

A Study on Impact of Exemption of GST on Petroleum Products in Chennai of Tamilnadu

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Abstract: Petroleum products become one of the essential and necessary products in every individual's day to day life. Due to volatile in prices of petroleum products cause continuous increase in the prices of other products and increase in the cost of automobile users. Petroleum products are essential one to run over automobiles industries and make the products to move one place to another place for consumption purpose and people to move freely without much cost. So, government should take appropriate measures to control the prices of petroleum products without much fluctuations.

Keywords: GST, Petroleum products, indirect taxation, exemption and legislature.

During the prime ministership of Shri Atal Bihari Vajpayee the idea of a Goods and Services Tax (GST) for India was first mooted. Then, the former union finance minister on Feb 2006 in his budget 2006-07 proposed that GST would be introduced from 1st April 2010. The empowered committee of state finance ministers (EC), which had designed their VAT was asked to come up with a road map and structure for the GST. Joint working Groups of officials consisting of representatives of both states as well as the centre were set up to examine various aspects of the GST and draw up reports specially on exemptions and thresholds, taxations of services and inter-state supplies. Based on discussions within and between it and the central Government, the EC released its first Discussion paper (FDP) on GST in November, 2009. The FDP spelled out the features of the proposed GST and has formed the basis for the present GST laws and rules.

In March 2011, Constitution (115th Amendment) Bill, 2011 was introduced in the Lok Sabha to enable levy of GST. However, due to lack of political

consensus, the Bill lapsed after the dissolution of 15th Lok Sabha in August 2013.

³The Constitution (122nd Amendment) Bill 2014 was introduced in the Lok Sabha on 19th December 2014 and was passed by Lok Sabha on May 2015. The Bill was taken up in Rajya Sabha and was referred to the joint committee of both Lok Sabha and Rajya Sabha on 14th May, 2015. The select committee submitted its report on 22nd July 2015. Thereafter, the constitutional Amendment Bill was moved on political consensus. Finally, on 3rd August 2016 the Bill was passed by the Rajya Sabha and by the Lok Sabha on 08th August 2016. After ratification by required number of state legislatures and assent of the president, the constitutional amendment was notified as Constitution (101st Amendment) Act 2016 on 08th September, 2016. It paved way for introduction of Goods and Services Tax in India³.

¹Article 246 of the Indian constitution distributes legislative powers including taxation between the parliament of India and the state legislature. Article 366 (12A) of the Indian constitution “Goods and Services Tax” means any tax on supply of goods and services or both except taxes on the supply of the alcoholic liquor for human consumption¹.

²After GST Council approved the Central Goods and Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok Sabha on 29th March, 2017. The Rajya Sabha passed these Bills on 6th April, 2017 and were then enacted as Acts on 12th April, 2017. T 2015. 6 on 08.09.2016²

Thereafter, various State Legislatures have passed their state Goods and Services Tax Bills on their Assemblies. The GST was launched with effect from 01st July 2017 by our prime minister Shri. Narendra Modi in the presence of Shri. Pranab Mukherjee, the then President of India in a mid-night function at the central Hall of parliament of India after the enactment of various GST laws.

India is currently moving towards major reforms in its taxation systems and economic policies. The growth pattern of India is very high and by 2030 it is moving forward to become the third-largest economy of the world. Government

is taking significant initiatives to boost the overall economic growth of the country. Introduction to GST and its 3 types- CGST, SGST, IGST AND UTGST are providing effective support to such major economic development programme.

Objectives:

1. To analyse the impact of exemption of GST on petroleum products
2. To analyse the reasons for exclusion of petroleum products under GST regime and
3. To find out the major findings of the study.

Methodology

The selection of respondents are based on the simple random sampling technique. Since the study was based on the impact of exemption of petroleum products under GST. The sample size for the present study is fixed purposively by taking in to account time and money constraints. The sample respondents are collected through well prepared and pre-tested questionnaire.

Table 1: Age of the sample Respondents

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Upto 25	210	70
2	25-35	54	18
3	35-45	06	2
4	Above 45	30	10
	TOTAL	300	100

Source: Primary data

Interpretation

The age of the sample respondents is given in table1. From the above table majority 70 percent of the respondents are younger age group of up to 25 years old, followed by 18 percent of the respondents are in the age group of 25-35 years old. Only 10 percent of the respondents are above 45 years old. This shows that the majority of the respondents are young in age and frequently using two wheelers rather than age old people.

Table 2: Nature of fuel used by the sample respondents

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Petrol	282	94
2	Diesel	12	4
3	Electricity	06	2
4	Others	0	0
	TOTAL	300	100

Source: primary data

The nature of fuel used by the sample respondents are presented in table 2. It shows that 94 percent of the respondents are used petrol to run their vehicles, followed by 4 percent are used diesel and 2 percent are used electricity to run their vehicles. This shows that most of the respondents are consuming petrol and if there is any change in the price of petrol will affect them adversely.

Table 3: Reasons for exclusion of petroleum products under GST

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	It gives more revenue to the government	228	76
2	Price of the petroleum products are highly volatile	24	8
3	Depending highly on our imports	48	16
	TOTAL	300	100

Source: Primary data

The reasons for exclusion of petroleum products under GST is given table 3. It shows that 76 percent of the respondents are responded that due to revenue

Table 4: Opinion about exemption of GST on petroleum products

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Agree	84	28
2	Highly agree	0	0
3	Neutral	54	18
4	Disagree	48	16
5	Highly disagree	114	38
	TOTAL	300	100

Source: Primary data

motive the government excluded it from GST, followed by 16% of them are states that depending highly on our imports the government excluded it. And 8% of them states that due to highly volatile nature of the price it excluded from GST. So, the main reason for the exemption of petroleum products under GST is to get more revenue by the government in order to solve the balance of payment problem as well as to mobilise resources for developmental activity.

The people's opinion about exemption of petroleum products under GST is given in table 4. The table shows that majority 38 percent of the respondents are highly disagree with exemption of petroleum products under GST and wants to include with the GST. Followed by 16% of the respondents are disagree with the above statement. Only 28% of them are reacted positive manner with the government decision. This clearly shows that the most of the respondents are either disagree or highly disagree with the exemption of GST on petroleum products by the government.

Table 5: Whether the prices of petroleum products are reasonable.

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Agree	24	8
2	Highly agree	06	2
3	Neutral	24	8
4	Disagree	114	38
5	Highly disagree	132	44
	TOTAL	300	100

Source: Primary data

The opinion of the respondents about the prices of petroleum products are given in table 5. The above table shows that majority 82% percent of the

Table 6: Did you Experienced any Negative impact on hike of petroleum products

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Agree	132	44
2	Highly agree	126	42
3	Neutral	30	10
4	Disagree	0	0
5	Highly disagree	12	4
	TOTAL	300	100

Source: Primary data

respondents are either disagree or highly disagree with the above statement about the prices of petroleum products. Only 10% of them are either agree or highly agree with the above statement. This shows that most of the respondents are not satisfied with the price of petroleum.

The negative impact experienced by the sample respondents are presented in table 6. The table shows that 86 percent of them are experienced negative impact due to hike in the prices of petrol frequently by the government. Only 10% of them are neutral with the above statement. This shows that the most of the respondents experienced negative impact due to price hike on petroleum products by the government.

Table 7: Reduction in consumption of petroleum products due to hike in price

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	1-5 litre P.M	144	48
2	5-10 litre P.M	114	38
3	10-15 litre P.M	12	4
4	15-20 litre P.M	30	10
	TOTAL	300	100

Source: Primary data

The table 7 shows the reduction in consumption of petroleum products due to price hike by the government. The above table shows that 48 percent of the respondents are reduced consumption of petroleum products from 1 to 5 litres per month, followed by 38 percent respondents are reduced from 5 to 10 litres per month and 4 percent of them from 10 to 15 litres per month. Only 10 percent of the respondents are reduced from 15 to 20 litres per month. This shows that the price hike brings negative impact on the consumption of petrol.

Table 8: Amount of money spend on petroleum products per month by the respondents

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Less than Rs.1000	138	46
2	Rs.1000-1500	72	24
3	Rs.1500-2000	54	18
4	Rs.2000-2500	36	12
	TOTAL	300	100

Source: Primary data

The amount of money spend on petroleum products by the respondents per month is presented in table 8. The above table shows that 46 percent of the respondents are spent less than Rs. 1000 for per month, followed by 24 percent of them are spent Rs. 1000 to 1500 per month and 18 percent of the respondents are spent Rs. 1500 to 2000 per month. Only 12 percent of them spent Rs:2000 to 2500 per month. This shows that majority of the respondents are have been spend less than Rs.1000 for per month.

Table 9: Shifting two -wheeler to public transport due to price hike

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Agree	84	28
2	Highly agree	60	20
3	Neutral	90	30
4	Disagree	66	22
5	Highly disagree	0	0
	TOTAL	300	100

Source: Primary data

The shifting of two-wheeler to public transport by the people due to hike in price of petroleum products is shown in table 9. The above table shows that 48 percent of the respondents are either agree or strongly agree with the above statement and 30% of them are neutral. Only 22% of them are disagree with the above statement. This shows that the more respondents are ready to shift from own vehicle to public transport due to the hike in prices of petroleum products.

Table 10: Respondent's opinion to reduce the prices of petroleum products

<i>S. No</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	To include petroleum products under GST	162	54
2	To Exclude petroleum products under VAT	12	4
3	To reduce the tax rate	90	30
4	Others	36	12
	TOTAL	300	100

Source: Primary data

The respondent's opinion to reduce the prices of petroleum products is given in table 10. The above table shows that 54 percent of the respondents are suggested to include petroleum products under GST, followed by 30 percent of

them are suggested to reduce either VAT or any type of tax on petroleum products. under. So, it clearly shows that majority of the respondents are like to include the petroleum products under GST and through which the price of petrol also will be reduced in considerable manner.

Table 11: Changes in the price of other products due to change in the price of petroleum products

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Agree	120	40
2	Highly agree	132	44
3	Neutral	42	14
4	Disagree	0	0
5	Highly disagree	06	2
	TOTAL	300	100

Source: Primary data

The changes in the price of other products due to change in the price of petroleum products are shown in the table 11. The changes in the price of petrol affect the prices of other commodity in the market. The above table shows that 84 percent of the respondents are either agree or highly agree with the above statement. Only 14% of them are neutral. This shows that the more respondents are experienced that price hike on other products due to rise in the prices of petroleum products.

Table 12: Nature of advantages to consuming less petroleum products

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Less level of pollution	114	38
2	Less level of expenditure	24	8
3	Less intensity of traffic	12	4
4	All the above	126	42
5	Others	24	8
	TOTAL	300	100

Source: Primary data

The nature of advantages experienced by the people while consuming less amount petrol is given in table12. From the above table majority 42 percent of the respondents are experienced number of benefits while consuming less amount

of petrol like less level of pollution, less amount of expenditure and less intensity of traffic. Only 38 percent of the respondents are experienced only less level of pollution and 8% of them are experienced less amount of expenditure. From this it is clear that the pollution rate will be reduced while the consumption of petroleum products is reduced substantial manner.

Table 13: Alternative to petrol

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Electricity oriented Automobiles	138	46
2	Ethenol based Automobiles	30	10
3	Others	132	44
	TOTAL	300	100

Source: Primary data

The sample respondent's opinion to alternative to petrol is presented in table 13. From the above table 46 percent of the respondents are suggested electricity oriented vehicles for alternative to petrol, followed by 44 percent of them suggested other mode and 10 percent of them are suggested to ethanol based vehicles.

Table 14: Ideology to reduce the price of petroleum products

<i>S. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>Percentage %</i>
1	Social welfare policy of government	78	26
2	Change in the system of the government	120	40
3	Public uprising	60	20
4	Others	42	14
	TOTAL	300	100

Source: Primary data

The various ways to reduce the prices of petroleum products is given in table 14. From the above table majority 40 percent of the respondents are suggested to change in the system of the government, followed by the 26% of them are suggested to the social welfare policy of the government to reduce the petroleum price and 20 percent of them are suggested public uprising through which reduction in the prices of petroleum is possible. So, majority of them are suggested to change in the system of government.

5.1. Findings

- ❖ Majority of the respondents are have been used petrol to fill their vehicle.
- ❖ More revenue to the government is the main reason for the exemption of petroleum products under GST regime.
- ❖ Most of the respondents are not satisfied with price of petroleum products.
- ❖ The price of the petroleum products is not reasonable and government should include the petroleum products under GST regime to reduce the prices of petroleum products.
- ❖ The people were facing many negative impacts due to price hike on petroleum products in the form of rising the prices of essential commodities.
- ❖ The people started reducing the consumption level of petroleum products after rising the prices of petroleum products.
- ❖ It is observed that People started shifting to the public transport due to the price hike on petroleum products.
- ❖ Indirect taxation system is better than GST model on petroleum products.
- ❖ It is observed that when the level of consumption of petroleum reduced, then the level of pollution,expenditure, traffic also reduced.

Conclusion

Petroleum products become one of the essential and necessary products in every individual's day to day life. Without petroleum nothing can be moved from one place to another. Many industries and organisations are depending on the petroleum products. Petroleum is not one of our natural resources, so that we are importing from the foreign countries. It has weaken the foreign exchange and balance of payment of our country. Our government using it as a way to earn more revenue from the people. Because petroleum is a basic need for every individual,even if the price of petroleum crossed hundred rupees per litre people buying and used to fill their vehicles..It results in the rise of price on other products. The increase in the price of other products all give more revenue to the government and people are suffering lot due this price hike. To overcome this situation the government should bring petroleum products under GST regime.

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