

Perception of Tourists Towards The Impact of Gst on Tourism

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ABSTRACT

Goods and Services tax (GST) has been acknowledged as one of most imperative tax reform post-independence. It is a tax trigger, which will lead to business transformation for the industry. State assemblies, the Government of India give the impression to be on way to implement GST with effect from 1 July 2017.the tourism sector also has influenced with the implementation of GST. But the respondents have no doubt whatsoever regarding the proposed benefits of GST irrespective of their business type, legal status of business , the tourists and the common people too for the reason being they feel irritated by the present system which appears to be cumbersome. This study may help the government to frame their governance with social responsibility in preceding the implementation of GST on tourism in a positive mode among tourists in Tamilnadu. The objective of the study are To study the concept of Goods and Services Tax (GST). To study the perception of respondents about the impact of GST on Indian Tourism and the statistical tools used for the study is independent T-Test and One-Way ANNOVA in order to explore the actual perception among people towards the impact if GST towards tourism. The findings states that the tourists of Tamilnadu are moderately aware of GST and They find negative impact on accommodation, transportation and food.

Key words: Tourism, GST, accommodation, transportation, food service, shopping

1. INTRODUCTION

Tourism represents world's third largest export avenue in terms of global earnings after fuel and chemicals according to a representative from the UN World Tourism Organization (UNWTO). Tourism is responsible for one out of 11 jobs and 10% of the world's economic output. In addition, tourism's value-added to an economy can also be increased by attracting a more diverse mix of tourist arrivals, using e-commerce to broaden the reach of local tourism businesses, and broadening the offer to include cultural, wildlife, and heritage tourism.

TOURISM INDUSTRY IN INDIA

The travel and tourism sector holds great strategic importance in the Indian economy providing several socio-economic benefits. Apart from providing employment, income and foreign exchange for the country, the trade in the tourism sector has an economically positive impact on other associated industries such as food manufacturing, services, construction, agriculture, handicrafts etc. In addition, investments in infrastructural facilities such as transportation, accommodation and other tourism related services lead to an overall development of infrastructure in the economy.

Despite that the Tourism Sector, including Inbound Tourism pay a plethora of taxes and do not get any significant benefits as compared to other Export sectors. There are multiple taxes charged on the same Service/ Product offering by the Central as well as State Governments. It is an

understanding that the Taxes levied on Inbound Tourism is amongst the highest in the country, and this is one of the major reasons for India losing Foreign Tourists to competing South East Asian Countries. Tourism sector in some of the key competing destinations in South Asian countries attract much lesser taxes thereby making the products more competitive.

2. SIGNIFICANCE OF TOURISM INDUSTRY IN INDIA

- India ranked 3rd among 184 countries in terms of travel and tourism's total contribution to GDP in 2016. In India, the sector's direct contribution to GDP is expected to grow by 7.9 per cent per annum during 2016–26
- The travel and tourism sector in India is estimated to account for 9 per cent of the total employment opportunities generated in the country in 2016, providing employment to around 38.4 million people during the same year. The number is expected to rise by 2 per cent per annum to 46.42 million jobs by 2026
- Travel & tourism's contribution to capital investment is projected to grow at 6.3 per cent per annum during 2016–26, higher than the global average of 4.5 per cent Page 2 of 14
- Contribution of visitor exports to total exports is estimated to increase at 7.2 per cent per annum during 2016–2026 compared to the world average of 4.3 per cent
- 100 per cent FDI is allowed under the automatic route in tourism & hospitality, subject to applicable regulations and laws. 100 per cent FDI allowed in tourism construction projects, including the development of hotels, resorts and recreational facilities. Campaigns such as Incredible India & Atithi Devo Bhava were launched to harness the tourism industry's potential Foreign exchange earnings from tourism accounted for USD21.1 billion in 2015, witnessing growth at a CAGR of 10.5 per cent during 2006–15
- Segements of Tourism & Hospitality Industry (Source: IBEF Presentation on tourism industry)

KEY ISSUES FACING THE TOURISM SECTOR ON VARIOUS FRONTS ARE AS UNDER

High Multitude and Incidence of Taxes on account of taxation at multiple levels and absence of seamless input credit flow. Lot of business in this sector gets generated through online mediums. Significant amount of clarity is required in the existing laws to deal with e-commerce players and aggregators. Lack of Proper Infrastructure in terms of access, connectivity and services and many unorganized players in the industry. Non-availability of skilled & Semi skilled man power required for the industry to attract foreign tourist as well as promote local tourism specially Eco Tourism & Rural Tourism which lacks professional approach towards service and customer satisfaction Lack of Marketing, Branding & Promotion efforts for the rural, cultural and Eco friendly remote locations and their conservations Changes in tax levied to the consumers or tourists due to the implementation of GST are listed down in some of the areas: The impact of GST on Accommodations in India Travelling by AC coach, will be costlier after. 6% for economic air travels, cabs tax comes down from 6% to 5%. GST for tour operators post a 5% tax. Hospitality and travel industry players expect teething issues to crop up at least in the few months of GS implementation.

RESEARCH PROBLEM

As the country's biggest tax overhaul—Goods and Services Tax (GST)—is rolled out since July 1st 2017. But confusion reigns not only in the business community but among, government sectors and general public especially who travels on tours. No doubt, one-tax one-nation reform is going to benefit the country, but there is confusion due to lack of preparedness and due to the misinterpreted grape vine communication among tourists. Therefore this paper explores the perception among people on Impact of GST on tourism which will give a clear picture to the government to proceed further on the implementation of GST and for further planned policies

3. REVIEW OF LITERATURE

Tourism and Hospitality union budget 2017-18 says The indirect tax levied on the tourism and hospitality sector's offerings in India is considerably higher at 18–25 per cent than that levied by some of the major tourist destinations globally, where it is below 10 per cent⁵ • The tourism infrastructure at several major tourist destinations in India is inadequate to support sustainable tourism; the primary areas of concern include poor and unsafe road transportation, insufficient regional air connectivity, unsanitary conditions and safety of travelers.

Poonam, (2017), GST is not novice and has been implemented and adopted world over. But nevertheless the challenges faced in the implementation of GST in a nation with such divert culture, huge population possesses a unique challenge where more than organized trade unorganized trade prevails and where political compulsion prevail prudence. The biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. A single rate would help to maintain simplicity and transparency by treating all goods and services as equal without giving special treatment to some 'special' goods and/or services. The launch of GST would transform Asia's third largest economy into a single market for the first time.

4. OBJECTIVES OF THE STUDY

- To study the concept of Goods and Services Tax (GST)
- To study the perception of respondents about the impact of GST on Indian Tourism

5. RESEARCH METHODOLOGY

The study focuses on the primary data where the information collected through structured questionnaire and the secondary data collected from various books, national & international journals, government reports, publications from various websites which has been published and focused on various aspects of Goods and Service tax. The research design taken for the study is descriptive and the convenience sampling method was used to collect the data. The respondents chosen were the general public at Tirunelveli City who travelled to various places within Tamilnadu as tourist and the Sample size is taken as 150 and the valid questionnaire is 126. Therefore it is considered the sample size as 126. The statistical tools used for the study is independent T-Test and One-Way ANNOVA in order to explore the actual perception among people towards the impact if GST towards tourism.

6. DATA ANALYSIS

Based on the objectives of the study the demographic patterns of information were collected among 126 respondents and it is identified that 53 percent of the respondents are male and others female. Among the respondents maximum of the respondents are earns between Rs.40, 000 and Rs.60, 000. They travel at least three to five times for tour within TamilNadu in a year. And by the analysis it is understood that maximum of the respondents spend from Rs.3000 up to Rs.5000 and above Rs.5000 for their stay approximately.

GENDER OF THE RESPONDENTS

	FREQUENCY	PERCENT
Male	67	53.1746
Female	59	46.8254
Total	126	100

TABLE NO 1

Maximum of the respondents visit Kodikannal and others to Ooty, Kaniyakumari and other places. The respondents spend Rs.1000 or between Rs.1000 and 3000 for their food per day at their tourists places.

INCOME OF THE RESPONDENTS

	FREQUENCY	PERCENT
Less than Rs.20000	24	19.04762
Rs20001-40000	35	27.77778
Rs.40001-60000	41	32.53968
Above Rs.60000	26	20.63492
Total	126	100

TABLE NO 2

Their choice of travel is car and bus and some by Train or very few (3%) by flight. It is noted that maximum of the respondents go with their family and next with their friends. It is been found out that after the implementation of GST if they go for Tour maximum of the respondents will compromise with their expenses they spend for food and next to that they compromise and reduce spending on accommodation. It is been clearly found out that they get aware of the information on GST through Media like television, News, and some through social media where none of the respondents exposed to GST through attending training programs and other modes. The awareness level of the respondents were analyzed through weighted average method and it is found out that the respondents are moderately aware of the implementation of GST on accommodation and food expenses and comparatively less aware on shopping expenses and tour agency. Therefore the government should take swift steps to make them aware on the implementation of GST and its positive impact.

LEVEL OF AWARENESS ABOUT GST IN VARIOUS ASPECTS

AWARENESS ABOUT CHANGES IN TAX	VERY LOW	LOW	MODERATE	HIGH	VERY HIGH	WEIGHTED SUM	WEIGHTED AVERAGE
Accommodation	35	41	15	24	11	313	3
Transportation	74	42	3	4	3	198	2
Food expenses	26	32	17	27	24	369	3
Shopping expenses	77	38	2	6	3	198	2
Tour agency	118	8	0	0	0	134	1

TABLE NO 3

There are four major factors which influence more on Tourism. These are Accommodation, Transportation, Shopping facilities, Attractions, Tour agents. In order to find out the perception of respondents towards the impact of GST on Tourism, five common variables were identified for each influencing factors and are analyzed through Individual T-Test

INDEPENDENT T-TEST - GENDER VS PERCEPTION OF THE RESPONDENTS

PERCEPTION TOWARDS	GENDER		SIGNIFICANCE VALUE
	MALE (MEAN)	FEMALE (MEAN)	
Accommodation	4.20	3.50	0.02
Transportation	3.40	3.60	0.76
Food expenses	2.90	4.00	0.00
Shopping expenses	3.70	2.40	0.01
tour agency	3.33	3.47	0.66

TABLE NO 4

Confidence level 95% and one-way ANOVA. The variables are

- Current taxation system remain complex
- Simplify the tax structure
- High taxes have caused inflation
- Scope of such reforms need to be enhanced
- Difficulties and harassment for tax payers

ONE-WAY ANOVA - INCOME VS PERCEPTION OF THE RESPONDENTS

PERCEPTION TOWARDS	INCOME				sig. value
	less than Rs.20,000 (mean)	Rs.20,000 - 40,000 (mean)	Rs.40,000 - 60,000 (mean)	Above Rs.60,000 (mean)	
Accommodation	3.2	2.8	4	3	0
Transportation	3	4.2	3.2	2.9	1.25
Food expenses	2	3	4.67	4.33	0.79
Shopping expenses	3.5	2.88	3.9	4.1	2.85
Tour agency	4	3.07	3.4	3.63	0.66

TABLE NO 5

It is found out the Gender means have significance on accommodation and more specifically mean value for male is greater than female. In case of food, Mean value for female is higher and for shopping male means is higher. Therefore the perception towards accommodation and shopping there is a negative perception among male and regarding shopping female has negative opinion regarding GST implementation. Regarding Income there is a significance between accommodation and respondents who earns between Rs.40,000 and Rs.60000. Therefore, it is implied that there is a negative perception towards implementation of GST on accommodation.

ANALYZING THE SECONDARY DATA

- Initiatives towards improving the safety of travellers were also not captured
- Further, the government did not introduce any major schemes related to the tourism and hospitality sector. Tax
- The government would need to introduce tax incentives and rebates for hotels and tour operators, and provide clarity on eligibility to claim deduction of 100 per cent capital expenditure in case of substantial renovation of an existing hotel premise.
- The development of infrastructure at major tourist spots in the country, and control on unregulated tourism activities would be desired to enhance their attractiveness and sustainability
- Inconsistencies in laws and regulations due to tourism being a state subject may continue to prevail; therefore, a centre-driven initiative is required to bring states on a common platform to further the government’s objective to improve the ease of doing business
- The overall taxation on the tourism and hospitality sector’s offerings would need to be reduced to stimulate its growth and make India competitive against other internationally renowned tourism destinations.

7. SUGGESTIONS

- The study evaluated the perception towards the impact of GST on tourism among tourists in Tamilnadu. It also identified the awareness level among the respondents in various aspects. In some of the areas it has positive impact and in some negative impact and the awareness level is moderate.
- GST is termed as the most important source of government's income to drive the economic growth and to achieve the status of developed country and high income. Therefore it is important for the government to take serious steps to educate the public especially the people who travel on tour through identifying agents, CAs, NGOs, various clubs to conduct awareness training programs throughout cities, management schools etc so that the negative perception may expect to change among people.
- The government can derive a governance to provide rebates, offers, to the hospitality sectors, travel services and for other services so that the tourism can rise up its contribution to the economic development of the country.
- The team of agents can be appointed to pop-up the positive quotations, testimonies on FB, and other social media.
- Exclusive agents can be recruited to display ads where ever possible and make push messages.
- The positive impact of GST on tourism will prevail only if the actual benefit is passed on to the common man.

8. CONCLUSION

The respondents have no doubt whatsoever regarding the proposed benefits of GST irrespective of their business type, legal status of business for the reason being they feel irritated by the present system which appears to be cumbersome. The lack of information coupled with the apathy towards reforms may paralyze the speedy implementation of this system especially in small towns where still not a single orientation program has been planned and executed till date by competent authorities. The association of business turnover with the apprehensions can be an issue worth considering when designing training programs and modules. In lieu of this it is suggested associations, NGO's should come forward to organize such programs at town level to orient small traders so that nobody is left out of this biggest tax reform in the country. Therefore the government may consider this issue and to frame better governance linked with social responsibility to create a clear picture about the existence of GST.

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