

## A Study on Impact of Value Added Tax (VAT) Implementation in India

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*Value added tax (VAT) is a type of indirect tax that is imposed on goods and services. Sometimes, when the government operates on a budget surplus or wants to increase its revenue in order to finance its budget deficit. A question that arises is whether value added tax has been a boon or misery for a developing country like India. Around 136 countries in Asia have recognized the importance of value added tax. In one of the most large scale reforms of the country's public finances in over the past 50 years, India has finally agreed the launch of its much delayed value added tax from 1st April, 2005 at a rate of 12.5%. The tax rate is fixed by meeting of different state level Finance Minister, in New Delhi, designed to make accounting more transparent, to cut short trade barriers and boost tax revenues. The government imposes taxes and duty charges on the fellow people for fulfilling the infrastructural, technological, entrepreneurial demand of the country. VAT is omnipresent in all goods and services provided to the consumer. The paper aims at presenting the importance of value added tax in the Indian society, its impact and the future prospect for product and service industry in India. The data collected is secondary based from the governmental publications and standard for chartered accountants.*

**Keyword:** Value Added Taxes Levied, Socio-Economic Effects, and Implementations of Tax, Indian Society, and Calculation of Value Added Taxes.

### 1. Introduction

Indirect tax system plays an important role in the economic development of a country by influencing the rate of production and consumption. The Government of India has after committing to the World Trade Organization (WTO) regime, decided to modernize and streamline its indirect taxation, in the light of the experience of other WTO member countries. Value Added Tax (VAT) means the tax which is payable only on value-added. It is multi-point tax system but without the effect of double taxation. Value is added to the products, which an organization buys from other organizations such as raw materials, partly finished goods etc.

After buying the organization applies its own labour and machine to manufacture the final products. VAT is a tax, which is imposed at every stage of production i.e., from production level to retail level. Under VAT tax is calculated on value Added where value added is the difference between sales value and purchase value. Initially, all states were to move to VAT system by 2000, but administrative problems and concern over the revenue implications of the change delayed the scheduled implementation. Thus, the need is to develop such a 'Federal Friendly Model' of VAT

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(along with a suitable compensation package) that can be implemented in India without compromising federal principles.

### **1.1 Motivation for the Research**

Value added tax as an indirect system was introduced in India with effect from 01/04/2005. The various states in India slowly followed the system and the Indian indirect tax system as come under vat reign in due codes. The impact of vat implementation in India for the perspective of chartered accountant, wholesaler, retailer and consumer is unique study which was not carried out before in India this aspect motivated the researcher to undertake this system

### **1.2 Statement of the Problem**

In today's world of rapidly changing technology, wholesale trade firms are essential to the economy, by channel of distribution. To meet this changing environment, the wholesalers sell the products to be used primarily for resale or for industrial use with the current Value Added Tax scheme. The study is focused on impact of value added among the wholesalers, Retailers, chartered accountant, Tax officials and consumers in India. The common objective of Value Added Tax is to simplify tax structure, to create uniform common market within the country which will bring down prices that would enable the producers of goods to reduce costs, face competition from abroad and to increase exports. Value Added Tax will help common people, traders and also the government.

### **1.3 Objectives of the Study**

- To identify the characteristic features of VAT and Implementation domain.
- To analyze the perceptions of Wholesalers, Retailers, Chartered Accountant, Tax Officials and Consumers regarding VAT Implementation.
- To determine the impact of VAT on satisfaction over the marketers as well as consumers.
- To identify the Problems and Prospects in the lacuna of Governmental and Implementation domain.

## **2. Review of Literature**

Gurumurthi. S (1999) in his study outlined the experience gained in several federal economies, irrespective of the fact whether they are developed or developing, has established fairly beyond doubt the undesirability of subjecting commodity taxation to two levels, the federal and provincial, particularly in the context of introducing the VAT. While it is considered necessary to entrust the entire field of commodity taxation to the national government which is best equipped to implement the VAT, the redistribution of the powers of taxation between the central/federal government and the states will depend on the situation and circumstances prevailing in each country and that no generalization may be possible with regard to assignment of specific taxes to the states. International experience has shown that both personal and corporate income taxes are good candidates for partial assignment, particularly in large federations but the same cannot be said about a tax like the one on natural resources. Similarly, while property taxes have been traditionally assigned only to the sub national governments, the system

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is somewhat different in Brazil, where urban property is taxed at the municipal level, while the federal government levies and administers the tax on rural property. Therefore it may be necessary for each federal country to evolve its own system by applying the above principles.

Sukumar Mukhopadhyay (2001) in his study neutrality of VAT is no great virtue, that cascading effect can be removed zero-rating can be achieved by alternative methods, that VAT does not boost exports, we should reconsider the adoption of VAT even by promising a subsidy is an “ad hoc stepping stone to doom”. Genuine tax reforms are (a) three rates of duty in Central Excise, (b) three rates in retail sales tax, (c) reduction in exemptions drastically in excise and sales tax, (d) uniformity of sales tax floor rates, (e) reduction and ultimate removal of CST, (g) origin-based sales tax for inter-state sales, (h) giving more service tax to states by common consent, and (i) introduction of a proper audit set up. All this will constitute a much better reform.

Sukumar Mukhopadhyay (2003) in his study (a) VAT is not the best form of contention tax, especially in a development economy; (b) It is not suited for Indian federal. (c) An imperfect VAT would not serve the purpose for which VAT is better introduced; and (d) a better choice would be to combination of reformed CENVAT sales tax with uniform rates in all reduction in exemption CST.

K.Narayana (2005) in his study the state empower committee in India is planning to introduce VAT system at state level from 1<sup>st</sup> April 2005. As many as 21 states have reiterated their commitment to introduce value added tax (VAT) to replace sales tax from 1<sup>st</sup> April 2005. The remaining states i.e., U.P., tamilnadu and five other BJP ruled states have expressed their apprehension about the efficacy and revenue loss by introducing VAT. The VAT system of taxation does not encourage vertical integration of firms as it is independent of number of stages in the production and distribution channel. The experiences of many developing countries have shown that if properly designed and implemented the VAT may prove a better resources mobilizer than the present sales tax systems. The apprehensions of the 7 states are illogical and political rather than genuine economic reason.

Krishna Kumar Verma (2005) in his study as the date is drawing closer, some big states as M.P., U.P. and Rajasthan are denying implementing VAT. Thus the whole issue has got politicized. On the other side the Finance Minister has given instructions to other states to go ahead and implement VAT as scheduled. But this will create a lot of other problems. The old sales tax system and new VAT regime will have to coexist for some time. The coexistence of VAT and sales tax will create some confusion among business in regard to their future plans relating to relocation of production and distribution will play it by the ear initially and once they are convinced of substantial cost advantages in locating in a VAT state, they will follow suit. A piecemeal approach to VAT reality now. But the states which are going for it much to do in such a manner as to set an example for non VAT states to emulate. Finally a simplified and transparent regime will have to win the day and will present India a single market to manufacture within as well as outside the country. This is our only hope.

Dr. S.B.Akash and Dr. K.Harishkumar (2006) in their study credit to recover the tax paid on their business inputs. As a result, the system is an effect applying tax only to the Value Added by each vendor. Since, only the tax that does not refund is the tax imposed on final consumption the tax is equivalent to the retail sales tax where value

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and purchase value. He concludes VAT is not burden to the manufacturer and it facilitates concession to manufacturer and it facilitates concession to manufacturer in an easier manner. The successes of value added system fully depends upon proper planning and preparation, sound accounting practices, systematic organizational audit, fully acceptance of people, trained manpower, sound ethical business practices in business and ethical government representatives.

B.N. Agrawal and Abin Sarkar (2006) in their study today's global economy demands a consistent, legal and regulatory tax framework to support electronic transactions across state, national and international boundaries. Free flow of investments, cross border transactions, gradual melting down of trade barriers are areas that have given rise to several problems concerning taxation. Through VAT business should become cost effective and competitive and the system should be simple and easy to comply with and solve the industries innumerable problems which present tax system could not take care of! A win-win situation for both industry and the revenue would be to adopt a tax structure that has a combination of reasonable rates on goods and services, which can be set-off to eliminate the cascading effect on a wide tax base.

VAT Survey (2006) the survey questionnaire was distributed to the participating companies. This was followed up by telephonic calls to the CFOs in these companies to bring about seriousness to the entire effort. Special care was taken to ensure that all types of industries and all types of businesses were appropriately represented in the survey so that the results emerging out of it were representative. The survey process was completed in a record time of two months and the response rate was very encouraging. The survey response covered all sectors of business from manufacturing to trading. The survey also evoked goods response from all industry segments. The VAT system is in force for a year now. Apart from its initial resistance, Trade and Industry has welcomed the implementation of VAT as the pros clearly outnumber the cons.

Dr. M.SelvaKumar and C. Thina (2008) in their study a universal tax system which eliminates possible tax evasion is needed for better administration. India hopes that VAT system definitively helps to monitor the tax system in India. At the same time the trader and seller also receive some benefits through this systems. Therefore the government should take some steps to clarify doubts about VAT to traders and public.

L. Satheeskumar and Dr. V. Selvaraj (2009) in their study introduction of VAT and the relevant legislation has far reaching implications for industry and trade. Adjusting to a VAT regime would require realignment of business strategies, distribution channels and logistic requirements. It is, therefore, important that VAT is implemented with detailed legislation and rules at least four months in advance giving time to trade and industry to adjust.

Dr. M. SelvaKumar and P.G. Kathiravan (2009) in their study a universal tax system which eliminates possible tax evasion is needed for better administration. VAT will definitely help to monitor the tax system in India. At the same time, the trader and seller also receive some benefits through this system. Therefore the government should take steps to clarify doubts about VAT to traders and the public.

### 3. Research Methodology

#### 3.1 Sampling Plan and Data Collection

The study is based on both primary and secondary data. The primary data is collected from the Tax Officials, Chartered Accountants, Wholesalers, Retailers and Consumers. The questionnaire comprises three broad categories namely business profile, tax implementation stage, tax output stage and its impact over marketers and consumers. The secondary data must be studied in the form of VAT collection for both central and state governments from the date of implementation. It is better to collect the wide responses from the four major metro and cosmopolitan cities.

#### 3.2 Sampling Techniques

The Convenient Random Sampling technique is exploited to obtain the responses from the required domains of VAT.

#### 3.3 Sample size

A sample size of 409 respondents is found useable for completion of the project. Frequency Distribution to determine the demographic factors and other variables to classify the perceptions regarding VAT implementation.

#### 3.4 Hypotheses

There is no relationship between the perceptions of Wholesalers, Retailers, Chartered Accountant, Tax Officials and Consumers regarding VAT Implementation.

There is no association between the impact of VAT on satisfaction over the marketers as well as consumers.

### 4. The Impact of Vat in India

VAT is most certainly a more transparent and accurate system of taxation. The existing sales tax structure allows for double taxation thereby cascading the tax burden. For example, before a commodity is produced, inputs are first taxed, the produced commodity is then taxed and finally at the time of sale, the entire commodity is taxed once again. By taxing the commodity multiple times, it has in effect increased the cost of the goods and therefore the price the end consumer will pay for it. The transaction chain under VAT assuming that a profit of Rs 10 is retained during each sale.

**Table 1: Vat Chain for Sale**

SALE 'A' OF CHENNAI @ Rs. 100/- SALE @RS.124/-	'B' OF BANGALORE	SALE @ RS.114	'C' OF BANGALORE
	'D' OF BANGALORE	SALE @ Rs. 134/-	CONSUMER IN BANGALORE

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**Table 2: Tax Implication under Value Added Tax Act**

Seller	Buyer	Selling Price (Excluding Tax)	Tax Rate	Invoice value (Incl Tax)	Tax Payable	Tax Credit	Net TaxOutflow
A	B	100	4% CST	104	4	0	4.00
B	C	114	12.5% VAT	128.25	14.25	0*	14.25
C	D	124	12.5% VAT	139.50	15.50	14.25	1.25
D	Consumer	134	12.5% VAT	150.75	16.75	15.50	1.25
<b>Total to Govt.</b>						<b>VAT CST</b>	<b>16.75 4.00</b>

\*Note: CST Paid cannot be claimed for credit. CST is assumed to remain the same though it could to be reduced to 2% when VAT is introduced and eventually phased out.

VAT can be considered as a Multi-Point Sales Tax with set-off for tax paid on purchases (inputs) and capital goods. What this means is that dealers can actually deduct the amount of tax paid by him for purchase from the tax collected on sales, thereby paying just the balance amount to the Government.

**Table 3: Calculation of VAT**

PARTICULARS	MANUFACTURERS	WHOLESALEERS	RETAILERS	CONSUMER
<b>Price payable</b>	Nil	Rs.11,250(-)	Rs.13,500(-)	Rs.16,200
<b>VAT recoverable</b>	Nil	Rs.1,250(-)	Rs.1,500(-)	Nil
<b>Net cost</b>	Nil	Rs.10,000(-)	Rs.12,000(-)	Nil
<b>Profit</b>	Nil	Rs.2,000	Rs.2,400	Nil
<b>Net selling price</b>	Rs.10,000	Rs.12,000	Rs.14,400	Nil
<b>VAT charged</b>	Rs.1,250	Rs.1,500	Rs.1800	Nil
<b>TOTAL</b>	<b>RS.11,250</b>	<b>RS.13,500</b>	<b>RS.16,200</b>	<b>NIL</b>

## 5. Factor Analysis

Factor analysis by principle component method is used to reduce the variables into pre-dominant factors.

### 5.1 Factors of VAT Implementation

The VAT implementation comprises 15 variables pertaining to characteristics of VAT and its implementation consequences in the research the VAT implementation opinion is ascertained through 15 variables as stated the t-test. It is require to downsize these 15 variables into predominant factors. At this juncture factor analysis the principle component method is applied and the following results of ascertained.

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**Table 4: KMO and Bartlett's Test for Factors of VAT Implementation**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.520
Bartlett's Test of Sphericity	Approx. Chi-Square	6397.178
	df	105
	Sig.	.000

### Communalities

	Initial	Extraction
Tax Evasion	1.000	.799
Transparency	1.000	.736
Improved Exports	1.000	.841
Government Profits	1.000	.782
Material Cost	1.000	.786
Response towards VAT	1.000	.791
Difficulties are found in the instruction of VAT system than sales tax	1.000	.648
Inflation	1.000	.655
Revenue Growth	1.000	.623
Tax aspects	1.000	.709
sales tax	1.000	.872
Benefits to the customers and government	1.000	.910
Approach for the wholesalers and retailers	1.000	.915
Tax revenue to the government increased rapidly	1.000	.778
Economic situations.	1.000	.817

Extraction Method: Principal Component Analysis.

From the above table it is found KMO measure of sampling adequacy is .520 and Bartlett's test of 6397.178 are statistically significant at 5% level. The following communality table identifies the nature of variance. From the above table it is found that the variance range from .648 to .915. This implies the variance range from 64.8% to 91.5%. This variance implies that the factor segmentation is significant and its explained in the following the total variance table VAT implementation checks the tax evasion periodically variance is .799. This implies the variance range is 79.9%. Transparency is prevailing in the VAT implementation process variance is .736. This implies the variance range is 73.6%. VAT improved exports variance is .841. This implies the variance range is 84.1%. It increases government profits variance is .782. This implies the variance range is 78.2%. It reduces the material cost variance is .786. This implies the variance range is 78.6%. Comparing VAT system with erstwhile sales tax gives more favorable response towards VAT range is .791. This implies the variance range is 79.1%. More difficulties are found in the instruction of VAT system than sales tax range is .648. This implies the variance range is 64.8%. Inflation increases due to VAT implementation programmes range is .655. This implies the variance range is 65.5%. VAT implementation improves the revenue growth range is .623. This implies the variance range is 62.3%. VAT implementation increases the confidence of the customers on their tax aspects range is .709. This implies the variance range is .709. This implies the variance range is 70.9%. It curtails sales tax at different stages range is .872. This implies the variance range is 87.2%. It gives mutual benefits to the customers and government variance range is .910. This implies the variance range is 91.0%. It sets smooth approach for the wholesalers and retailers variance range is .915.

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This implies the variance range is 91.5%. The total collection of tax revenue to the government increased rapidly variance range is .778. This implies the variance range is 77.8%. It is more suitable for the globalised economic situations variance range is .817. This implies the variance range is 81.7%.

**Table 5: Total Variance Explained for VAT Implementation**

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Tax Evasion	5.597	37.315	37.315	4.249	28.325	28.325
Transparency	2.362	15.744	53.059	2.818	18.790	47.115
Improved Exports	2.120	14.133	67.192	2.584	17.230	64.345
Government Profits	1.583	10.554	77.746	2.010	13.401	77.746
Material Cost	.826	5.506	83.252			
Response towards VAT	.707	4.714	87.966			
Difficulties are found in the instruction of VAT system than sales tax	.506	3.374	91.340			
Inflation	.420	2.797	94.137			
Revenue Growth	.342	2.278	96.415			
Tax aspects	.177	1.183	97.598			
Sales tax	.132	.880	98.478			
Benefits to the customers and government	.113	.753	99.231			
Approach for the wholesalers and retailers	.077	.515	99.745			
Tax revenue to the government increased rapidly	.026	.171	99.916			
Economic situations.	.013	.084	100.000			

Extraction Method: Principal Component Analysis.

From the above table it is found that 15 variables are convenient to four major factor with individual Eigen values 4.249, 2.818, 2.584 and 2.010 and individual variance 28.325, 18.790, 17.230 and 13.401. The 15 variables explained 77.746% variance which is significant to segregate factors. The variable loadings on the represented in the following Rotated Compounded Matrix.

**Table 6: Rotated Component Matrix (A) For VAT Implementation**

	Component			
	1	2	3	4
Approach for the wholesalers and retailers	.939			
Revenue to the government	.817			
Globalised economic situations.	.808			
Sales tax	.769			
Benefits to the customers and government	.762			
Revenue growth	.588			
Inflation	.548			
Tax aspects		.783		
Sales tax at		.753		
Response towards VAT		.697		
Difficulties are found in the instruction of VAT system than sales tax		.587		
Tax evasion			.864	
Transparency			.843	
Improved Exports				.890
Government Profits				.881
Material Cost				

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

From the above table the first factor consists of 7 variable with variable loadings It sets smooth approach for the wholesalers and Retailers (.939) The total collection of tax revenue to the government increased rapidly (.817) It is more suitable for the globalised economic situations (.808). It curtails sales tax at different stages (.769). It gives mutual benefits to the customers and government (.762). Inflation increases due to VAT implementation programmes (.588) and more difficulties are found in the instruction of VAT system than sales tax (.548). Therefore this factor is known as “**Vat Outcomes**”. VAT implementation improves the revenue growth (.783) VAT implementation increases the confidence of the customers on their tax aspects (.753 ) It reduces the material cost (.697) Comparing VAT system with erstwhile sales tax gives more favorable response towards VAT (.587). Therefore this factor is known as “**Vat Benefits**“. VAT implementation checks the tax evasion periodically (.864) Transparency is prevailing in the VAT implementation process (.843). Therefore this factor is known as “**Vat Real Process**”. VAT improved exports (.890) It increases government profits (.881). Therefore this factor is known as “**Vat Features**”.

## 6. Cluster Analysis

There exist 3 clusters in the sample unit the first cluster as strong perceptions about VAT and its implication, so this cluster is called “**Dynamic Cluster**”. The third cluster moderately ascertained the implementation of VAT its consequences in the market. So there are called “**Mediculous Cluster**”. The third group of cluster is very week in the notations regarding VAT. So this is known as “**Unambitious Cluster**”.

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### 6.1 Classification of Respondents Based On Perceptions of VAT and Opinion on Implementation of VAT

The Research obtain 409 respondents from Tamil Nadu and Karnataka the respondents clearly expressed the opinion on VAT in likert's 5 point scale. There perceptual differences are identified through k-means cluster analysis. It identifies heterogeneity of respondent based on the scores of likert's 5 point scale. The following table presents the opinion of respondents based on the factors.

1. VAT Outcomes
2. VAT Benefits
3. VAT Real Process
4. VAT Features.

**Table 7: Final Cluster Centers for VAT Implementation**

	Cluster		
	1	2	3
Tax Evasion	4.21	2.31	3.47
Transparency	3.38	1.97	3.01
Improved Exports	3.71	3.34	2.94
Government Profits	4.19	3.27	3.64
Material Cost	4.26	3.47	3.41
Response towards VAT	3.52	2.92	2.39
Difficulties are found in the instruction of VAT system than sales tax	3.47	3.39	2.29
Inflation	4.01	4.34	3.36
Revenue Growth	3.93	3.32	3.69
Tax aspects	3.94	3.68	2.75
Sales tax	3.70	3.92	2.89
Benefits to the customers and government	2.38	2.20	2.01
Approach for the wholesalers and retailers	4.68	4.59	4.52
Tax revenue to the government increased rapidly	4.50	4.31	4.29
Economic situations.	3.37	2.95	2.85

**Table 8: Numbers of Cases in Each Cluster**

Cluster	1	234.000	57.21%
	2	59.000	14.42%
	3	116.000	28.36%
Valid		409.000	

The above table it is found that the sample unit is classified into 3 heterogeneous groups with frequency among the three groups the First group Strong in VAT OUTCOMES and VAT BENEFITS. Therefore this cluster is known as “**Unambiguous Cluster**” (57.21%). Whereas the Second Cluster is Weak in VAT OUTCOMES. So the

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Cluster is known as “**Mediculous Cluster**” (14.42%). But the Third Cluster is Strong in VAT FEATURES. Therefore this group is known as “**Dynamic Cluster**” (28.36%). On the whole it is concluded that around 50% of respondents are able to realize the implementation of VAT on their business establishment. It is also identified that the remaining 50% are not fully aware of VAT and its Implementation. They are unaware of VAT effectiveness, unenthusiastic and do not have clarity over VAT procedure.

### 6.2 Classification of Respondents based on Perceptions of VAT and Suggestions to Increase the Effectiveness Implementation of VAT

The Research obtain 409 respondents from Tamil Nadu and Karnataka the respondents clearly expressed the opinion on VAT in likert’s 5 point scale. There perceptual differences are identified through k-means cluster analysis. It identifies heterogeneity of respondent based on the scores of likert’s 5 point scale. The following table presents the opinion of respondents based on the factors.

1. Product Classification
2. Tax Credit
3. Practical Approach
4. Single Window Assessment

There exist 3 clusters in the sample unit the first cluster as strong perceptions about VAT and its implication, so this cluster is called “Uniformity Cluster”. The second cluster moderately ascertained the implementation of VAT its consequences in the market. So there are called “Need to be Improved”. The third group of cluster is very weak in the notations regarding VAT. So this is known as “Adoptable Cluster”

**Table 9: Final Cluster Centers for Suggestions for Effective Implementation of VAT**

	Cluster		
	1	2	3
Introduction of uniform product classification across the country	3.91	3.07	2.39
Extension of input tax credit to central sales taxes also	4.21	2.73	4.27
Adoption of a practical approach to VAT audits for assessment	4.14	3.35	3.53
Introduction of single window assessment process for all taxes.	3.89	3.23	3.03

**Table 10: Numbers of Cases in Each Cluster**

Cluster	1	243.000	59.41%
	2	102.000	24.93%
	3	64.000	15.64%
Valid		409.000	

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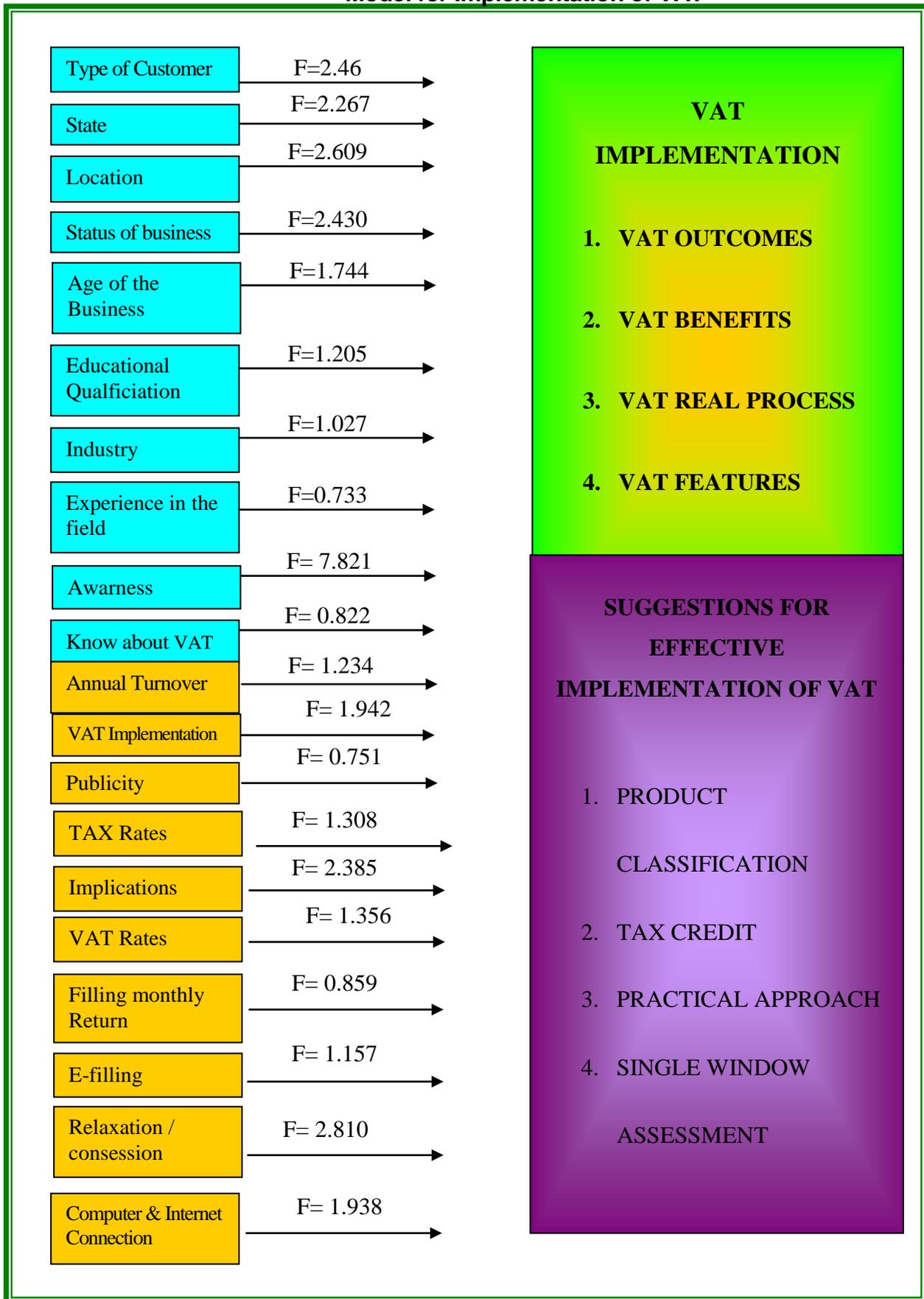
The above table it is found that the sample unit is classified into 3 heterogeneous groups with frequency among the three groups the First group Strong in Tax Credit and Practical Approach But moderate in Product Classification and Single Window Assessment. Therefore this cluster is known as **“Uniformity Cluster”(59.41%)**. Whereas the Second Cluster is Weak in Tax Credit.

Moderate in product classification, practical approach and single window assessment. So the Cluster is known as **“Need to be Improved”(24.93%)**. But the Third Cluster is Strong in tax credit of VAT. But weak in Product Classification. Therefore this group is known as **“Adoptable Cluster”(15.64%)**. On the whole it is concluded that around 59% of respondents are very much effective implementation of VAT and its total output remaining 25% are not need to be improved as well as adoptable cluster 15.64% to possess the awareness of VAT.

### 7. Schematic Model

The General Linear Model for determining influence of independent variable and dependent variables gives better understanding of implementation of VAT In India which was unique in the since no other model used contained the linear model

Model for Implementation of VAT



### 8. Findings

Type of customer of the sample unit comprises 54% of Chartered accountant are high. State of the sample unit comprises 71.4% of Tamil Nadu.

Business of the sample unit comprises 45.7% of Semi-Urban. 66.8% of the respondents belong to company.

46% of the respondents unit comprises 41 – 50 years are high. 54.5% of the Respondents are Post-Graduates.

50.1% of the respondents having are Cement Industry. 54.8% of the respondents having the Experience 16-20 years are high.

62.6% of the respondents opined Awareness about VAT system. 62.3% of the Respondents opined Knowledge about VAT.

The four major factor with individual eigen values 4.249, 2.818, 2.584 and 2.010 and individual variance 28.325, 18.790, 17.230 and 13.401. The 15 variables explained 77.746% variance which is significant to segregate factors. The variable loadings on the represented in the following Rotated Compounded Matrix.

Relationship between areas of Improvement and VAT Implementation and suggestions Respondents are not opinion that VAT Implementation as incidental impact over Exports. In other opinion the respondents do not differ in the notions of VAT Implementation.

Classification of respondents based on perceptions of VAT and suggestions to increase the effectiveness Implementation of VAT three clusters are Uniformity (59.41%), Need to be Improved Cluster (24.93%) and Adoptable Cluster (15.64%)

The finding reveals that there is definitely increased revenue growths for the governments which implemented VAT. Further the vat reign ensured uniform rate of taxation throughout the country.

### 9. Suggestions

Since the Consumers and Retailers are Unaware of certain Implementation process of Value added tax. It is suggested the government should come with transparent norms to enlighten the retailers and consumers.

The study ascertained maximum benefit to the government through Value Added Tax system. So it is strongly recommended to have innovative slab system suitable for Wholesalers, Retailers and Consumers.

Factor Analysis revealed the Implementation of Value Added Tax is predominant among the Retailers as well as Consumers. A separate system must be trendily implemented for the mutual benefit of purchasers and sellers.

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VAT features are highly competent to allot benefit to the government. So the channel of distribution and flow of VAT must be reformed. A transparent approach Rate of Tax, Refund Procedure, Maintaining and improving accounting procedure are the immediate need for an hour. It is strongly recommended that the tax consultant and the government should periodically to monitor the procedure.

### 10. Conclusion

The Value Added Tax makes an evasive attempt on Implementation level as well as execution level. The study revealed the requirement of transparency in VAT in all the states of India. It is found that equal channel of distribution of VAT is found among Wholesalers, Retailers and Consumers. The tax applicability and e-filing plays a vital role in the VAT system. It gives mutual benefits to the Consumers and Government. Service tax, sales tax and other taxes can be easily vivid due to its Implementation process. But the transparency is required at all the level in order to obtain effective functioning in the VAT system in all the states of India. The introduction of Uniform Product Classification across the country is required to exhibit the Implementation process with effective return. The adoption benefits of purchasers and sellers equally. The single window system and Abolition of CST are indispensable to obtain the scent percent success of VAT

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