

Sources Of Learning About Gst: A Case Of Indian Business Taxpayers

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Abstract

The implementation of Goods and Services Tax (GST) is considered as one of the biggest tax reforms in the history of Indian taxation. Different taxes like excise duty, state sales tax or VAT, central sales tax, service tax, entry tax and luxury tax etc. have been replaced by one single, comprehensive and uniform tax called Goods and Services Tax (GST), which considers no distinction between goods and services for the purpose of taxability. This dual system of GST allows both central and state governments to charge tax on goods and services. It aims primarily to eliminate the cascading effect of tax prevailing in the previous tax regime and make the tax system more simple, efficient and transparent. The paper attempts to identify the important sources of learning that helped the Indian business taxpayers for updating themselves while transition to this new system of taxation. A survey of 400 business taxpayers from the state of Punjab revealed that tax consultants and industry associations played a significant role in this regard. Whereas, government and tax implementation agencies, and official website of the authorities are rated as fifth and sixth useful source out of seven sources.

Keywords: Business Taxpayers; Goods and Services Tax (GST); Indirect Taxation; Business Learning; Tax Reform; Value Added Tax (VAT)

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I. Introduction

Implementation of Goods and Services Tax (GST) in India is a major indirect tax reform since independence. It is a Value Added Tax (VAT) levied on both goods as well as services implemented with the objectives of removing the cascading effects of tax in the present tax system, broadening the tax base, removing the interstate variations of taxes and to simplifying the tax structure in our country (Guna & Anuradha, 2021). That's why it is called a comprehensive, consumption based, multi-stage tax based on the principle of value addition. It has replaced the complicated indirect tax system imposed by Union and States governments separately. It has unified all the indirect taxes under one umbrella. It is not another tax imposed by government but is replacement of many indirect taxes imposed by central and state governments (Das et al., 2021; Nayyar & Singh, 2018).

In India, Idea of GST was first initiated in year 2000 by then Prime Minister Sh. Atal Bihari Vajpayee. In order to design GST Model, a committee was setup by then NDA Govt. under chairmanship of Mr. Asim Das Gupta. But the first announcement of target date for implementation was made by then Finance Minister Mr. P. Chidambaram during his budget speech on 28th February, 2006, where he announced 1st April, 2010 as the target date for implementing GST in country and an empowered committee of state finance ministers was formed to decide the roadmap for this biggest tax reform. Idea which germinated in year 2000, due to procedural and political hiccups, took 17 years for implementation (CBIC, 2018). Finally, nation got its GST implemented on 1st July, 2017. More than 160 countries have implemented Goods and Services Tax till date. France is known to be the first to introduce GST in the year 1954 followed by many other countries like UK, Canada, Australia, New Zealand, Pakistan, Bangladesh and Malaysia etc. (Garg et al., 2018; Kumar et al., 2019). Most of the countries in the world follow single GST system except Brazil and Canada. The Indian GST is also Dual GST system where GST is imposed by Union and State Governments separately in the form of State Goods and Services Tax (SGST) and Central Goods and Services Tax (CGST).

The introduction of GST is considered as an overhauling of Indian indirect taxation as it replaced the dozens of taxes applicable in the previous tax regime. The business taxpayers, especially the small business operators, faced difficult times as they were required to update themselves with the rules and regulations of the new tax systems. In such a scenario, the government and tax implementing agencies, need to play important role by assisting the taxpayers in learning about the new tax law, and the resulting rules to be followed by them. It will not only help the taxpayers, but also the tax agencies, as it will result in better compliance and increased revenue generation. The review of literature clearly indicates that there was lack of information available to business taxpayers as authorities and tax implementing agencies failed in arranging the sufficient number of programmes, seminars and courses for updating the information of taxpayers regarding the new system of

taxation. It becomes interesting to investigate that what sources of learning helped the business taxpayers in knowing the rules and regulations of new tax system, updating their knowledge base, and modifying their business systems.

Therefore, the present study aimed at highlighting the potential sources of learning that may contribute towards the knowledge of business taxpayers regarding rules and regulations of new tax systems. It also attempts to investigate the contribution of such sources of learning for Indian business taxpayers while switching to newly implemented goods and services tax. Subsequent sections of the study highlight the review of related literature followed by research methods, findings and discussion. The last section elaborates the conclusion of the study.

II. Review of Literature

The notion for the implementation of GST in India was first conceived when the Indian government established the Empowered Committee of State Finance Ministers to create the GST Model for the nation in 2000 (Kapoor, 2018). It took seventeen long years to rollout GST because of required amendments in the constitution of India for implementing GST; resolving the disputes amongst state governments regarding sharing of revenue; change of governments; and political opposition. (Business Line, 2017). Even though the implementation of GST took such a lengthy period, it was criticized as being half-baked because of the lack of readiness of business houses and tax authorities for its implementation. Additionally, certain political parties voiced their worries about the ill consequences of the GST on companies as it was being adopted quickly without allowing taxpayers enough transition time and the opportunity of being familiar with this new system of taxation (Indian Express, 2015).

A time period of at least four to six months was required for implementing GST so that business taxpayers could know about this new tax system and tune their systems accordingly (Parera & Bhartia, 2010). Different studies can be seen highlighting the importance of sufficient transition time so that business taxpayers can update themselves and train their staff regarding new rules of taxation, generation of invoices and aligning their accounting systems (Ramalingam, 2015; Santhariah, 2020). Moreover, human resources deployment and capacity building is another important concern for GST. It is observed that capacity building by rendering requisite training to both state and central GST agencies as well as the other stake holders is an area of priority (Nanda et al., 2015; Ramalingam, 2015). Specially the small taxpayers may be in the need of support in order to understand the rules and regulations as per new tax regime, therefore availability of officers and manpower with tax authorities needs to be ensured to help the taxpayers (Santhariah et al., 2018). Studies have highlighted that tax authorities need to run awareness campaigns because there seems to be lack of awareness and information on newly implemented GST provisions. In this new regime of taxation, the industry is struggling to get on with the destination-based tax from origin-based tax (Alam, 2017; Barhate, 2017). Das et al. (2021) also concluded that there is still a need for awareness programs on GST as the level of awareness among the public and industry need to be increased. There is still a lack of awareness and clarity of provisions related to GST. Tax authorities and other government agencies must organize training programs, and awareness campaigns for the taxpayers as well as the general public for better implementation and administration of GST (Kumar et al., 2019; Ramalingam, 2015; Rametse et al., 2019; Roychowdhury, 2012). Lourddunathan & Xavier (Lourdunathan & Xavier, 2017) also advocated similar campaigns for creating awareness to be initiated by authorities, especially in rural areas of the country. Deshmukh et al. (2022), using Twitter sentiment analysis, revealed that stakeholders perceived GST rollout negatively due to a lack of proper awareness related to GST provisions. Ehrich & Billett (2006) studied small business operators in Australia and highlighted that role of tax consultants and tax practitioners remained very important for them while learning about the newly implemented goods and services tax in their country. Other than the role of tax consultants, self-learning was another critical source identified by the study.

III. Research Method

The present study is based on the primary data collected from business taxpayers from the state of Punjab. An extensive survey of the literature was conducted to identify the potential sources of learning that may be helpful for business taxpayers. Data was collected from the 400 registered business taxpayers operating their businesses in Punjab. Respondents were selected using a purposive sampling technique. The questionnaire contained possible sources of learning identified from the literature, and respondents were asked to rate those sources of learning on a five-point scale based on the relevance of a particular source for their respective learning. Sources of learning identified from the literature were rated by respondents on a five-point scale ranging from 'Irrelevant' for the least important source to 'Indispensable' for the most important source of learning. In order to quantify the relevance of sources of learning, the weightage was assigned as 1 for irrelevant; 2 for not useful; 3 for useful; 4 for very useful; and 5 for an indispensable source of learning. Frequencies and descriptive statistics have been used to analyse the responses collected from the selected business taxpayers.

IV. Findings and Discussion

This section of the chapter presents the results of the data analysis and the related discussion. It attempts to identify the important sources that helped business taxpayers learn about the GST. The implementation of goods and services tax is known as one of the biggest reforms in the area of indirect taxation in the country. It replaced more than a dozen indirect taxes that were applicable prior to GST, bringing a major change in the landscape of Indian taxation. It is altogether a new system of taxation with updated rules, regulations and provisions related to consumption taxation. Registered taxpayers have encountered altogether a new system of taxation and must have struggled to get themselves familiar with GST for the sake of better compliance. It becomes important to know what sources of learning helped them in knowing and complying with the new taxation system. Data were selected from 400 respondents from the state of Punjab using the purposive sampling method. Table – 1 highlights the business profile of the respondents studied.

Table – 1
Business Profile of the Respondents

Characteristics	Level	Frequency	Percentage
Legal Entity of the Business	Sole Proprietor	225	56.3
	Partnership	95	23.8
	Company	80	20.0
Annual Turnover	< Rs. 5 Cr.	281	70.3
	Rs. 5 Cr. to 50 Cr.	76	19.0
	Rs. 50 Cr. to 250 Cr.	18	4.5
	> Rs. 250 Cr.	25	6.3
Number of Employees	Less than 100	318	79.5
	100 to 200	46	11.5
	More than 200	36	9.0
Handling of GST and Taxation Matters	Owner/ Partner/ Director/ CEO	89	22.3
	Internally hired staff	157	39.3
	Externally hired staff/ professional	154	38.5

The extensive review of literature highlighted seven major sources of learning which may be helpful to business taxpayers while learning about goods and services tax. The frequencies for all those sources of learning are highlighted in table – 2. The first source learning ‘Just getting in and doing it’ represents the learning by doing. It represents a situation where taxpayers did not seek the help of anyone and just started doing the things and gradually, they learnt about all the important provisions of the new system of taxation, the types of returns to be filed by them, and the deadlines or dates for submission of such returns and reports. Though this is really very risky type of learning especially in the matters related to taxation, where any kind of non-compliance may lead to imposition of penalty and even some times the cancellation or suspension of the registration also.

Table – 2
Contribution of different Sources towards Learning about GST

Source of Learning	Frequency				
	Irrelevant	Not Useful	Useful	Very Useful	Indispensable
Just getting in and doing it	26 (6.5%)	155 (38.8%)	89 (22.3%)	80 (20.0%)	50 (12.5%)
Tax Consultants, Tax Practitioners/ Chartered Accountants	2 (0.5%)	21 (5.3%)	61 (15.3%)	139 (34.8%)	177 (44.3%)
Courses/ Seminars/ Workshops organized by Tax Authorities	15 (3.8%)	77 (19.3%)	126 (31.5%)	132 (33.0%)	50 (12.5%)
Industry Associations	19 (4.8%)	44 (11.0%)	146 (36.5%)	148 (37.0%)	43 (10.8%)
Local Networks	11	74	163	107	45

	(2.8%)	(18.5%)	(40.8%)	(26.8%)	(11.3%)
Official website of the GST	17 (4.3%)	88 (22.0%)	147 (36.8%)	97 (24.3%)	51 (12.8%)
Advice of other business operators	10 (2.5%)	61 (15.3%)	157 (39.3%)	129 (32.3%)	43 (10.8%)

Data in the table – 2 highlight that this source of learning is not found indispensable or very useful as very low number of responses (20% and 12.5%) can be seen in these categories. The largest number of responses are observed in the not useful category (38.8%). It reflects that this source did not help much to the taxpayers while learning for the GST. The second source of learning ‘Tax consultants, Tax Practitioners/ Chartered Accountants’ seems to be the most helpful source for the taxpayers as the largest number of responses for this source are observed in indispensable category (44.3%) followed by very useful category (34.8%) and then in the useful category (15.3%). It is very much a general phenomenon, that whenever any new tax is implemented or are revised, then the accounting and tax professionals/ practitioners are the one, who get updated themselves at the earliest and then they help their clients.

In case of implementation of GST as well, it seems that these professionals acted as the biggest and most useful source for the taxpayers also for getting them updated for the new system of taxation. Providing necessary information and learning to the taxpayers has to be primary responsibility of the government and tax authorities. They are supposed to organize workshops, training programs, courses etc. for the familiarizing the taxpayers about the new taxes. In case of learning of taxpayers for GST, it seems that this source helped them but not up to great extent. Results in the table indicate the courses, seminars and training programs by tax authorities got the highest number of responses in the very useful category (33.0%) followed by the useful category (31.5%) and a nominal number of responses in the indispensable category (12.5%). Almost similar responses are observed in case of the other sources of learning viz ‘Industry Associations’ and ‘Local Networks’. In case of these two sources of learning also, very minimal responses are visible in the indispensable category (43 and 45).

Almost equal number of responses are observed for industry associations in the category of usefulness (36.5%) and very usefulness (37.0%). The largest number of responses in case of local networks are found in useful category (40.8%) followed by the very useful category (26.8%). The ‘Official website of GST’ also worked as a moderate source of learning for the taxpayers as largest number of responses for this source are observed in case useful category (36.8%) followed by very useful category (24.3%) and a very low number of responses in the indispensable category (12.8%). The peer groups can also be a good source of learning. Data reveals that the source ‘Advice of other business operators’ also helped the taxpayers for learning about GST. The largest number of responses for this source are recorded in the useful category (39.3%) followed by the very useful category (32.3%).

Table – 3
Descriptive Statistics for Sources of Learning

Source of Learning	Mean	SD	Skew.	%Useful*
Just getting in and doing it	2.40	1.084	0.090	54.8%
Tax Consultants, Tax Practitioners/ Chartered Accountants	4.17	0.907	-0.929	94.4%
Courses/ Seminars/ Workshops organized by Tax Authorities	3.21	1.038	-0.181	77.0%
Industry Associations	3.38	0.979	-0.434	84.2%
Local Networks	3.25	0.975	0.030	78.7%
Official website of the GST	3.19	1.053	0.049	73.7%
Advice of other business operators	3.34	0.946	-0.125	82.2%

*Percentage of respondents responding useful or above

For a detailed understanding about the usefulness of all the sources of learning, descriptive statistics is also calculated. The table – 3 above presents the information about mean, standard deviation, skewness and percentage of the respondents finding that particular source useful. As discussed in the beginning of this section, the responses about the sources of learning were collected on a five-point scale ranging between irrelevant to indispensable. The last column in the above table, flagged with ‘%Useful’ represents the collective percentage of the respondents submitting their responses for particular source of learning as useful, very useful and indispensable. This percentage helps in understanding the percentage of the respondents, who finds the particular source of learning as useful or more than useful. In order to get a more precise picture about the usefulness of these sources of learning, ranking of the sources is also determined on the basis of the mean and percentage of respondents finding them useful. Results about the ranking are shown in the table – 4. The results portrayed in the table – 3 and 4 depicts that tax and accounting professionals are found to be most useful source of learning for the taxpayers as the mean score for this source is found to be 4.17 on a scale of five. Moreover 94.4% of the respondents also found this source of learning useful. The support of industry associations is found to be second

preferred source of learning for the taxpayers with a mean value of 3.38 and being found useful by 84.2% of the respondents.

Table – 4
Ranking of the Sources of Learning about GST

Source of Learning	Mean	%Useful*	Ranking
Tax Consultants, Tax Practitioners/ Chartered Accountants	4.17	94.4%	1st
Industry Associations	3.38	84.2%	2 nd
Advice of other business operators	3.34	82.2%	3 rd
Local Networks	3.25	78.7%	4 th
Courses/ Seminars/ Workshops organized by Tax Authorities	3.21	77.0%	5 th
Official website of the GST	3.19	73.7%	6 th
Just getting in and doing it	2.40	54.8%	7th

*Percentage of respondents responding useful or above

There is a huge difference in the mean value for the tax and accounting professionals in comparison to industry associations. The similar difference can be seen in the percentage of the taxpayers also. Advice of the other business operators and local networks are ranked third and fourth as a source of learning for taxpayers with regard to GST learning as the mean value stands at 3.34 and 3.25 respectively. Just getting in and doing it is found to be the least preferred source of learning for the taxpayers with a lowest value of mean as 2.40 and only 54.8% of the respondents submitting their response in favour of this category.

V. Conclusion

By implementing GST, India has entered into a tax regime that is almost similar to the rest of world. It is simple and harmonized tax structure that is neutral to business processes across the country. It is known to be an efficient tax system because it has a potential to reduce the cost of collection and eliminate the economic distortions. It will lead to higher output, more employment opportunities and flourish Indian GDP and give India a platform to increase its national income and revenues. It is a biggest reform of the Indian taxation till date and business taxpayers might have faced difficult times while getting themselves updated and familiar to the rules and regulations as per this new tax regime. The study attempts to identify the sources of learning about this new system of taxation and the extent they contributed and helped the business taxpayers knowing about the GST. It is concluded that tax and accounting professionals remained the most important source of learning for the taxpayers for learning about a new system of taxation. The second preferred source of learning is the industry associations. But there is a huge difference in the means values of the first two preferred sources which reflects that role of tax and accounting professional dominated all other sources of learning. Tax and accounting professionals; industry associations; and advice from other business operators are found to be the top three preferred sources of learning for the taxpayers. Whereas, just getting in and doing it; official website of the GST; and training programs organised by tax authorities are found to be the least preferred source of learning about GST for the taxpayers.

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