



A study on impact of GST on car showrooms with special reference to Coimbatore city

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Abstract

In modern Economies taxes are considered as the prime sources of government revenues. Taxes differ from other sources of revenue in that they are compulsory levies and are unrequited. In India a dual GST is prevailing whereby a central goods and services tax (CGST) and state good and services tax (SGST) is levied on the taxable value of every transaction of supply of goods and services. In this present study the researcher tries to analysis the impact of GST on car industry with special reference to in Coimbatore city. The results of the study indicate that car prices have been increased after implemented GST and only certain brands are getting benefit from GST. This study suggest that since car industry is widely affected with the state taxes, reducing state taxes will improve buying and promote industrial growth.

Keywords: modern economies taxes, GST, government revenues, CGST, SGST

1. Introduction

The government of any country needs money for its functioning. Taxes are a major source of revenue for a government. The taxes thus collected are spent by government on the public. In India, a dual GST is prevailing whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) are levied on the taxable value of every transaction of supply of goods and services.

GST eligibility would primarily be decided on the basis of turnover. Small taxpayers may thus either be exempt (turnover <Rs. 20 lakh) or they may opt for the composition scheme (<Rs. 75 lakh). The medium and large taxpayers will have to file all GST Returns.

The automobile industry has seen significant disputes under central excise valuation like Sale below the cost for market penetration, inclusion of state industrial promotion subsidies retained by the manufacturer, deductibility of post-sale discounts from value under excise, valuation of demo cars, treatment of PDI charges and other dealer reimbursements, advertisement charges recovered from dealers etc., The job work process is the backbone for automobile industry operations. The model GST law treats 'job work' as a service and seeks to maintain existing excise procedures for the job work transactions. In GST regime, Automobile Dealers will be collecting and paying CGST and SGST (i.e. Central GST and State GST on intra-state sale of vehicles). Further, in case of inter-state sale of the vehicles, they will be collecting and paying IGST (i.e. Integrated GST, which is nothing but the summation of CGST + SGST)

Statement of the Problem

The automobile industry has a wide range of companies & organizations involved in the design, development, manufacturing, Marketing & selling of motor vehicle. It is one of the world's largest economic sector by Revenue. The investment made by the companies, the cost involved in R&D and infrastructure plays a significant role in the success of the automobile industry in the Indian market.

Under the current tax system there are several taxes applied on this sector like excise, VAT, sales tax, road tax, motor vehicle tax which will be subsume by GST. Automobile industry is not an exception to this and it has its own benefits and drawbacks. Hence, In order to have a clear picture of GST and its impact in car showrooms the study on the topic 'Impact of GST on Car Showrooms with special reference to Coimbatore city' has been carried out.

Objectives of the Study

- To study the influence of GST on car prices.
- To know the car sales post GST implementation.
- To analyze customers buying preferences with respect to pre and post GST.
- To identify the effect of GST on car show room.

Hypothesis of the Study

- There is no significant relationship between enquiring GST details and satisfaction on tax rates.
- There is no significant the relationship between Influence of GST on Customer buying preference and Impact of GST in showrooms

Methodology

Area refers to Coimbatore City. The sample taken for the study is 55. The study has used primary data and Secondary data. The primary data was collected by questionnaire method and also information was collected from respective books, journals, magazines and websites. Convenient random sampling has been used in the study for the purpose of making analysis.

Tools for Analysis

- Percentage analysis
- Chi-square analysis

Limitation of the Study

- The sample size in restricted to 55

Findings of the study

percentage analysis results: It is understood from table 1 that out of the total respondents taken for the study most (44%) of the showroom are working for 5 to 10 years, most (49%) of the respondents have less than 2 years experience in the company. Most (38%) of the respondents opined that the number of cars sold by them for a month ranges between 16-25 and most (33%) of their target is salaried persons to sell the cars. Most (47%) of them opined that their type of sale is for loan payment. Majority (55%) of them opined that the price of car more demanded ranges between 2-3 lakhs and most (40%) of them preferred diesel cars. It is also found that Majority (78%) of the respondents opined that car price after GST has been increased and Most (45%) of them have reported that the price increase is up to 10%. Majority (55%) of the respondents opined that GST offers benefits only for certain brands and future of car sales in the showrooms will get affected by 56%. It is evident from table 2 that out of the total respondents

taken for the study 30 of them strongly agree towards the statement Market for cars has become tough with respect to GST and 29 of them agree with the statement Customer changed their brands with respect to tax rates.

Chi-square test results

It is understood from the table.3 that the chi square test conducted obtain a calculated table value of 7.064 with 3 degrees of freedom and shows p value of 0.070, which is greater than the significance value 0.05. Hence, we accept the null hypotheses and there is no significant relationship between enquiring GST details and satisfaction on tax rates. It is understood from the table.4 that the chi square test conducted obtain a calculated table value of 15.214 with 9 degrees of freedom and shows p value of 0.085, which is greater than the significance value 0.05. Hence, we accept the null hypotheses and there is no significant relationship between GST influenced customer buying preference and GST improved showroom.

Table 1: Percentage Analysis

		No of Respondent	Percentage
No of years showroom is working	Above 10 years old	18	33%
	5-10 years old	24	44%
	Less than 3 years old	13	24%
	Total	55	100%
Years of experience in the company	More than 3 years	0	0%
	2-3 years	23	42%
	1-2 years	27	49%
	Less than 1 years	5	9%
	Total	55	100%
No of cars sold in a month	Above 50	17	31%
	26-50	10	18%
	16-25	21	38%
	10-15	7	13%
	Total	55	100%
Primary Target for the business	Private employees	18	33%
	Self employed	16	29%
	Govt employees	0	0%
	Taxi company	10	18%
	Other & Salaried & self employed	11	20%
	Total	55	100%
Mode of payment	Cash	16	29%
	Loan	26	47%
	Others	13	24%
	Total	55	100%
Price range of cars	2-3 Lakhs	30	55%
	3-8 Lakhs	16	29%
	8-10 lakhs	0	0%
	Above 10 Lakhs	9	16%
	Total	55	100%
Which fuel type of car is sold more	Diesel	22	40%
	Petrol	21	38%
	Others	12	22%
	Total	55	100%
Status of the car prices after GST	Increased	43	78%
	Decreased	12	22%
	Total	55	100%
Percentage of increase in car price after GST	10%	25	45%
	10-15%	14	25%
	15-20%	16	30%
	20-25%	0	0%
	Total	55	100%
GST benefited car buyers	Only for certain brands	30	55%
	Only for luxury cars	25	45%
	Only for low price cars	0	0%
	Not benefited	0	0%
	Total	55	100%

Future of car sales in the showroom	Improve sales	24	44%
	Affect sales	31	56%
	Improve profits	0	0%
	Affect profits	0	0%
	Cannot predict	0	0%
	Total	55	100%

Table 2: Agreeability towards the following statement

Statements	Strongly Agree	Agree	Neutrally Agree	Disagree	Strongly Disagree
Market for cars has become tough with respect to GST	30	20	5	-	-
Customer changed their brands with respect to tax rates	14	29	7	5	-
GST changed customers buying preference	7	24	16	8	-
GST prices affected car prices	14	25	16	0	-
customers are satisfied with GST	12	15	24	4	-
GST benefited car buyers	8	21	17	9	-

Table 3: Table showing the relationship between enquiring GST details and satisfaction on tax rates (Chi-Square Tests)

Pearson Chi-Square	Value	Df	Asymp. Sig. (2- sided)
Enquiring GST details and Satisfaction on tax rates	7.064	3	0.070

Table 4: Table showing the relationship between Influence of GST on Customer buying preference and Impact of GST in showrooms

Pearson Chi-Square	Value	Df	Asymp. Sig. (2- sided)
Influence of GST on Customer buying preference and Impact of GST in showrooms	15.214	9	.085

Suggestions

The overall prices of the cars are increased due to the tax rates and it will have an impact in purchase decision of consumers in car industry. In most of the car showrooms, profits are affected due to the increase in taxes. Government should find ways to introduce policies that benefits the car sellers. At least reducing the tax rates could help make profit for the car sellers. Car industry is widely affected with the state taxes and reducing state taxes will improve buying potential of the customers. There is hearsay that only certain brands are benefited and government should find newer ways to benefit all car brands with GST. The tax structure must consider higher tax rates for luxury cars and should come up with tax slabs so that the lower economic people may also enjoy using cars. This could open a platform for the lower economy people who may also possess one as their own. Consequently an updated and innovative scheme has to be established to enhance the automobile (car) industries which could accomplish with more employment opportunities in the digital era. Government should introduce new schemes to boost the car industry in order to improve employment opportunities.

Conclusions

Car industry is one among the top industry to show prospective employment opportunities to graduates but the implementation of GST has hindered the car sales. Also it is understood that the luxury taxes are the main source of government income but considering the price rise on car value, industries like taxi service, home services, medical services are expected to raise their service price leading to an increased overall price to the consumers and this would hinder consumers using the services based on cars. Future improvement of the service industry is likely to grow with the car industry. Hence, Dealers have to concentrate on the

Contracts/ Agreements re-alignment to suit the needs of GST, Business re-structuring needs to be assessed and implemented, Representing through various bodies/ associations on various adverse provisions of the GST law and development of staff to ensure smooth implementation into the new regime. Shifting to the new tax structure could have substantial impact on the Dealers. This will have a positive result for those who are vigilant with respect to tax compliance and the negative impact of the GST can largely be reduced if counter measures are adopted.

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