AN INVESTIGATION INTO GOODS AND SERVICES TAX (GST) AWARENESS, UNDERSTANDING AND ACCEPTANCE BY INDIA'S CONSUMERS' POST-IMPLEMENTATION

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ABSTRACT

After an almost 20-year wait, India introduced its version of a goods and services tax (GST) on July 1, 2017. A comparison of India's GST structure with those of similar countries reveals India's new tax to be more complex with higher tax rates. This newness and complexity solicit the research question, "Are India's consumers aware of their country's GST and do they understand and accept it?" This paper outlines an investigation to determine the level of awareness, understanding and acceptance of the GST by India's consumers. A sample of 87 MBA students (average age of 24 years) was surveyed 19 months after the introduction of the GST. Findings reveal that, while 100% of respondents are aware of the GST and a high proportion understand its key components, 85% believe that India's GST should be changed to counteract the apparent increase in prices. These findings imply that the Indian Government should re-consider the top GST rate. Given that India's GST is often altered by India's GST Council, future research should track Indian consumers' attitudes towards their GST.

***Keywords**: Goods and Services Taxes, India, Consumer Perceptions*

1. INTRODUCTION

India introduced its Goods and Services Tax (GST) on July 1, 2017. India is one of the latest of around 160 nations to bring in a GST. France was first in 1954 with their Value-Added Tax (VAT) while Saudi Arabia is the most recent entry in 2018 (Avalara, 2020). Whether it be labelled a GST (e.g., India, Australia, New Zealand, Malaysia), or a VAT (e.g., Singapore, South Korea, Britain & most of the nations in the European Union) or a Consumption tax (e.g., Japan), for the purposes of this paper, the terms are synonymous. What is important is not the title of the indirect tax, but rather the structure whereby a business incurring a GST on inputs can claim a credit against those taxes so that only the final consumer bears the tax (Kumar, 2016). For this reason, a GST is often labelled a "destination tax" because the tax is paid at the location of the final sale (Garg & Gupta, 2017).

The most common reason a government introduces a GST is to increase tax revenue by broadening the indirect tax base to include a larger number of goods and services (Bolton & Dollery, 2005; Howard, 1984). This broader indirect tax is shown to be more stable in consistently generating revenue than are direct taxes (Jenkins & Khadka, 1998). Many nations introduce a GST to replace their out-of-date sales tax system that typically have varying tax rates and no tax on services (Dickson & White, 2008; S. Kumar & Kansal 2018). For example, India replaced 17 indirect taxes with its GST. These outdated indirect tax regimes are challenging to understand, not transparent and difficult for the nation's tax authorities to administer. For these reasons, tax collection and compliance are typically low (Dash, 2017; Dixit, 2018). Further, given that taxes are levied on domestically manufactured products, they penalize exports and advantage imports (Sehrawat & Dhanda, 2015). Academics believe that the switch from a sales tax to a GST increases government revenue, economic growth and tax compliance and, if the GST rate is lower than the sales tax rate, then lower prices should also transpire (Garg & Gupta, 2017; V. Kumar, 2016).

When a new tax is introduced, especially one that affects the purchasing power of consumers, it is incumbent upon the government to prepare and educate the population in advance so that they understand the reasons, the process and the benefits of the new tax (Jenkins & Khadka, 1998). This should be followed post GST to determine the success of the new tax by measuring awareness, understanding and acceptance (Dickson & White, 2008). Ideally, any assessment of the new tax should be undertaken during a period of time that is long enough for consumers to have experienced the new tax but not so long that pre-tax prices