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# Factors involving Purchase and Consumption of a Customer come under GST products

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## Abstract

Arun Jaitley, India's Prime Minister and Finance Minister, proposed the Goods and Service Tax on July 1, 2017, however implementation did not begin until April 2018. This was a huge step forward in India's indirect tax reforms because it combined 17 distinct taxes into one. The government would be able to understand the comments on GST from their customers as a result of this study (employees, businessmen and professionals). Until date, many groups have had a poor image of the GST system due to their lack of understanding and confusion. A total of 385 consumers (workers, businesses, and professionals) from the Bangalore area participated in this survey. The data was collected using a questionnaire, and the results revealed that the level of awareness is low, and that the introduction of GST is perceived as neither favourable nor unfavourable. This illustrates that while consumers are aware of GST, they do not have a positive or negative perception of it, making it difficult for them to propagate a positive message.

**Keywords:** GST, Consumer Purchase Intention ,GST Implementation, Consumer Electronics

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## 1. Introduction

Tax planning is beneficial in examining a person's financial status. With the help of taxes, one can properly plan their finances. Tax planning can help people save money on their taxes by allowing them to deduct their expenses. Tax liability can be lowered by employing effective tax planning strategies. In India, there are numerous tax-saving choices. Various taxes can be deducted using sections 80C to 80U. Various portions of the Income Tax Act of 1961 can be used to lower tax liabilities. India offers many duty arranging choices, including lenient

assessment arranging, intentional expense arranging, and long haul and momentary duty arranging. The essential target of expense arranging is to diminish generally risk, support financial development, and save monetary dependability. There are two sorts of tax collection in India: direct duty and roundabout expense. People are at risk to tax assessment straightforwardly. This assessment isn't adaptable and can't be paid by any other person. Direct charges incorporate annual assessment, abundance charge, gift duty, and capital addition charge. The overall population pays aberrant charges through the purchase of items and administrations. Aberrant charges incorporate worth added charge, octroi charge, administration expense, and customs obligation.

### **What is GST**

GST, or labor and products charge, is a roundabout expense that has supplanted various other aberrant duties in India. The Indian Parliament passed the GST Act on March 29, 2017. It became real on July 1, 2017. This is a duty forced on the selling of labor and products. The GST meaningfully affects deals of labor and products generally. The then-Prime Minister of India, Atal Bihari Vajpayee, proposed the foundation of GST in 2000. As per the Goods and Services Tax (GST), products are sorted into isolated charge sections in view of their need and put in the 0%, 5%, 12%, 18%, and 28% duty rates, separately. The essential advantage of the GST is the end of circuitous charges. It has improved on charge strategy, diminished assembling costs, carried alleviation to the everyday person, supported interest for consumer products, and directed dark cash while reinforcing the Indian economy.

## **2. REVIEW OF LITERATURE**

### **2.1 GST Implementation and Consumer Purchase Intention**

As per Black et al. (2006), preceding consumer conduct can be anticipated, people should initially be asked what they hope to purchase. Consumer purchasing intention connects with what consumers expect to purchase. As indicated by Kotler and Armstrong, furniture, individual consideration merchandise, shoes, machines, and clothing are all retail items (2013). Such things are frequently purchased inconsistently and require nitty gritty examinations of value, quality, and plan. As indicated by Shoup (1998), emerging countries shouldn't take on the Goods and Services Tax (GST) since retail is divided among little retailers, there is upward coordination among makers and retailers, and victimizing venture things is hindering. As per The Wall Street Journal, on April 1, 2014, Japan expanded its worth added charge from 5% to 8 percent, a move that will in a roundabout way decrease homegrown utilization. As per Lim and Ooi, the typical family is expected to pay 2.93 percent in GST every month (2013). On the other side, low-income households are more likely to pay a higher GST rate (3.07 percent) than high-income ones. In addition, the GST is anticipated to increase inflation by 3.86 percent, diminish the purchasing power of consumers, and have a negative impact on domestic consumption. The top

two industries contributing to Malaysia's GST are transportation (22,2 percent) and restaurants and hotels (both 22 percent) (17.3 percent ). This study does not delve deeply into the effectiveness, purpose, and suitability of the GST as a tax-collecting method. Due (1963) laid out that business assessments could decrease item utilization and that organizations will build how much most of completed products assuming the normal cost ascends because of deals charges. Additionally, as per Crossley et al. (2009), a 2.5% decrease in VAT increments consumer spending by around 1.2% on the grounds that most of VAT-excluded things are extravagance merchandise. Conversely, Smart and Bird (2009) showed that changing from a retail deals duty to a worth added charge empowers greater speculation, as confirmed by expansions in hardware and gear, as well as the securities exchange. As per the European Commission (2007), diminishing the worth added charge (VAT) on genuine products would bring about financial advantages like an expansion in business and a lessening in shamefulness. Cohen (1971) accepted that most Europeans were satisfied with the GST. This is on the grounds that Europeans accept the GST will safeguard them from tax avoidance.

## **2.2 GST Implementation and Cross-Border Shopping**

Clark (1994) noticed that administration approaches, for example, government charges, are one of the essential factors that drive consumers to participate in worldwide or away buying. Leal (2010) estimated that lower charges in adjacent countries would captivate purchasers to get merchandise in these countries. Nielsen (2001) found that the distinction in ware charge contest might set out open doors for cross-line buying; likewise an element expands the volume of cross-line shopping. As indicated by Agawal et al. (2013), more noteworthy deals charges on the home market contrasted with those in the lining countries will straightforwardly empower item purchases in the lining nations. Wang (2004) found that capability and entertainment are the two most powerful factors on Hong Kong occupants' cross-line buying and utilization in Shenzhen, China. Future exploration ought to address the social-mental ramifications of cross-line purchasing, as indicated by Dmitrovic and Vida (2007). Lau et al. (2005) found that retailing settings and individualism influence cross-border shopping activity. However, it is unaffected by the proximity of the commercial complexes. Timothy and Butler (1995) proposed that economics and pleasure impact cross-border shopping habits reciprocally.

**Manoj Kumar Agarwal "An Empirical Study of People's Perceptions of GST." GST has become the new buzz in the Indian corporate environment, according to the KAAV international journal of economics, commerce, and business management, which was published in 2017.** The Goods and Services Tax (GST) was taken on in India on July 1, 2017, and as per him, the biggest issue in the ongoing Indian duty framework is the fountain effect and tax avoidance, the two of which produce bends and for which there have been various changes to the monetary framework. The GST can assist with alleviating these contortions. The

implementation of the Goods and Services Tax (GST) has given different business advantages to the Indian economy, bringing about more noteworthy income than under the VAT system.

**Inderpal Singh, Anand Nayar According to "A Comprehensive Analysis of Goods and Services Tax in India"; Indian Journal of Finance; Year of Publication: 2018,** GST has had various repercussions on various organizations, including IT organizations, FMCG organizations, internet shopping, Telecom organizations, Automobiles, Small scope undertakings, and media outlets. The GST rates for these enterprises fluctuate from each other. The scope of 14 to 15 percent for the Goods and Services Tax (GST) forced on IT organizations has prompted an expansion in the cost of electronic merchandise like cell phones and PCs, and considerably affects the creation and utilization in the FMCG area.

**Shefali Dani; "A research paper on an impact of goods and service tax (GST) on Indian economy"; Business and Economic Journal; Volume no: 7; Issue no: 4; Year of Publication: 2016** This article focuses mostly on the effects of the GST on various industries. The author conducted research in a handful of selected industries. Some industries have benefited from the proposed GST laws and regulations, while others have been disadvantaged. These laws and regulations pertaining to the Goods and Services Tax (GST) have proven unfavourable to the telecommunications business, indicating that the GST has a negative impact on the industry. Some businesses, notably petroleum products, electricity, and alcohol, have benefited from the implementation of GST. Some industries, such as petroleum, are exempt from the Goods and Services Tax (GST), while levies on others, such as alcohol for human consumption, are extremely low. Publications and advertisements may develop a relationship with the proposed GST regime.

**Priyanshu Sharma, Manoj Sain; "A review of goods and services tax (GST): impact on Indian stock exchanges and various stock sectors"; international journal of scientific research and management; Volume no: 5; Issue no: 11; Year of Publication: 2017** According to the article, the Goods and Services Tax (GST) is the largest tax reform in the history of the Indian Taxation System, and it was approved to strengthen India's financial system. There has been a dramatic shift in the stock exchanges' capital markets. However, despite the fact that bank stock prices have been affected by GST, the GST has had little effect on bank stock prices. Demonetization and GST are the primary causes of stock market deflections. The stock markets have changed as a result of the GST introduction. The stock markets have plunged into a bear market as a result of the adoption of GST, as the country is experiencing high inflation.

**Meena G; "Impact of GST on Banking Sector"; International journal of innovative research in management studies; Volume no:3; Issue no: 3; Year of Publication: 2018** According to the author, the adoption of the Goods and Services Tax (GST) will necessitate an

increase in the number of bank branches, and each branch will be a hassle, i.e. exceedingly challenging, because banks will have branches throughout the country. Input tax credit must be leveraged and deleveraged, which means it must be turned into shares and then back into cash.

### **3. Consumer Electronics market in India**

The Indian consumer electronics industry has kept a twofold digit development rate as of late. Expanded item mindfulness, modest estimating, imaginative items, and high optional livelihoods have all added to India's consumer electronics market's wonderful ascent. A quickly diminishing swap cycle for consumer durables is seen as supporting interest in metropolitan India. Rural India has risen to the top of the demand generators due to low penetration rates and increased use of consumer durables. Technological breakthroughs, creative product debuts, price variations, and fierce rivalry characterise India's consumer electronics market.

#### **3.1 Economic Importance of Consumer Choice**

Because of the links between preferences and consumer demand curves, consumer preference is crucial to economics. Understanding what Eddie and other consumers choose to spend their money on will aid in forecasting consumer demand. Understanding consumer choice theory is a method of examining how consumers might strike a balance between desires and expenditures by maximising utility or satisfaction within their consumer budget constraints. Indifference curves are used to depict consumer preferences. Even if the price of one commodity changes, an economist may use this data to develop a demand schedule. To put it another way, each indifference curve represents a household budget line that is utilised to estimate the maximum utility or satisfaction point.

#### **3.2 Consumer Preferences**

Consequently, a model of client behaviour serves as the foundation of demand. Individual consumer tastes and values are influenced by forces outside of economics. They are influenced by numerous things, including as culture, education, and individual tastes. This model purposes the veritable open door cost to the client who purchases and consumes the great to work out these qualities for a specific decent. At the point when an individual makes a purchase, the open door cost is the value of the things that might have been obtained all things being equal.

Metals and minerals, as well as kitchenware and appliances and consumer goods, have become less expensive since the implementation of GST, whereas lifestyle and home products, as well as beauty and personal care and construction products, have become more expensive, while dairy and farm products and medical supplies have remained unaffected.

The GST is founded on the concept of "one nation, one tax" and combines 17 indirect levies into a single tax. This has allowed suppliers to take advantage of input tax credits, while effect

(responsibility of merchants) and incidence (burden on the customer) are split among many parties. GST is collected by the Central Board of Indirect Tax, Excise, and Customs. More than 1300 commodities and 400 services are covered by the four tax rates set by the GST council. The GST also imposes a 3 percent tax on gold and a 0.25 percent levy on raw precious and semi-precious stones.

The GST is structured so that essential items including food are taxed at lower rates, whilst luxury items and services are charged at higher rates. Eighty-one percent of all goods and services are taxed at or below the rate of 18 percent. This means that 7% of the items are exempt, 14% of the items are subject to a 5% tax, and 17% of the items are subject to a 12% tax.

#### 4. GST Rate

Taxes are payments made to the government based on income or the cost of goods and services acquired. According to the Cambridge Dictionary, taxation led to a great deal of corruption, and at some point, citizens rose against their kings as the kings attempted to expand their nation using tax revenue. After decades of evolution, taxes have been categorised as direct and indirect taxation. When an individual's income or profit is taxed as opposed to goods and services, this is known as direct taxation. This taxation system is based on the idea of ability to pay, which states that individuals with higher incomes pay more tax than those with lower incomes. The administration believes this is the most effective technique for distributing wealth around the nation. While direct tax is focused on an individual's earnings and profits, indirect tax is focused on collecting tax from the producer or retailer of the supply chain and paying it to the government; however, it is frequently passed on to the customer as part of the purchase price, further burdening the customer.

GST stands for Goods and Services Taxes. As the name suggests, it is a multistage, destination-based tax applied on every value addition done at every stage of the supply chain. Due of the high tax evasion rate in France, this was first used in 1954. This tax was viewed as a national indirect tax on the production, sale, and consumption of goods and services. This value-added tax system featured four tax brackets (1 percent, 5.5 percent, 10 percent , and 20 percent ). India has implemented a taxation structure with five tax tiers similar to France's.

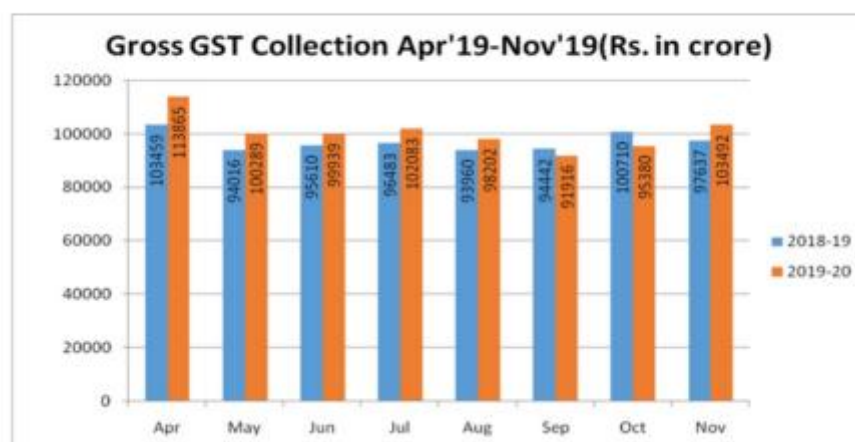
Tax Rate	0%	5%	12%	18%	28%
Item	50% of the consumer price basket including food baskets	Mass consumption items like spice and mustard oils	Processed Food	Soaps ,Oil ,Toothpaste, Refrigerator,S martphones etc	White goods, Cars and Luxury Items

Gold, which is taxed at 3%, and rough precious and semi-precious stones, which are taxed at 0.25 %, are examples of commodities with unique tax rates. Tobacco, luxury automobiles, and



carbonated beverages, to name a few, have a 22 percent CESS added to the GST rate. Some products remain subject to value-added tax and excise duty, similar to India's former taxation regime, as they do not fall within the GST. The items include alcohol for human use, petroleum products, and natural gases. The government's earnings from April 2019 to November 2019 are depicted in the graph below, which highlights the monetary advantages the government has realised as a consequence of its adaptation.

The chart shows trends in revenue during the current year.



Despite the fact that this is what India has been doing from 1 July 2017, there was previously a separate set of indirect taxes collected by the national government and a second set collected by the state governments. The Goods and Services Tax (GST) has streamlined and consolidated the following goods and services taxes.

**Table 2: Different Taxes before Implementation of GST**

Indirect Taxes collected by Central Government	Indirect Taxes collected by the State Government
Central Excise Duty	State Value Added Tax
Additional Excise Duty	Central Sales Tax
Special Additional Duties of Customs	Luxury Tax
Service Tax	Octroi and Entry Tax
Additional Customs Duty or Countervailing Duty	Entertainment and Amusement Tax
	Tax on Advertisements
	Purchase Tax
	Taxes on lottery, betting and gambling
	State Surcharges and cesses that related to goods and services

## 5. Conclusion

GST stands for "Products and Services Tax" and is intended as a national indirect tax on the production, sale, and consumption of products and services. It would replace all other indirect taxes placed on products and services by the Indian Central and State governments. Existing taxes on the vast majority of consumer goods are extremely steep. This study has led us to the conclusion that a year and a half after the establishment of the Goods and Services Tax (GST), consumer awareness and perceptions are improved compared to when they were first evaluated. To make people very aware of GST, however, the government must devote more resources to communicating the specifics of the tax and how it would benefit individuals. If consumers recognise this, their perception of the Goods and Services Tax (GST) will move from neutral to positive, allowing the government to more effectively enforce GST laws in the future through awareness efforts.

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