfaction level of respondents on destination based tax.

H<sub>0</sub>: There is no significant difference between age group and satisfaction level of respondents on higher rates of tax

**H1:** There is significant difference between age group and satisfaction level of respondents on higher rates of tax

**Table No 04: Showing Age Group and Satisfaction Level of Respondents on Higher Rates of Tax**

| Age Group      | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
|----------------|----------------|-------|---------|----------|-------------------|
| Under 18 years | 1              | 1     | 2       | 2        | 0                 |
| 18- 30 years   | 9              | 5     | 11      | 6        | 0                 |
| 30-40 years    | 2              | 2     | 1       | 0        | 0                 |
| 40-60 years    | 1              | 3     | 2       | 5        | 0                 |
| Over 60 years  | 1              | 1     | 2       | 1        | 1                 |

**ANOVA: Single Factor**

**ANOVA**

| Source of Variation | SS     | Df | MS     | F       | P-value | F crit  |
|---------------------|--------|----|--------|---------|---------|---------|
| Between Groups      | 59.5   | 4  | 14.875 | 2.78037 | 0.06542 | 3.05556 |
| Within Groups       | 80.25  | 15 | 5.35   | 4       | 5       | 8       |
| Total               | 139.75 | 19 |        |         |         |         |

**Inference:**

The above table shows that the calculated value of F- Ratio i.e. 2.780374 is less than the table value 3.055568, hence the null hypothesis is accepted. Therefore it is proved that there is no significant difference between age group and satisfaction level of respondents on destination based tax.

**Conclusion:**

GST is the biggest reform in the history of India since independence. The goal of GST is to get life simpler by replacing 17 indirect tax levies, result in fall of compliance cost, boost the public revenue, create a common market within states, increase investment and finally make the concept of Make in India a success.

The Empowered Committee describes the GST as “ a further significant improvement- the next logical step towards a comprehensive indirect tax reforms in the country”. Indeed, it has the potential to be the single most important initiative in the fiscal history of India. It can pave the way for modernization of tax administration- makes it simpler and more transparent and significant enhancement in voluntary compliance.

From the paper it is concluded that the GST will benefit economy, industry and consumers. Since, GST removes cascading effect in all stage and provides efficient input tax credit mechanism, GST is the proper answer to loopholes in the previous tax system. The GST enhances the growth of business; it will increase the tax revenue to the government even though it initially reduces tax revenue. Thus, the ultimate effect of GST will be on the nation’s growth.

#### **Reference:**

- AnandNayyar and Inderpal Singh “ A Comprehensive Analysis of Goods and Service Tax (GST) in India” Indian Journal of Finance 2018; 59-69
- AnubhavPandey “Impact of GST on manufacturing sector” Indian Journal of Finance, 2017.; Volume 7, Issue 3 27-31
- NabenduBasak “ Impacts of Progressive Tax Reform in India: Goods and Service Tax (GST)- An Approach” Journal of Commerce and Accounting Research 2017; Volume-6, Issue 4:37-42
- Poonam“ Goods and Service Tax in India: An Introductory Study” International Journal of Science Technology and Management. 2017; Volume-6, Issue-1:101- 109