

ANALYSING THE TAX MORLITY FOR GST IN INDIA

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Abstract:

Indirect tax regime of a country has an important role to play because the tax burden is not on the shop keeper but is passed on to the ultimate consumer. Moreover, it also has a significant impact on spending ability of the people. On similar lines, Goods and Services tax (GST) was introduced in India and was made applicable from July 1, 2017 and onwards. This research study aims to analyze the Tax morality for GST in India, i.e. the willingness of business organizations to accept GST as a system of indirect taxation. This research will also further open gates for researchers and scholars to find out reasons for such high or low tax morality for GST in India.

Keywords: Tax morality, Tax avoidance, Tax evasion, GST

I. INTRODUCTION

Understanding the taxation system is an important step for any business house in a nation. Goods and Services tax (GST) introduced in India, was a landmark step in Indian taxation system as it further subsumed many other taxes previously existing in the country, namely service tax, sales tax, VAT etc. Taxation system of a country has a crucial influence on consumer choices and a lot many times countries use tax as a weapon to control the flow of currency in the economy or to encourage or discourage demand for a particular commodity in the country. For e g: In India, generally high rate of tax is imposed on cigarettes or other tobacco products, so as to discourage their consumption. Many researches have been conducted, that focus on the impact of GST on stock market and various sectors or industries of the country. Thus, there exists a research gap that will be addressed through this research paper, where the primary focus will be on acceptability of GST as a taxation system by business houses.

REVIEW OF LITERATURE

A tax is a compulsory financial charge or some other type of levy imposed upon tax payers (an individual or legal entity) by government organization order to fund various public expenditure. In this research paper we are highlighting tax levied on Business organization or the entities,

So for that we are taking GST (Goods and service tax) into account. Now comes to our study

i.e. on Tax Morality which shows the willingness of individuals to pay the taxes to the government and comply with tax laws. It concerns ethics involved with appropriately paying taxes based on what the law stipulates. Those with low tax morality will either try to avoid paying taxes altogether or pay reduced amount. This is to study the tax morality for GST (goods and services tax) in India.

Several researchers have studied about GST in India after its implication.

Nayyar and Singh (2018) highlighted the background of the taxation system, the GST concept along with significant working, comparison of Indian GST taxation system rates with other world economies, and also presented in-depth coverage regarding advantages to various sectors of the Indian economy after levying GST and outlined some challenges of GST implementation. Ramkumar (2018): A study on factors affecting purchase decision of young adults after GST implementation in India – with special reference to industry of FMCG products. It discussed the impact of GST implementation on purchase of FMCG products by young adults. Kumar (2016): Effects like Positive and negative effects of GST on the common man in India. It discussed the impact of GST on the individual whether it will be positive or negative. Khurana A and Sharma A (2016) talked about a positive reform for indirect taxation system concluded that the GST will provide relief to producers and consumers. Prajapati H (2016) in his paper talked about challenges and Implementation of GST in India. Shaik S (2015) in his study he mentioned that GST will reduce litigation on classification issues. And also discussed that implementation of GST in the framework of India will lead to commercial benefits which were untouched by the Value Added Tax system and would essentially require to economic development. Garg G (2014) has mentioned about Goods and Service Tax in his article. He expressed the concept of GST, its challenges, opportunities, features and impact on India, which concludes, GST as a biggest tax reforms in India that increases the tax collections and enhance overall growth of the economy. Jaiprakash (2014) mentioned that it is tax reforms travel from CST through VAT to GST which ensures the greater uniformity in the tax system and it will reduce the application of multiple taxes on good and services. Kumar (2014): Article named Goods and Services Tax in India: A Way Forward background and silent features. It discussed the Background of the GST reforms in the history of the constitution and its various attributes on

which GST is laid upon. Vasanth Gopal (2011): Article named GST in India: A Big Leap in the Indirect Taxation System.

NOVELTY OF THE RESEARCH

The novelty of this research can be understood in the sense that majority of studies conducted with respect to GST, focus on impact of GST on various sectors of the economy or on the fact that how GST will affect the consumers and their spending abilities. What makes this study unique and different from others is the fact that this study tries to unfold the business side of the story and endeavors to find out the trust and faith that businesses have in their federal system and to what extent, are the laws made by government of India are acceptable to them. For this purpose, a relatively new concept of Tax morality i.e. willingness of individual to pay tax to the government will be discussed in this paper.

STATEMENT OF PROBLEM

Indirect tax has an important role to play, in pricing of a product which constitutes for revenue to the company. Revenues further impact the profitability of the company. Thus, there is a need to conduct this research in order to understand the willingness of businesses to pay GST, because a lot many cases have come up where fake Input Tax Credit (ITC), trade fraud, and fraudulent refunds have been claimed. As per Economic Times 535 cases of fake invoices involving ITC claims of Rs 2,565 crores were detected in fiscal year 2018-19. This research can be really useful to understand if the businesses actually consider payment of tax as a moral duty or just a burden on them.

OBJECTIVES OF THIS RESEARCH

As we have discussed in the above headers is that the earlier studies have talked about the opportunities and features of GST in India but here we should know the tax payers trust on the government, So here We are focussing on the

tax morality of an individual where our Objective is to find the tax morality for GST in India.

RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyse information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. The methodology section answers two main questions: How was the data collected or generated? How was it analysed?

It has different type of parameters over which the foundation of methodology laid upon such as:

- Type of data
- Source of data
- Variables involved in research
- Sampling design
- Techniques
- Software

With reference to our research

Data collection

- We are referring our research to Primary source of data for collection for which we had made a Questionnaire basically a Google form to collect the data.
- Every research is based on some variables which uphold the study and through their analysis only, A researcher comes to any finding.

Dependent - Tax morality for GST in India

Independent -

- Tax avoidance
- Tax evasion

- Satisfaction with present tax structure
- Awareness about GST

Hence it is a study to know Tax Morality through various attributes such as how many people are aware of the current tax avoidance schemes or they finding ways to avoid tax through tax evasion and the awareness of the present GST structure and satisfaction aligned with this system. So, several research papers have focused on the implications and simplification of GST in India but still there is an area to be explored which will give an idea about the current awareness of people about tax avoidance schemes and input tax credits which can be claimed to reduce tax burdens.

Sample Design

- Sample size - A sample of around 80 respondents is taken for the research.
- Sample frame – Our study is based on the Business organizations of India, so our study includes business
- organisations or business entities will be taken that currently fall under the purview of GST.
- Sampling Technique –Regression analysis and annova will be used in order to test the dependency of tax morality on independent variables listed above.
 - For this purpose, hypothesis will be made and it will be tested for these variables.
- Sampling Software – The software that will be used is Statistical package for social sciences (SPSS) for running the analysis.

DATA ANALYSIS AND INTERPRETATION

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Q2. I am satisfied with the current GST structure in India. ^b	.	Enter

- a. Dependent variable: Q14. I believe government take full use of tax collection for economic development.
- b. All requested variables entered

Table 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.307 ^a	.094	.083	1.4170

- a. Predictors: (Constant), Q2. I am satisfied with the current GST structure in India.

Table 2

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	16.126	1	16.126	8.031	.006 ^b
Residual	154.608	77	2.008		
Total	170.734	78			

- a. Dependent Variable: Q14. I believe government use full use of tax collection for economic development.
- b. Predictors: (Constant), Q2. I am satisfied with the current GST structure in India.

Table 3

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	2.138	0.304		7.025	.000
Q2. I am satisfied with the current GST structure in India.	0.338	0.119	.307	2.834	.006

- a. Dependent Variable: Q14. I believe government use full use of tax collection for economic development.

ANALYSIS

A regression analysis was done, in order to understand the dependency of tax morality on satisfaction with current tax regime. In table 1 above, the value of R squared is 0.094, which means this model explains variability of 9.4% i.e. percentage of response variable that can be explained by this linear model. In table 2 above, two hypotheses were made, which were as follows – H0 – null hypothesis, which means there is no change in dependent variable, due to independent variable. H1 – Alternate hypotheses, which means there is a change in dependent variable due to independent variable.

P value = 0.006

Alpha (α) = 0.05

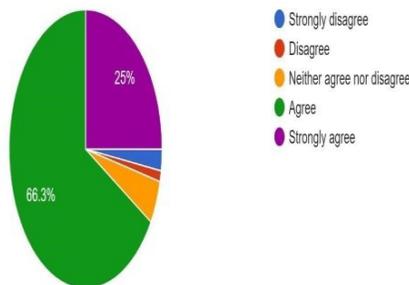
Since, p value is less than alpha value, it means null hypothesis is rejected.

Thus, above analysis shows that, tax morality is actually dependent on satisfaction of people with current tax regime of the country.

SOME OTHER MAJOR FINDINGS FROM THE STUDY

Q1. I am aware of the present GST structure of India.

80 responses

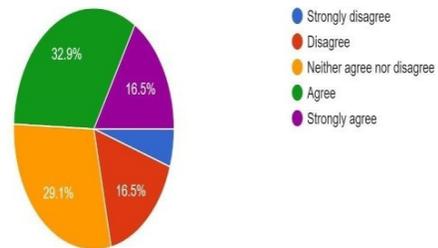


Above pie chart shows that, 91.3% of people surveyed, are aware of GST structure in India.

Which can be considered as a relatively good percentage.

Q5. Tax avoidance is more preferable than tax evasion.

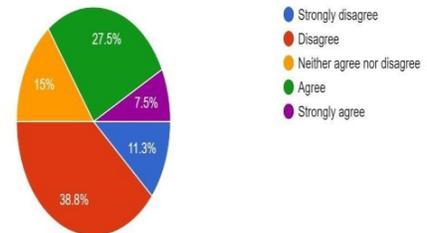
79 responses



Above pie chart shows that, 49.4% of people surveyed, believe that tax avoidance is more preferable than tax evasion, however, it should also be noted that 45.6% of people disagree with this fact, and it can be well understood that why cases of frauds and tax evasion are high in India. It also depicts that people are dissatisfied with the current GST tax regime.

Q13. I believe it is right to declare some income but not all of your income for tax purposes.

80 responses



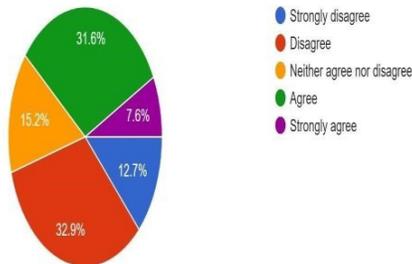
Another astonishing fact was disclosed by analysing the above pie chart, in which 35% of people surveyed still believe that it is right, if we do not disclose all our sources of income for tax purposes.

It also means, more than 1/3rd of people surveyed believe it is ok to hide your source of income.

REFERENCES

Q15. I believe government use full use of tax collection for economic development.

79 responses



The above pie chart eventually helped to conclude the study, and also explains the sole purpose of conducting this study, where we can see that **only 39.2% of people surveyed** agree with the fact that government actually uses full tax collection amount for economic development of the country which means tax morality for GST in India is relatively low.

CONCLUSION

This research will help in judging the tax morality for GST in India. i.e. how much is the willingness of people of the country to pay indirect taxes. It also tells about the trust that people have in the government and policy makers of the nation, because high tax morality means lesser cases of tax frauds, tax evasion and black money.

This research will also open gateways for other research scholars to find out the reasons for such low tax morality for GST in India. And they can further suggest some corrective policy measures to solve the problem of low tax morality.

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