

Goods And Services Tax (GST) Reforms: Measuring The Awareness And Knowledge Of Indian Domestic Tourists

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Abstract

After the Goods and Services Tax (GST) was implemented on July 1st, 2017, in India, there were mixed reactions, arguments, and views about it. Some sections of society responded positively, while others have negative views on GST. GST caused an immediate rise in prices for GST-applicable Goods and Services, cascading the burden to consumers. Even now, the public and traders don't understand completely understand GST. This study examines the knowledge of Indian GST. This research aims to measure the awareness and knowledge of Indian domestic tourists after five years of GST. 160 domestic tourists of various demographics make up the randomly chosen sample. Four questionnaires were designed to gather primary data from respondents about GST awareness and knowledge. The descriptive result showed that most of the respondents are not aware of the issues relating to the GST implemented in India.

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I. Introduction

The Indian government heavily relies on tax revenue as its primary source of income (Mukherjee, 2020). Gooroochurn & Milner (2005) view that indirect taxes collected from tourism-related services would also boost Indian revenue. Therefore, Tourism and allied industries in India will also generate tax revenue. Particularly, International tourists can also be taxed here. Thus, the tourism policy can boost Indian revenue mobilization. This research article examines the perspectives of domestic tourists about GST, who may unknowingly contribute to the GST. Despite the revenue contribution for the government, GST would increase the prices of tourism-related services. However, literature so published on recently introduced Indian GST and related areas, there is scant literature specifically focusing on perceptible level study inquiring about the awareness and knowledge of different strata of people. Thus, this paper attempts to investigate how well people know about the five-year-old GST.

Tourism promotion is a potential substitute for sluggish domestic demand and, therefore, an economic revitalization opportunity (Inchausti-Sintes, 2015). In terms of resource allocation, exchange rate appreciation, and demand for non-tradable goods, tourism causes a significant microeconomic impact on the economy. Other countries have adopted tourism as a prominent alternative for revenue mobilization. Tourism promotes economic growth and reduces unemployment (Mayor & Tol, 2007; Scott, 2011). Taxation also has deep connections with tourism services. For instance, Mayor and Tol (2007) contend that a carbon tax on the aviation industry could affect UK tourism. Similarly, Scott (2011) suggests environmentally responsible tourism as a solution to the problem of climate change. They also argue that carbon taxes on services would contribute to sustainable tourism. Unlike other taxes, foreign visitors also pay tourism taxes, not the local population (Gooroochurn & Sinclair, 2005). Gago, Labandeira, Picos, and Rodriguez (2009) argue that specific and general tourism taxes can boost revenues and internalize costs without harming the economy.

Tourism taxes are socially efficient (Gooroochurn & Milner, 2005). Tax knowledge requires professional consulting services in general (Thayyib & Khan, 2020; 2021). Therefore, increasing taxpayer awareness and knowledge is vital to improving tax compliance. Shaari et al. (2015) said that if taxpayers are confused about the GST tax system, they avoid and/or boycott taxpaying. Thus, highly mobile people and international tourists need all available information. They should be concerned about policy reforms at their destination. Given how often GST is discussed, it's important to know if tourists who pay bills (including GST) are aware of the taxing system (Zeeshan, Thayyib, & Ahamad). Often, vague tax provisions also impede proper implementation (Kumar et al., 2019). Hence, this paper attempts to test domestic tourists' knowledge of the five-year-old GST in India. If tourists are willing to pay with GST, they can be treated more GST-friendly. This paper examines GST knowledge and awareness of Indian domestic tourists using the Shaari et al. (2015)'s tool.

The rest of the article is structured as follows: following a brief literature review on GST, a brief note on the GST system is provided. A methodology section then addresses measurement and methods. The paper presents and discusses the findings and concludes by analyzing the managerial implications of the research.

II. Literature Review

2.1 Review relating to GST Concepts

Cnossen (2013) argued that a modern GST system would significantly improve India's indirect tax system, offering a single common market and economic growth. The Centre and the States would, thus, have the entire GST base, so tax assignment (who should tax what?) should be separated from GST design (what should the precise base and rate structure be?).

Paliwal et al. (2019) studied GST revenue in India using tax buoyancy as measured by tax revenue growth divided by GDP growth. This measures tax base growth. High buoyancy means the tax system is flexible. If tax buoyancy exceeds one, tax revenue grows proportionally to GDP. The paper analyses the GST's impact on tax revenue using tax buoyancy. In the paper, a semi-logarithmic ANCOVA regression model included dummy variables for VAT and GST. This investigation found that GST tax revenue is less sensitive to GDP changes. It shows that the GST has reduced the tax burden on consumers and businesses, supporting the Centre's justification.

Keen (2014) published a ground-breaking paper on indirect tax targeting, cascading effects, and design in India. The study focused on two indirect tax design fundamentals. (1) Poor people's essentials and (2) welfare costs from cascading taxes. The article supports and opposes India's 2005 VAT regime. The author argues that even the best-designed VATs cascade due to "exemptions" like for financial services. He said that most Indian service providers could avoid external inputs with vertical integration. Oxford Analytica (2017) found that India relies more on indirect tax revenue than direct taxation. The government got GST implemented on July 1st, 2017. Gasoline products are unlikely to be added to the GST model soon. The organization also notes that GST disputes may lead to lengthy legal battles.

Debnath (2016) explained India's GST model, collection mechanisms, opportunities, and challenges. The complex structure of VAT in India, including multiple taxation elements, often results in a cascading effect. No state tax credit can be used in another state. Intrastate and interstate sales may be under the new GST system subject to SGST, CGST, and IGST. GST Benefits: (a) Price reduction (Yadav & Shankar, 2018); (b) Increase in government revenues (Zeeshan et al., 2022); (c) Reduction in compliance and procedural costs; (d) Uniform tax rates to a certain extent (Zeeshan et al., 2022); (e) Increased transparency; (f) Ease of doing business; (g) Destination-based sales; and (h) Elimination of multiple taxes. There are some flaws of GST: (a) State trade lobbies and some states will receive less GST revenue; (b) Many rules remain ambiguous; and (c) GST is a destination-based tax, not an origin-based tax, so it's difficult to decide in the case of services.

Kawadia and Suryawanshi (2021) used stochastic frontier analysis (SFA) to determine Indian the tax capacity and efforts of Indian states from 2001-02 to 2016-17. Per capita income, agricultural activity, infrastructure, bank credit, and labourforce influence tax capacity, while social sector spending and federal transfers to states influence tax effort. They found that GST reduces state taxing authority. States rely heavily on legislative taxes, which are insufficient to meet their needs. All states have reached at least 90% of their tax potential, leaving little room to increase tax revenue. Kumar et al. (2019) used interpretive structural modelling (ISM) to study GST implementation in India. According to their research, the biggest obstacles to implementing the GST are a lack of skilled manpower, unclear GST provisions, political unwillingness, an inadequate tax policy, and political unwillingness. Sharma (2021) argued that intergovernmental politics, income inequality, low per capita income, regional disparities, fiscal imbalances, poor accounting practices, and weak tax administration could fail tax law implementation. Guna and Anuradha (2021) also conducted a comprehensive study on the GST's effects on MSMEs in India. The Indian GST system also unearths different opportunities and challenges for Small and Medium Enterprises (SMEs) in India.

Ghosh (2020) studied the impact of the GST on MSME competitiveness and viability. The analysis found that more than 70% of SMEs face higher tax rates due to the GST. Due to regulations, only 5% of eligible units could choose their "composition scheme". Four out of five sampled units say compliance costs are their biggest burden. Medium-sized businesses, however, pointed out that the GST has simplified their export procedures. Similar to this view, Ramli, Palil, Hassan, and Mustapha (2015) discovered that SMEs in Malaysia struggled with the high compliance costs of GST. Mukhejee (2020) articulates that GST revenue mobilization is below expectations. Design and structure, compliance and tax administration, or both, are to blame for the shortfall. However, he argues that it is too soon to say if the GST was a success or failure.

2.2 Review relating to Tax reforms and Tourism

Gooroochurn (2004) analyzed tourism taxation effects on tax efficiency and tax equity. The author analyzed the effects of tourism taxation on efficiency and equity in Mauritius using a computable general equilibrium model. The author confirmed that taxing tourism is more equitable and efficient than taxing other industries. Because tourism taxes often fall on non-citizens.

Gooroochurn and Milner (2005) examine the effects of reforming indirect taxes in Mauritius's tourism-dependent economy. It uses a computable general equilibrium model to investigate the relative efficacy of varying sales tax rates on tourism and non-tourism-related industries. Tax reforms are more effective when tourist arrivals are exogenously set than when they endogenously adjust to price changes. The study found that tourism is undertaxed. Tourism-related industries are the most socially efficient way to raise tax revenue.

Gago, Labandeira, Picos, and Rodriguez (2009) highlight an article focusing on whether new tourism taxes or tax increases should be addressed by specific or general indirect taxation in tourism. According to the findings of the article, general and specific tourism taxes could increase revenues and internalize costs without harming the economy. Indirect taxes are a more workable, equitable, and neutral way to tax tourism-related activities. They're levied on more goods and services.

III. GST-General Concept

GST is a unified national tax on goods and services. GST replaced many taxes indirect taxes that existed in India (Mukherjee, 2020; Zeeshan et al., 2022). As of now, 152 countries use GST taxing system. India established GST in 2004, along with a task force to implement the Kelkar Committee report, which examined the central and state-level indirect tax systems (Yadav & Shankar, 2018). The GST got implemented on July 1st, 2017. After the Kelkar Committee report, many researchers studied GST implementation and calculation (Zeeshan et al., 2022).

3.1 GST Model for India – Concurrent Dual GST

Because India is a federal country, the federal and State governments share the power to tax domestic trades (Zeeshan et al., 2022). Indian policymakers chose "Dual GST" (Mukherjee, 2020). They believed this model would protect the federal nature of the Indian Constitution and constitutionally guaranteed state(s) fiscal autonomy. Under this new GST framework, the Centre and States will impose GST on Goods and Services at a predetermined rate. The collected taxes would be split between the Centre and the States. Brazil and Canada also use indirect taxation (Spiro, 1993; Cnossen, 2013).

3.2 Workings of the Dual-GST Model

Dual GST involves concurrent GST streams. These streams are CGST, SGST, and UTGST (Mukherjee, 2020). The Central Government administers CGST and UTGST, while states handle SGST (Zeeshan et al., 2022). Both apply to state-provided services and goods (Mukherjee, 2020). Integrated GST (IGST) comes into play when goods or services across state lines. CGST, SGST, and UTGST make up this component. Since GST is a destination-based consumption tax, IGST handles the state share, and SGST goes to the destination state (Sharma, 2021). Administration runs the IGST. Under the new regime, credits can be cross-utilized between goods and services but not between CGST and SGST/UTGST. Integrated Goods and Services Tax (IGST) applies when goods or services are across state lines. First for IGST liability, then CGST, then SGST/UTGST.

Table 1
Models of GST

Types of GST	Features
National GST	Tax levied by Centre with provisions for revenue sharing with Provinces/ States. Australia and China follow this system (Sawyer, 2014)
State GST	Tax levied by Provinces/States. The USA follows this system
Non-concurrent Dual GST	GST on Goods levied by State & on Services levied by Centre
<i>Concurrent Dual GST</i>	<i>Tax levied by Centre & State on both Goods & Services.</i> <i>Brazil & Canada - "India" follow this system</i>
Quebec Model	Separate legislation for Federal/Provinces - Tax collection, Admin, Enforcements, etc., by Provinces Quebec province of Canada

Source: Zeeshan et al. (2022)

IV. Problem Statements

GST is one step toward making India a high-income-tax country which is business-friendly, comprehensive, efficient, and transparent. The GST implemented in India is relatively the highest in the world. The government is still spreading GST information to reduce confusion among the citizens and taxpayers. People make sales and contracts that require GST every day. It is a problem if people are confused about the GST tax system, and it is even worse if they ignore and boycott it. This paper examines the awareness and knowledge of domestic tourists identified in the different tourist places in North India. Because the Goods and

Services Tax (GST) is a topic that is frequently brought up in everyday conversation, it is essential to determine whether or not tourists are aware of the indirect tax reforms that the government has devised and whether or not they have any prior experience with the GST.

V. Research Objectives

In a broader sense, this investigation aims:

- (1) To determine GST awareness and attitude of domestic tourists
- (2) To assess the level of GST knowledge among domestic tourists in India

VI. Research Methodology

I administered a ten-question survey to around 406 domestic tourists who met at Taj Mahal in Uttar Pradesh, Red Fort & Jama Masjid in New Delhi, who were randomly sampled. Out of which, only 160 tourists returned the responses that were in good shape for analysis. I modified Shaari et al. (2015) questionnaire to measure the awareness and knowledge of respondents. Data were collected from January 1st to February 15th, 2022. SPSS 21.0 was used to calculate frequency and percentages.

5.1 Measurement

For measuring the GST awareness and knowledge, I adopted the tools of Shaari et al. (2015), who measured the awareness in a different type of population. Here, I made necessary changes to suit the measurement tool to the Indian context.

VII. Findings and Discussions

6.1 Demographic Analysis

Table 2 shows the demographic profile of the domestic tourists who responded to the questions. results contained 85% male and 15% female respondents, respectively. Regarding the age, the Mean and Median ages of the respondents were 27.55 and 27.50, respectively. The oldest young tourist sampled was 37 years old, while the youngest was as young as 18. Regarding educational level, 42.5% of those who completed the survey were postgraduates or higher, while a significant 35% were graduates, and the rest were intermediates. Almost half of the tourists who responded studied science, technology, commerce, management, or law, with the rest studying social science. Finally, North Indian tourists accounted for 55% of the total sampled population, while South Indians accounted for 25%, followed by East Indian tourists for 12% and West Indian for 7.5%.

Table 2
Demographic Profile of the Respondent (N=160)

Dimension	Category	Frequency	Percentage
Age	Male	136	85
	Female	24	15
	20 < 25	36	22.5
	25 < 30	68	42.5
	30 < 35	48	30.0
	> 35	08	05.0
Educational Qualification	Post Graduate & Above	68	42.5
	Graduate	56	35.0
	Intermediate	36	22.5
Area of Education	Commerce/Management/Law	44	27.5
	Science/Technology	44	27.5
	Social Science/Arts	72	45.0
Region	East	20	12.5
	North	88	55.0
	South	40	25.0
	West	7.5	7.5

6.2 Analysis of Awareness

The study's first goal was to determine how well tourists were aware of the new GST system in India. The result displays that Out of 160 respondents, almost 70% recalled the exact date of GST was implemented in India. The rest, 15%, each got the date wrong. 24 of them said it was July 31st 2018, and 25 got the date wrong with the demonetization of November 6th 2016. Of the total correct response, 80% agreed that they understood GST through social media. The rest learned about GST in newspapers, magazines, and other sources. Social media plays a vital role in disseminating information about GST in India.

Table 3
When did GST get implemented in India?

Date	Frequency	Percent
July 1st 2017	111	69.4
July 31st 2018	24	15.0
November 6th 2016	25	15.6
Total	160	100.0

6.3 Analysis of the knowledge of Tourists on GST Issues

The second objective of this study is to identify the tourists' knowledge of the GST and their issues in India. As per Table 4, 47.5% of the tourists are unsure whether GST would bring positive changes to the existing tax system. 72.5% of the respondents do not know that most countries have already adopted the GST regime. They did not agree that the GST system was the best. They are also unsure about the improvement the GST regime would bring in efficiency, comprehension, and transparency. However, 52.5% agreed that the GST regime would make the tax system efficient. Similarly, 63% agreed that GST would help the government mobilize revenue more – which is true to the common understanding.

Table 4
Tourists' Knowledge of different Issues of GST

Item	SD	D	N	A	SA
GST aims to make the tax system more efficient, comprehensive and transparent.	17.5	7.5	22.5	42.5	10
GST will generate and increase revenue for the country.	7.5	7.5	20	52.5	12.5
GST can overcome the Value Added Tax, which was introduced earlier.	7.5	25	15	45	7.5
GST protects the interests of low-income earners.	17.5	50	15	15	2.5
I understand how GST works.	2.5	17.5	32.5	37.5	10
GST will result in higher prices for goods and services	2.5	12.5	15	45	25
GST is the best tax system adopted by many countries around the world	7.5	30	35	22.5	5
No GST is imposed on the export of goods and services to other countries	5	20	32.5	32.5	10
People pay GST on petroleum products	32.5	15	7.5	32.5	12.5
GST will burden people	5	10	32.5	22.5	30

Note. SD = Strongly Disagree; D = Disagree; N = Neutral/Unsure; A= Agree; SA = Strongly Agree; Numbers are in Percentage

In a similar vein, half of the respondents agreed that GST would overcome the limitations of VAT (VAT). As expected, most respondents disagreed with the statement that "GST protects the interests of low-income earners." Furthermore, 70% of respondents believed that GST would raise the cost of goods and services. 75 percent of respondents knew that no GST would be levied on goods and services exported from the country, indicating that domestic tourists are well-informed. In contrast, nearly half of all respondents said petroleum products are subject to GST, which they are not. The price of petroleum products, on the other hand, includes indirect taxes (which are still not subsumed into GST as of this year). Regarding the final statement, most respondents (85%) thought GST would burden people.

Overall, despite the tourists being reasonably aware of the issues related to GST, they lack proper knowledge of different aspects. It is concluded because most of the answers of the respondents were neutral or unsure when they were asked questions regarding the issues and concerns on GST. Hence, the information disseminated by policymakers is still not enough to convince them to understand the comprehensive GST framework. Therefore, it is necessary for those in positions of power to offer a GST awareness campaign to the general public to improve the general public's level of perception regarding the new GST regime.

VIII. Conclusion

GST has been a hot research topic since it was implemented in India. Tax reformation is generally considered to revive tax compliance and tax administration practices. It generally aims to improve the revenue mobilization relative to the previous tax system that was in place before. Thus, the significance of the GST regime must be effectively communicated to the general public through academicians, policymakers, professionals, and tourists who are consumers of goods and services.

Young domestic tourists who can be a change agent for the future. Therefore, a strong awareness of the tax reformation happening in the country can potentially improve tax compliance and thereby, better revenue mobilization can be achieved. That being said, it is essential to provide fundamental information to make them better understand the GST regime through seminars, talks, training, courses, and open forums.

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