



A Study on Causes and Effect of GST Hike in India

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ABSTRACT

It is seen as a major tax reform given the intense dispute surrounding the Goods and Services Tax (GST) rollout on July 18, 2022. The recently proposed GST proposal increased levies on newly generated goods and services as well as taxes in a number of other areas which really infuriated the general public. Therefore, the goal of this research study is to find out what the general public thinks of the new taxation plan. The results of the poll show that while people's opinions on the new tax plan are divided, they are vehemently against some of its provisions, especially those pertaining to taxes on necessities, new hospital room policies, and increased tax rates on petroleum goods.

Key Word : Tax, Indirect Tax, Goods and Services Tax , Taxation reform, Indian Taxation system , GST council.

Introduction:-

India levies an indirect tax on the provision of goods and services through the Goods and Service Tax. It is a complete multistage destination-based tax, with the exception of a few state taxes. Since it has absorbed almost all indirect taxes, it is comprehensive. Unlike earlier taxes, which were collected at the place of origin, the GST is a destination-based tax and is collected at the point of consumption. It is applied at each level of the production process even if it is multi-staged, and its goal is to reimburse all parties—aside from the final customer—for their money. The money from GST (intra-state transactions in which the vendor and the buyer are both located in the same state) is divided equally between the federal government and the relevant state governments.

For example, in January, the central government's share (CGST) would be 50 crores, and the state government of Goa would receive the remaining 50 crores (SGST) for an intrastate transaction (a transaction in which both the seller and the buyer are located in the same state) of 100 crores.

The intricacies of the GST implementation in India have drawn criticism from international financial institutions and enterprises, sections of the Indian media, and opposition political parties in India. In contrast to other countries' GST systems, the World Bank declared that India's GST was excessively complex in its 2018 India Development Update. Notably, out of 115 countries surveyed, it had the second-highest tax rate (28%).¹

Businessmen in India have further questioned the introduction of the Goods and Services Tax (GST) in India due to various difficulties such as delays in tax refusals and an overwhelming quantity of paperwork and administrative effort necessary. According to a PwC India partner, the system crashed in August 2017 due to the volume of GST returns that were filed. An estimate indicates that challenges with GST compliance led to the closure of 230,000 small firms.

The GST's inflationary effect can be assessed using the overall Consumer Price Index (CPI). It was predicted that the CPI would be around 3.24%, but it is really 4.61%. This only indicated a 1.37% increase in the CPI. If GST had not been implemented, the estimated CPI would have been roughly 3.24%. The tobacco industry, which has the highest GST rates, has demonstrated the significant benefits of the Goods and Services Tax (GST). People consequently perceived the GST to have both benefits and drawbacks.

Numerous experts and individuals strongly opposed the revised GST rates that were implemented in certain sectors and raised in others in 2022. The Finance Minister went on to explain the reasoning behind the increases in GST. Numerous variables, such as a high rate of inflation, an increase in consumption habits brought on by the economic recovery, and stricter enforcement of laws against anti-evasion activities, are responsible for the growth in GST revenues.

But the latest changes to the GST rates were strongly resented by the Indian public. The GST Council regularly updates the rates for products and services. The GST rate is usually greater for luxuries than for needs. For various commodities and services, there are four slabs of GST rates: 5%, 12%, 18%, and 28%.

¹ Debroy, Bibek. "Is the world simpler than it was before GST? This jury is in". The Economic times.

The GST council has revised the GST rates for various products many times since the Goods and Services Tax (GST) was implemented. The most recent rate revision went into effect during the 41st GST council meeting on August 27, 2020. Specific rate changes were presented at multiple GST Council Meetings prior to then.

It's important to consider whether or not the poor and middle class will be liable for paying the government's revised GST rates, in addition to questioning why individuals who oppose the proposal feel that way. Raising the tax rate will simply make matters worse for the people who currently have to pay taxes. Regardless of how reasonable the current taxes on goods and services are, people are gradually getting back to their normal lives following the pandemic. Thus, the goal of this study is to illustrate how the general population feels about India's GST increase.

Review of the Literature :-

- ✓ Sarthak Sengupta (2020) Has carried out "A Study on Goods and Service Tax (GST) reveals about uses and advantages of Goods and Service Tax" was conducted. The study also discussed the opinions of the participants. The result of the people's opinions was mixed opinions. The study's findings supported the Goods and Services Tax (GST), claiming that it will undoubtedly increase GDP and benefit the country's economy. Additionally, it was implied that the GST will probably balance out government.
- ✓ Dr. Vasantha Gopal (2011) The impact of GST on several economic sectors was the main topic of the article. The article went on to say that GST is a significant development and a fresh catalyst for India's economic reform. The study concludes that a fair and impartial GST design is necessary for good effects on many sectors.
- ✓ Pinki, Supriya Kamma and Richa Verma (June 2017) studied , examined, The "Study on Impact of Goods and Services Tax Implementation in India" looked at how the goods and services tax was implemented in India and emphasised how important it is to understand it as a system as well as a process. They concluded that firms and consumers could help the government accelerate the growth of the Indian economy by agreeing to the proposed tax reform.
- ✓ Jaiprakash (2014) has discussed the GST at the federal and state levels, which is anticipated to boost confidence in business, trade, agriculture, and consumers by exposing input tax and services tax set-offs in greater detail, combining multiple taxes under the GST, and gradually eliminating the CST. The greatest opportunity to broaden our tax base is provided by the Goods and Services Tax (GST), which we should seize while the economy is experiencing steady growth and only modest inflation.
- ✓ Dr. Mukesh K. Sharma & Suniti Saini (2019) authored a study titled "Business Owners' Awareness and Impact of GST." The advantages of the Goods and Services Tax (GST), such as how it reduces tax burdens and facilitates conducting business in the country, were discussed in the research. Information was collected for the survey-based study from fifty businessmen who reside in Mandsaur city, MP. Concerning the introduction of the Act, 82% of the respondents said they were unsure and asked for further information. The study's conclusion contained some encouraging data and the prediction that GST will improve usability and transparency. The majority of respondents stated that the GST will definitely accelerate the country's economic growth, although the report advises that more explanation is necessary. The GST Council ought to continue pursuing its goals of bolstering the Indian economy.
- ✓ Kaur (2018) The study's objective was to ascertain public expectations for the Goods and Services Tax (GST) after it is implemented, as well as public awareness of the GST. According to the survey, people's opinions of the GST are still negative since they lack sufficient knowledge about it. The respondent's incapacity to recognise the implemented slabs further illustrates their ignorance of products and services.

Research Gap :-

The problem and consequences of the GST are emphasised in a number of pertinent research and articles. While most studies have demonstrated the advantages and uses of the GST, one study by Kaur asserted that the majority of people are not aware of it. Nonetheless, this study discusses the public's (own business, public firm, private firm, CA/CS) perspective on the GST raise.

Statement of Problem

Every person has an obligation to pay GST to the government in order to support economic growth. Thus, it is simply everyone's responsibility to pay their taxes on time. This specific obligation will never be disregarded. Therefore, people ought to be properly informed about GST.

Petroleum, a few other electronics, and necessities now have higher GST rates (the tax is imposed under the name of packaged products). In this way, the majority of taxes—which were previously paid by people in secure financial situations—were indirectly imposed by the lawmaker. But because of these adjustments, a greater number of people must now pay taxes to the government, which will increase the number of those who are impoverished. It is therefore essential that this GST industry be researched. This study allows us to understand public opinion regarding GST .

Objectives of the Study :-

- To identify how Current increase in the GST, affect the people financial status.

- To analyse the Current Changes in the GST slabs are welcome able by people or not.

Research Methodology :-

The study as a whole is based on the primary and secondary data. This study's main source of data was a Google Sheet survey with replies from sixty participants. The planned questions address a variety of subjects, including current work status, marital status, tax payer concerns, and other information. Secondary data collection for the project has been finished. Government reports, dissertations, theses, and other respectable national and international magazines, along with the pertinent linked articles and several associated periodicals, provided a substantial body of secondary data and research papers. These were removed and thoroughly inspected. This supported the qualitative and quantitative ideas of the investigation.

Data Interpretation :-

Table 1 - Age of Respondents

Particulars	No. of Respondents	Percentage
18-25	41	68.3%
25-35	10	16.7%
35-45	2	3.3%
Above 45	7	11.7%
Total	60	100%

Source: Primary data

The 68.3% of respondents fall into the 18–25 age group, followed by 16.7% in the 25–35 age group, 3.3% in the 34–45 age group, and 11.7% in the Above 45% age group. It is evident that the bulk of respondents, who range in age from 45 to 65, are from the younger generation.

Table 2 - Gender

Particulars	No. of Respondents	Percentage
Male	20	33.3%
Female	40	66.7%
Total	60	100%

Source : Primary data

The 66.7% of respondents were female, and 33.3% of respondents were male, according to the gender breakdown. It is evident that women make up the majority of the replies..

Table 3- Education Level

Particular	No. of Respondent	Percentage
UG	42	70%
PG	8	13.3%
Diploma	8	13.3%
Others	2	3.4%
Total	60	100%

Source : Primary data

The 70% of respondents with an undergraduate degree and 13.3% with a postgraduate degree were the two groups of respondents with the highest educational levels. 3.4% of respondents were from the other group (having completed some other qualification), while 13.3% of respondents were from the diploma group. The bulk of the responders come from the UG degree sector, as was made obvious.

Table 4 - Occupation

Particular	No.of Respondent	Percentage
Employed in private firm	21	35%
Employed in Public firm	8	13.3%
Own Business	21	35%
CA/Acs/ ICWA	10	16.7%
Total	60	100%

Source : primary data

According to the respondents' occupations, 35% of them work for private companies, 13.3% for public companies, 35% for their own businesses, and 16.7% for the CA/Acs department. It was made quite evident that the majority of respondents operated their own businesses or worked for private companies..

Table 5 - Annual Income

Particular	No. of Respondent	Percentage
Less than 50,000	19	31.7%
50,000-1 Lakhs	18	30%
More than 1 lakhs	23	38.3%
Total	60	100%

Source : Primary data

When it comes to the respondents' annual income, 31.7% of them make less than Rs.50,000, 30% make between Rs.50,000 and Rs.1,000,000, and 38.3% make more than Rs.1,000,000 annually. The bulk of responders make more than one lakh, as was made evident.

Table 6- Marital Status

Particular	No. of Respondent	Percentage
Married	17	28.3%
Single	43	71.7%
Total	60	100%

Source ; Primary data

As per table 6 which deals about the marital status of the respondents. In terms of respondents' marital status, 28.3% of respondents are married, and 71.7% of respondents are single. The bulk of the responders are single, as was made evident.

Table 7 : Peoples view towards revised GST bill

Variables	Particular	No. of . Respondents	Percentage
GST rates revised on various goods and service in this current Year.	Yes	55	91.7%
	No	5	8.3%
	Total	60	100%
Newly tax has imposed on hospital room, do you aware of this	Yes	43	71.7%
	No	17	28.3%
	Total	60	100%
	Yes	43	71.7%
	No	17	28.3%

Government planed to impose tax on online games, would this decision welcomed by everyone.	Total	60	100%
Rise of GST in petroleum is tremendous or not .	Yes	55	91.7%
	No	5	8.3%
	Total	60	100%
Current increase in GST harshly affect poor/middle class ?	Yes	51	85%
	No	9	15%
	Total	60	100%

Source : primary data

Interpretation:

- Table 7's first variable indicates that 91.7% of participants are aware of the updated GST rates, whereas 8.3% of respondents are not aware of these changes. It makes it rather evident that the majority of responders are aware of the updated GST rates.
- The table's second variable reveals that 71.7% of respondents are aware of the new tax plan that was imposed in hospital rooms, while 28.3% of respondents are unaware of it. This demonstrates unequivocally that the majority of respondents are aware of the new hospital room fee structure.
- The third variable in this figure indicates that while 28.3% of respondents disagree with then central government's decision to put a tax on internet gambling, 71.7% of respondents support the policy. It makes it quite evident that the majority of respondents are prepared to applaud the federal government's move to tax internet gaming.
- The respondent's view of the increase in GST on petroleum commodities is shown by the fourth variable in the table. 8.3% of respondents accepted the decision about the pricing of petroleum goods, while 91.7% of respondents felt that the increase in GST on petroleum goods had a significant impact on their ability to make ends meet. It is evident from the data that most respondents are against the increase in the GST rate on petroleum-related goods.
- According to the fifth variable in this table, 85% of respondents believe that the current

adjustments in the GST rate will have an impact on the everyday lives of the poor and middle class, while 15% disagree. It makes it quite evident that the majority of respondents believe that the current modifications in the GST rate will have an impact on the lives of the poor and middle class.

Table 8: Peoples ranking towards revised GST Bill

Statements	Particular	No. of Respondents	Percentage
Did Pandemic is one of the reason for current increase in the GST	Agree	35	58.3%
	Neutral	19	31.7%
	Disagree	6	10%
	Total	60	100%
Raising inflation is only reason for imposing heavy duties on people	Agree	21	35%
	Neutral	27	45%
	Disagree	12	20%
	Total	60	100%
Levying Tax on hospital is the most existing negative factor in this tax scheme	Agree	26	43.3%
	Neutral	29	48.3%
	Disagree	5	8.3%

	Total	60	100%
Imposing Tax on essential commodities affect the livelihood of downtrodden people	Agree	42	70%
	Neutral	16	26.7%
	Disagree	2	3.3%
	Total	60	100%
GST imposed on entertainment sector , as it does not target lower class people	Agree	20	33.3%
	Neutral	24	40%
	Disagree	16	26.7%
	Total	60	100%
Increase in petroleum price because of GST affects only middle/poor class people	Agree	29	48.3%
	Neutral	25	41.7%
	Disagree	6	10%
	Total	60	100%
GST has imposed in Bank cheques of 18% affect the people's livelihood	Agree	34	56.7%
	Neutral	24	40%
	Disagree	2	3.3%
	Total	60	100%
GST on carriage being decreased, it will benefit the below poverty line	Agree	32	53.3%
	Neutral	19	31.7%
	Disagree	9	15%
	Total	60	100%
Hotel accommodation priced up to Rs. Up to 1000 per day will be taxed 12%, targets only high class people and benefit average and poor ones	Agree	23	38.3%
	Neutral	30	50%
	Disagree	7	11.7%
	Total	60	100%

Source : Primary data

Interpretation:

- In this table, the first statement claims that the pandemic is to blame for the present GST hike. Of the respondents, 58.3% agreed with the statement, 31.7% were neutral about it, and 10% disagreed. It states unequivocally that the majority of respondents concurred that the pandemic is a contributing factor to the recent hike in the GST rate.
- The second statement in this table claims that the present increase in GST rates is solely due to rising inflation. Of the respondents, 35% supported this statement, 45% were neutral about it, and 20% disagreed. It makes it rather evident that the majority of responders had a neutral opinion of this remark.
- The third statement in this table indicates that the most current bad feature in this tax plan is the levying of taxes on hospital rooms. 43.3 respondents support this statement, 48.3 respondents are neutral towards it, and 3.3 respondents are opposed to it. It makes it rather evident that the majority of responders had a neutral opinion of this remark.

- The table's fourth statement, "Imposing taxes on essential commodities affects the livelihood of downtrodden people," receives support from 70% of respondents, neutral responses from 26.7%, and opposition from 3.3% of respondents. It makes it rather evident that the majority of responders strongly agree with this assertion.
- The fifth statement in this table, which claims that GST is placed on the entertainment sector since it does not target lower class people, is supported by 33.3% of respondents. 26.7% of people disagree with this statement, while 40% are neutral towards it. It makes it rather evident that the majority of responders had a neutral opinion of this remark.
- The sixth statement in this table claims that the increase in petrol prices due to the Goods and Services Tax (GST) only affects people in the middle and lower classes. Of the respondents, 48.3% supported this statement, 41.7% were neutral, and 10% disagreed. It makes it rather evident that the majority of responders agree with this assertion.
- The seventh item in this table claims that the 18% GST imposed on bank checks has an impact on people's ability to make ends meet. Of the respondents, 56.7% supported this statement, 40% were neutral, and 3.3% disagreed. It makes it rather evident that the majority of responders agree with this assertion.
- Table Eight contains eight statements: 53.3% of respondents support the idea that lowering the GST on carriage will help those who fall below the poverty line; 31.7% of respondents are neutral about the idea; and 15% of respondents are against it. It makes it rather evident that the majority of responders agree with this assertion.
- The table's ninth statement, which reads, "Hotel accommodations costing up to Rs. Up to 1000 per day will be taxed at a rate of 12%," claims that it only caters to the upper class and benefits the average and poor. Of the respondents, 38.3% support this statement, while 50% are neutral. 11.7% of those surveyed disagree with this assertion. It is evident that the majority of responders have a neutral opinion of this remark.

Findings :

- ✓ There was divergent views regarding the most recent changes to the GST rates, Because the new GST plan adds taxes, most respondents are against it.
- ✓ The study clearly shows that not everyone is aware of this new initiative. Since no one is aware of the new programme, this is a drawback.
- ✓ This approach causes a tremendous deal of confusion in people's attitudes. Because of this, most respondents are indifferent in this situation and are unable to reach a definite opinion.

Limitation :

This study used questionnaire to collect answer data from 60 respondents who were located in India. Thus, there's a potential that selection bias affected the sample. Only India was included in this analysis. The study was conducted with restricted time and funding, and much more work has to be done. The majority of the data included in the paper was of a speculative and exploratory character. When responding to the questions, the respondents might or might not be causally aware.

Suggestion :

- ✓ Reducing the current GST rates is the main suggestion made by this study. For the benefit of the public, the central government gets GST; yet, most people's financial status has been negatively affected at this stage of the epidemic. It is therefore preferable to cut the current GST rates.
- ✓ The hospital room industry is not treated fairly by the recently imposed taxes. It is therefore advisable to remove this particular component from the tax plan.
- ✓ The taxing of basics is one of this plan's drawbacks. Although taxing this particular industry will disproportionately harm those who are impoverished, everyone should be able to purchase necessities. The packaged goods levy has to be removed.

Conclusion :

A goods and services tax may counteract government empowerment, but since India's economy was still in decline, sudden tax increases were not warranted. India has to consider the people's economic status before enacting new levies. The government hasn't taken this into consideration under the current system, and income tax slabs are subject to recurring

modifications that account for changes in inflation. The central government is taxing the people so heavily because of inflation, unfairly burdening those in the middle class and below the poverty line. They are still unable to meet their basic needs, thus the burden that this tax plan places on them is not a

benefit. As a result, some parts of the tax code need to be altered, and those in higher social classes ought to pay more in taxes than those in the middle class or below the poverty line.

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