

Unpacking the Unforeseen Consequences: A Comprehensive Examination on the Perception of Non-profit Organisations on Goods and Services Tax

Lawrence Benadict V *

Research Scholar, PG Research Department of Commerce, Vivekananda College, Madurai and Assistant Professor, St Xavier's College, Palayamkottai.

Chellapandian K

Assistant Professor, PG Research Department of Commerce, Vivekananda College, Madurai.

Ahamed Wasim Musthaq I A

Assistant Professor, Department of Commerce, VET Institute of Arts and Science (Co-Education) College, Thindal, Erode.

* Corresponding Author Email: loverencesj@gmail.com

Abstract: *This study examines Indian Non-Profit Organizations' (NPOs) perceptions of the Goods and Services Tax (GST), focusing on compliance challenges and operational implications. Using mixed methods, primary data from 110 Tamil Nadu NPOs via structured questionnaire were analyzed alongside secondary sources. Descriptive statistics, reliability tests (Cronbach's $\alpha = 0.897-0.898$), t -tests, and ANOVA assessed awareness levels, compliance burdens, and demographic influences. Results indicate GST imposes significant challenges for NPOs, particularly smaller entities, due to ambiguous tax applicability for dual activities (charitable/commercial), stringent documentation, and limited input tax credits. While 59% of NPOs remained unregistered, registered ones reported increased tax liabilities (41%) and administrative strain. However, GST enhanced transparency, bolstering donor trust. Demographic analysis revealed age ($p=0.040$) and education ($p=0.035$) as key factors shaping GST perceptions, while gender and legal status showed negligible impact. The study highlights systemic gaps in GST framework, including complex compliance processes and insufficient sector-specific guidance. It advocates streamlined filing procedures, exemptions for non-commercial activities, and training initiatives to improve regulatory adaptability. By addressing empirical gaps in taxation research, this work provides policymakers with insights to align GST norms with NPOs' operational realities. Findings underscore the urgency of collaborative dialogue between regulators and NPOs to reduce compliance inefficiencies and strengthen the sector's socio-economic contributions. Such reforms would ensure GST supports, rather than hinders, NPOs' public welfare missions while fostering equitable fiscal governance.*

Keywords: Compliance challenges, Goods and Services Tax (GST), Non-Profit Organizations (NPOs), Regulatory frameworks, Socio-economic impact, Tax liability

INTRODUCTION

Non-profit organisations are pivotal to advancing societal welfare through poverty alleviation, education, healthcare, and environmental sustainability. Operating without profit motives, they depend on donations, grants, and philanthropy while adhering to stringent regulatory frameworks to ensure compliance and operational viability. In India, NPOs are legally constituted as Trusts under state-specific Public Trust Acts, Societies registered under the Societies Registration Act (1860), or Section 8 Companies under the Companies Act (2013), each structure providing distinct governance mechanisms to pursue charitable objectives. Regardless of registration type, they receive uniform treatment under the Income Tax Act (1961), which exempts their income and grants 80G certification to incentivize donor contributions through tax rebates. Foreign funding is regulated by the Foreign Contribution (Regulation) Act (FCRA), overseen by the Home Ministry, ensuring transparency and accountability.

To qualify as a charitable organization, entities must secure 12AA certification under the Income Tax Act, with "charitable purpose" defined under Section 2(15) as activities promoting public welfare-including poverty relief, education, and healthcare-excluding those restricted to religious instruction or worship. Compliance with these frameworks ensure financial sustainability while reinforcing accountability. The transition from erstwhile Section 25 (Companies Act, 1956) to Section 8 Companies under the 2013 Act exemplifies evolving regulatory standards, balancing flexibility for philanthropic missions with rigorous oversight. Collectively, these mechanisms enable NPOs to navigate legal complexities, uphold public trust, and amplify their socio-economic impact, fostering equitable development within India's non-profit ecosystem.

Goods and Services Tax (GST) in India

The implementation of GST in 2017 represented a significant reform in India's indirect taxation system. It was introduced to consolidate the previously fragmented tax framework by replacing a multitude of indirect taxes, including service tax, excise duty, and Value Added Tax (VAT), with a cohesive and standardized structure. This comprehensive reform in tax was aimed at simplifying tax administration, promoting uniformity across states, and

enhancing economic efficiency by eliminating cascading taxation. This reform aimed to enhance transparency, improve compliance, and boost economic efficiency. However, GST's implications for NPOs have been both challenging and multifaceted, as these organizations are required to align their operations with the new tax framework while continuing to prioritize their mission-driven activities.

GST Implications on the Dual Nature of NPO Activities

GST presents unique considerations for NPOs due to the dual nature of their activities—those directly related to their charitable objectives and others that may be commercial or revenue-generating in nature. While many services provided free of cost or at a nominal charge are exempt from GST, activities with commercial elements, such as the sale of products or event-based fundraising, often attract taxation. This distinction requires meticulous financial management and compliance, a task that can strain the limited administrative and financial resources of many NPOs.

Operational and Compliance Challenges for NPOs under GST

Additionally, GST impacts NPOs through increased operational costs, reduced eligibility for input tax credits, and the necessity for detailed record-keeping and periodic return filings. For smaller organizations, these requirements can be particularly burdensome, diverting time and resources away from their core mission. Moreover, the ambiguity surrounding the taxability of certain activities has led to confusion and uncertainty, further complicating compliance efforts.

Opportunities and Strategic Advantages of GST for NPOs

Despite these challenges, GST has also brought opportunities for NPOs. The system's emphasis on transparency and accountability has encouraged organizations to adopt robust financial practices, fostering greater trust among donors and stakeholders. By streamlining processes, GST has provided a framework for improved efficiency, enabling NPOs to better manage their financial transactions. Furthermore, the introduction of GST has highlighted the need for sector-specific regulatory considerations, creating a platform for advocacy and dialogue between NPOs and policymakers.

Significance of Understanding GST's Impact on the Non-Profit Sector

As the non-profit sector in Tamil Nadu and across India continues to evolve, understanding the implications of GST is critical for ensuring its sustainability and socio-economic effectiveness. This discussion investigates the perceptions, experiences, attitudes, challenges, and strategies of NPOs toward GST. It delves into the multifaceted dynamics that underpin their interaction with this taxation regime.

NEED AND SIGNIFICANCE OF THE STUDY

NPOs address societal needs through donations and volunteerism, facing GST-related complexities since 2017. Limited research focuses on their unique challenges—compliance burdens, ambiguous taxation of activities, and restricted input tax credits. Empirical studies are crucial to inform policies that ease operational hurdles, enhance compliance efficiency, and strengthen financial sustainability. Evidence-based insights can guide tailored GST frameworks, enabling NPOs to thrive while serving public welfare, bridging

gaps in policy discourse.

OBJECTIVES OF THE STUDY

1. To analyse the perception towards Goods and Services Tax among Non-Profit Organizations in Tamil Nadu.
2. To assess the understanding of GST regulations and compliance requirements among NPOs.
3. To identify specific challenges or areas of confusion regarding GST regulations faced by NPOs in Tamil Nadu.

STATEMENT OF THE PROBLEM

GST, a transformative Indian fiscal reform, aims to unify taxation and bolster revenue. However, its implications for NPOs given their distinct operational and funding models warrant critical scrutiny. This study examines the extent of NPOs' comprehension of GST regulations and compliance mandates, alongside sector-specific challenges and ambiguities in interpreting tax provisions. By interrogating these issues, the research seeks to elucidate NPOs' perceptions of GST, highlight systemic gaps, and propose reforms to align the tax framework with non-profit exigencies. The findings aim to inform policymaking, enhancing regulatory clarity and compliance efficacy to support NPOs' societal contributions.

REVIEW OF LITERATURE

Goods and Services Tax (GST) underscore its multifaceted impact on public satisfaction, business dynamics, and economic challenges. Gurusamy and Vasanthakumar (2018) observed initial public dissatisfaction with GST implementation in India, despite its intent to stabilize prices and benefit consumers; however, acceptance grew as the system matured. Recent scholarship explores GST's intersection with broader fiscal policies, emphasizing economic, environmental, and technological dimensions. In India, analyses using the SAP-LAP framework and Twitter analytics reveal polarized public sentiment, advocating technological upgrades to streamline compliance and enhance transparency (Deshmukh et al., 2022). Globally, taxation discourse prioritizes equity and sustainability, with proposals for wealth and carbon taxes to address inequality and environmental degradation. Revenue-neutral carbon taxation is posited to curb inflationary pressures (Konradt & Weder di Mauro, 2023; Piketty et al., 2023), while "sin taxes" on tobacco and sugary beverages demonstrate efficacy in reducing consumption and health burdens without adverse economic impacts (Paraje et al., 2023). Emerging economies benefit from green taxation synergized with innovation, and AI-driven models, such as the "AI Economist," optimize welfare and equity in policy design (Zheng et al., 2022). Luxury carbon taxes and public receptivity to meat taxation reflect evolving priorities toward sustainability and fairness (Oswald et al., 2023; Perino & Schwickert, 2023).

GST's role in unifying tax regimes, mitigating cascading effects, and improving compliance is widely acknowledged (Antony & Sharma, 2023; Salleh et al., 2022). In India, GST enhanced revenue efficiency but exposed interstate disparities and burdened MSMEs with compliance complexities despite profitability gains (Garg, 2023; Bhalla, 2023). Cross-national comparisons with Malaysia, Canada, and ASEAN nations highlight GST's adaptability to diverse economies, while digitalization promises enhanced administrative efficiency (Sharma, 2023). Persistent challenges include taxpayer awareness gaps, multilayered rate structures, and evasion in digital economies (Tekwani, 2021; Pandey, 2023). Future strategies necessitate integrating environmental

policies, simplifying regulatory frameworks, and advancing taxpayer education and technological infrastructure.

Collectively, contemporary research underscores the imperative to embed equity, sustainability, and innovation within taxation systems, ensuring GST evolves as a tool for economic cohesion and social welfare. Policymakers must reconcile compliance burdens with operational ease, leveraging digital solutions and global insights to maximize GST's socio-economic potential.

METHODOLOGY

This work adopts descriptive and analytical methods, incorporating data from both primary and secondary sources to ensure comprehensive analysis. Primary data were collected from a sample of 110 respondents in Tamil Nadu using a structured questionnaire, with the sampling approach based on judgment or purposive sampling to ensure relevance and representativeness. Secondary data were sourced from credible publications, including books and authoritative websites, to supplement the primary findings. Descriptive statistical tools were employed for data analysis, facilitating a systematic examination of the collected information. One-sample t-test, ANOVA table are employed. In this study the researchers have taken 5% significance as the Confidence level.

DATA ANALYSIS AND INTERPRETATIONS

Cronbach's Alpha serves as a statistical measure of internal consistency reliability, assessing the degree to which items within a questionnaire or scale collectively measure the same basic construct.

Table 1: Analysis of the Relationship between Demographic Variables of Non-profit Organisations Respondents and Awareness about Goods and Services Tax (GST)

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Number of Items
0.897	0.898	10

Source: Primary Data

In the current study, Cronbach's Alpha coefficients of 0.897 and 0.898 were obtained, based on standardised items and a total of 10 items, respectively. A coefficient value exceeding 0.70 is widely regarded as an acceptable benchmark in research, signifying a substantial level of internal reliability. Since both coefficients in this study surpass the recommended threshold, it can be inferred that the items used to assess respondents' perceptions of NPOs about GST exhibit strong internal consistency, ensuring the reliability of the tool used for measuring the statistical inferences.

This indicates that the questionnaire items are reliably measuring the same underlying construct, namely the perception of NPOs towards GST, and that the scale is likely to yield consistent and dependable results. Therefore, the findings derived from the questionnaire responses can be considered reliable and trustworthy, providing valuable insights into the perception of NPOs towards GST.

Table 2: Demographic Profile of the NPO Respondents

Demographic Profile		No. of Respondents (N=110)	Percentage (%)
Gender	Male	77	70
	Female	33	30
Age	Up to 35 years	32	29
	36 to 50 years	48	44
	Above 50	30	27
Educational Level	Up to H.Sc.	23	21
	Diploma	22	20
	Graduate	32	29
	Post Graduate	15	14
	Professional	18	16
Designation	Managing Trustee	23	21
	Treasurer	20	18
	Director	31	28
	Accountant	16	15
	Manager	20	18
Legal Status	Trust	44	40
	Society	54	49
	Section 8 Company	12	11
GST Status	Registered NPO	45	41
	Unregistered NPO	65	59
Existence	Less than 10 years	23	21
	10 to 25 years	31	28
	26 to 50 years	29	26
	Above 50 years	27	25
Nature of Service	Charitable	20	18
	Religious	35	32
	Educational	29	26
	Healthcare	26	24

Source: Primary data

Table 2 provides a snapshot of the demographic profile of NPO respondents regarding Goods and Services Tax (GST). It illustrates gender distribution, age groups, educational levels, designations, legal status, GST registration status, years of existence, and nature of service of the NPOs. The percentages offer insights into the composition of the respondent pool, highlighting key demographics such as gender, age, educational background, organizational roles, legal structures, GST registration status, longevity, and service focus of the NPOs involved in the study.

Most of the Respondent are Male: $77 / 110 * 100 = 70\%$

Most of the Respondent are between 36 to 50 years: $48 / 110 * 100 = 44\%$

Most of the Respondent are Graduate: $32 / 110 * 100 = 29\%$

Most of the Respondent are Director: $31 / 110 * 100 = 28\%$

Most of the Respondent are from the Society: $54 / 110 * 100 = 49\%$

Most of the Respondent are from the Unregistered NPO: $65 / 110 * 100 = 59\%$

Most of the Respondent have 10 to 25 years of Experience: $31 / 110 * 100 = 28\%$

Most of the Respondent Religious: $35 / 110 * 100 = 32\%$

One-sample T-test:

H0 - There is no significant difference between Perception and the NPOs mean

Table 3: Perception of GST among Registered NPOs

No.	Factors	T-Value	Df	Mean	Sig
1.	The registration process for GST of a Non-Profit Organization is straightforward and efficient.	1.862	99	3.24	0.162
2.	The government provides clear guidelines and support to assist NPO in registering for GST.	2.352	99	3.52	0.018*
3.	GST has resulted in a significant increase in overall tax liabilities compared to previous tax regimes.	4.754	99	3.18	0.000*
4.	GST rates have influenced our organization's financial planning and budgeting decisions.	1.345	99	3.52	0.183
5.	The process of GST filing and submitting returns has become simple and fast.	2.156	99	3.56	0.045*
6.	Professional assistance or training to ensure accurate and timely GST filing is required.	0.452	99	3.46	0.646
7.	Delays or penalties in GST filing and returns are caused due to procedural or technical issues.	1.846	99	3.55	0.048*
8.	GST increases documentation and record-keeping requirements.	3.891	99	3.58	0.000*
9.	GST networks and portals improve the efficiency of filing and returns.	3.100	99	3.25	0.023*
10.	Digital tools and platforms are helpful to manage financial transactions and records.	3.332	99	3.65	0.546

5% Significant

Table 3 displays the results of the t-test conducted to examine the perceptions of Non-Profit Organizations (NPOs) regarding GST.

Upon reviewing the significance values presented in Table 3, indeed, the mean values for 7 out of the 10 assessed features are statistically significant. A mean value is considered significant when the corresponding significance value falls below the threshold of 0.05. Consequently, for these seven variables, the null hypothesis, which posits that the perception of NPOs towards GST is not significant, is rejected in favour of the alternative hypothesis, indicating that the NPOs' perceptions of GST hold statistical significance. The four statements which show a significant perception level

of 5%, I think the GST rates have influenced our organization's financial planning and budgeting decisions. Professional assistance or training to ensure accurate and timely GST filing is required. GST networks and portals improve the efficiency of filing and returns. The rest of the two statements significant value of 1%, GST increases documentation and record-keeping requirements. GST has resulted in a significant increase in overall tax liabilities compared to previous tax regimes. These statements are highly satisfied with the NPOs of the study. For three of the statements, the significance value exceeds the threshold of 0.05, indicating that the perceptions associated with these statements do not demonstrate statistical significance within the context of the analysis. These statements are - the registration process for GST of a Non-Profit Organization is straightforward and efficient, GST rates have influenced our organization's financial planning and budgeting decisions, and Digital tools and platforms are helpful to manage financial transactions and records.

Analysis of Variances

The analysis of variance (ANOVA) table presents the relationship between demographic variables and non-profit organizations' (NPOs) perception towards GST. The analysis depicts that there is no significant difference between demographic variables and NPOs' perception towards GST.

The analysis depicts that there is no significant difference between demographic variables and NPOs' perception towards GST. The F-values and associated p-values (Sig) are provided for each demographic category.

The inference from the table is as follows:

1. Gender: No significant difference exists in the perception of female and male respondents toward GST. ($F = 1.587$, $p = 0.312$).

2. Age: There is significant difference in perception based on age groups ($F = 1.623$, $p = 0.040$). Respondents aged 36 to 50 years show slightly higher perception scores compared to other age groups.

3. Educational Level: There is a significant difference in perception based on educational attainment ($F = 1.798$, $p = 0.035$). Respondents with a diploma, graduate, or professional degree tend to have higher perception scores compared to those with lower educational levels.

H0 - There is no significant difference between demographic variables and NPOs' perception towards GST

Table 4: Analysis on the significance between demographic variables and NPO's perception towards GST

Demographic Profile	Categories	Mean	SD	Count	F-Value	Sig
Gender	Male	3.562	.960	77	1.587	0.312
	Female	3.332	.870	33		
Age	Upto 35 Years	3.675	.789	32	1.623	0.040
	36 to 50 Years	3.563	.856	48		
	Above 50	3.252	.637	30		
Education Level	Upto H.Sc	3.656	.725	23	1.798	.035
	Diploma	3.742	.895	22		
	Graduate	3.894	.952	32		
	Post Graduate	3.573	.855	15		
Designation	Professional	3.926	1.253	18	2.017	0.079
	Managing Trustee	3.563	0.852	23		
	Treasurer	3.582	.662	20		
Legal Status	Director	3.589	0.628	31	2.231	0.357
	Accountant	4.962	1.278	16		
	Manager	4.100	0.882	20		
	Trust	3.689	0.625	44		
	Society	3.789	0.723	54		
GST Status	Section 8 Company	3.772	0.624	12	2.564	0.256
	Registered NPO	3.987	0.832	45		
	Unregistered NPO	3.231	.567	65		

5% significance

4. Designation: While there is no significant difference overall ($F = 2.017$, $p = 0.079$), accountants and managers show notably higher perception scores compared to other designations.

5. Legal Status: No significant difference in perception is observed among different legal status categories ($F = 2.321$, $p = 0.357$).

6. GST Status: The perception of registered and unregistered NPOs does not differ significantly. ($F = 2.564$, $p = 0.256$).

7. Existence: Although not statistically significant ($F = 2.852$, $p = 0.095$), NPOs existing for 26 to 50 years show slightly higher perception scores.

8. Nature of Service: While not statistically significant ($F = 1.892$, $p = 0.087$), NPOs providing charitable services tend to have slightly higher perception scores.

Overall, while some demographic variables show significant differences in perception towards GST among NPOs, others do not. This indicates that factors such as age, educational level, and designation may influence NPOs' perception of GST to some extent, but other factors like gender, legal status, GST registration status, years of existence, and nature of service may not have as strong of an impact.

CONCLUSION

This research sought to examine the perceptions of Non-Profit Organizations (NPOs) regarding the GST in India. Through an extensive review of the literature and a thorough empirical analysis, several significant insights have been uncovered, providing a deeper understanding of the complex ways in which NPOs perceive and engage with the GST framework.

According to the findings stated above, there are several recommendations that can be made to enhance the understanding and adaptation of NPOs towards GST. These include providing targeted training and support programs for NPOs, simplifying the registration and compliance processes, and conducting awareness campaigns to address misconceptions and challenges faced by NPOs.

This study reveals key insights into the relationship between NPOs and GST in India. By understanding the perceptions and challenges faced by NPOs, policymakers, regulatory authorities, and stakeholders can develop policies and strategies that better accommodate the needs of the non-profit sector, thereby promoting its growth and effectiveness in serving the public good.

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