IMPACT OF VALUE ADDED TAX
WITH REFERENCE TO GOA AND KERALA
- A COMPARATIVE STUDY

A Thesis submitted to the Goa University for the
Award of the Degree of

DOCTOR OF PHILOSOPHY

in

COMMERCE

By

SUBRAHMANYA BHAT K.M.

Goa University
Taleigao, Goa

2015

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Research Guide

DR. I. BHANU MURTHY

Goa University
Taleigao, Goa

2015

DECLARATION

I, Mr. Subrahmanya Bhat K.M., hereby declare that the present thesis titled "Impact of Value Added Tax with reference to Goa and Kerala- A Comparative Study" is the outcome of my own research undertaken under the guidance of Dr. I. Bhanu Murthy at the Department of Commerce, Goa University. All the sources used in this work have been duly acknowledged in the thesis. This work has not previously formed the basis for the award of any degree, diploma, Associate-ship, Fellowship or other similar titles of this or any other University.

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CERTIFICATE

I hereby certify that the thesis titled "Impact of Value Added Tax with reference to Goa and Kerala - A Comparative Study" submitted by Mr. Subrahmanya Bhat K.M. for the award of Doctor of Philosophy in Commerce at Goa University, has been completed under my guidance. This thesis is a record of the research work conducted by the candidate during the period of his study and has not previously formed the basis for the award of any degree, diploma, Associate-ship, Fellowship or other similar titles of this or any other University.
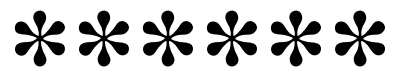
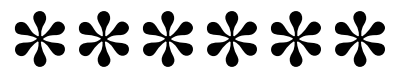DR. I. BHANU MURTHY
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DEDICATED TO
PARENTS

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ACKNOWLEDGEMENT

through the manuscript meticulously and for making the necessary language corrections.

There are no words to express my feeling towards my parents for their invisible support and encouragement throughout the study period. I dedicate this research work to the fond memories of my parents. My heartfelt thanks to Mrs. Shilpa Sanjay Sawaiker, Mr. Sanjay Sawaiker, Mr. Prasad Korde and their family members for the moral support extended to me. I am indebted to my wife Vijayalaxmi and children Ganapathi and Pranav Pradosh for their patience, love and support during the course of the study. Last, but not least, I thank all those people who have helped me directly and indirectly for the successful completion of my research work.

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SUBRAHMANYA BHAT K.M.

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LIST OF ABBREVIATIONS

ACCT	Assistant Commissioner of Commercial Tax
ACTO	Assistant Commercial Tax Officer
ANOVA	Analysis of Variance
CAGR	Compound Annual Growth Rate
CGST	Central Goods and Service Tax
CENVAT	Central Value Added Tax
CST	Central Sales Tax
CT	Consumption Tax
GSDP	Gross State Domestic Product
GST	Goods and Service Tax
CTD	Commercial Tax Department
CTI	Commercial Tax Inspector
CTO	Commercial Tax Officer
GVAT	Goa Value Added Tax
HSN	Harmonized System of Nomenclature
IGST	Inter State goods and Services Tax
ITC	Input Tax Credit
KGST	Kerala General Sales Tax Act
MODVAT	Modified Value Added Tax
NSDL	National Securities Depository Ltd
PAN	Permanent Account Number
PCA	Principle Component Analysis
KVAT	Kerala Value Added Tax
RBI	Reserve Bank of India
SPSS	Statistical Package for Social Sciences
SGST	State Goods and Service Tax
TIN	Tax Identification Number

KEY WORDS

Consumer	:	A person who buys the goods and services for personal use and not for resale or manufacture.
Cascading effect	:	Cascading means tax on tax, which has been already charged.
CST	:	Central Sales Tax is a tax on sales of goods levied by the Central Government of India. It is applicable only in the case of inter-state sales and not on sales made within the state or import/export of sales.
CENVAT	:	Central Value Added Tax has its origin in the system of Value Added Tax. The concept of Value Added Tax was developed to avoid cascading effect of taxes.
Dealer	:	Dealer means any person carries on a business in a state.
Direct Tax	:	Taxes which are paid directly by an individual on the income.
Gross State Domestic Product	:	Gross State Domestic Product is the value of the economic output of the State in a particular year.
GST	:	GST is a comprehensive Value Added Tax on goods and services.
Indirect Tax	:	Tax that is levied on Goods and Services rather than individuals and ultimately paid by the consumers.
Input Tax	:	This is a tax paid or payable in the course of business on the purchase of any goods made from a registered dealer of the state.
Tax	:	It is a compulsory contribution to state revenue, imposed by the government.
Output Tax	:	This means tax charged or chargeable by a registered dealer for sale of goods in the course of business.
VAT	:	Value Added Tax is multi point sales tax system with the set off for tax paid for purchases. In the substitution for earlier local sales tax, VAT has been introduced in the country by most of the states including Goa and Kerala with effect from 1st April 2005.

CHAPTER I

INTRODUCTION

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INTRODUCTION

1.1   Introduction of Taxation in India: Strong tax system is fundamental to the development of a nation's economy. Taxation is however, significantly more than revenue mobilization. The manner in which taxes are administered and collected and the uses to which they are put, define the symbiotic relationship between the state and its citizens—strengthening the former, while making it necessarily more accountable to the latter (Mishra, 2005). In India, history of the tax system dates back from the ancient times. It is found in the ancient books like "Manu Smriti" and "Arthasastra". In the Mughal's reign, different types of taxes were collected from inhabitants of India. The British Rule contributed a lot while establishing tax system in India because it was favourable to them (Muhammad, 2011).

1.2   System of Indirect Tax in India: The Indian economy experienced a serious macroeconomic imbalance in the economy which manifested in terms of a severe Balance of payment crisis and consequent financial crisis in the year 1991. In order to look in to the underlying causes of Indian tax system and suggest structural remedies to that, the Government appointed a Tax Reforms Committee in 1991, under the chairmanship of Raja J. Chelliah a well-known public finance expert. The Indirect Tax in India is a system with various laws and regulations, which includes specific laws for different states. In India Indirect Taxation regime comprises of various types of taxes like Central Sales Tax, Service Tax, Customs and Excise Duties, Value Added Tax. In the recent years there are significant reforms in Indirect Taxation system which includes the initiation of Sate level Value Added Tax on goods.

1.3   System of VAT in Various Countries: The term Value Added refers to the increase in the value of goods and services at each stage of production/transfer of goods or commodities/services. Thus Value Added Tax (VAT) basically means the tax likely to be levied on the value added by an organization at each stage of its rendering services or producing goods (Sarkar,C.R 2005). The VAT was first introduced at national level in France in 1954. Until 1968 its original coverage was limited and not had reached the broader retail sector. The first full VAT in Europe was enacted in Denmark in 1967.

1.4   System of VAT in India: The Raja Chelliah Committee constituted in the year 1991 recommended the introduction of VAT in India. State Finance Ministers met on 27th May 1994, to initiate discussion on the reform of domestic trade taxes in India, in particular, the issue of Value Added Tax (VAT), at the instance of the Union Minister of Finance and a committee of State Finance Ministers was constituted on sales tax reforms to examine all the aspects of sales tax reform including introduction of Value Added Tax. The Committee recommended several measures to rationalize the sales tax with the ultimate aim of introducing VAT at State level. The major recommendations included simplification of the rate structure, minimization of exemptions, and enhancement of transparency. Thereafter, Manmohan Singh, then Union Minister of Finance again invited the state Chief Ministers in December 1995.

The major initiative on introducing the VAT at State level was undertaken in the year 1995 when the Finance Minister Manmohan Singh convened a Chief Ministers' meeting and discussed the general terms and conditions of implementing the VAT at State level. In November 1999 the then Finance Minister Yashwant Sinha convened another Chief Ministers' conference where three important decisions were

taken such as a. harmonization sales tax across the States and elimination unhealthy sales tax war among States b. discontinuation of sales tax related industrial incentive schemes and c. steps for the introduction of State level VAT after adequate preparation. An Empowered Committee of State Finance Ministers was set up by the Central Government to oversee the progress of the above mentioned decisions and make preparations for implementing VAT in India. This Empowered Committee of State Finance Ministers under the chairmanship of Asim Dasgupta brought out an important white paper in 2005 which acted as a base for preparing various state level VAT legislations in the country. Many Indian States stated to replace the sales tax with State Value Added Tax starting with Haryana in the year 2003 and by December 2008 all States completed this transformation of this tax regime. Starting with Haryana and ending with Uttar Pradesh between 2003-04 and 2007-08 Value Added Tax on goods were implemented in all Indian States and several Union Territories (Gupta Arindam Das, 2012).

1.5   History of Sales Tax and VAT in Goa: Goa was ruled by the Portuguese from the 16th Century and remained a Portuguese colony until 1961 when the Indian army liberated Goa. A tiny emerald land on the west coast of India, the 25th State in the Union of India, was liberated from Portuguese rule on 19th December, 1961. Goa covers a geographical area of 3702 square kilometers and comprises two revenue districts North Goa and South Goa.

The Portuguese, by and large, maintained the tax collection system introduced by the Kadamba dynasty of Goa. Of course, the tax on *shendi* (tuft of hair on the shaven head) on Hindus was an innovative tax invented and introduced by the Portuguese. The budgeting system adopted by the former Portuguese Government in

Goa was vastly different from present one under Indian system (Angle Prabhakar S, 2001). The receipts were grouped under nine heads.

1)   Direct taxes.

2)   Indirect taxes.

3)   Special taxes such as mining tax.

4)   Administrative receipts.

5)   Income from government property and undertakings.

6)   Income from Investments.

7)   Recoveries.

8)   Income from autonomous bodies.

9)   Extraordinary Income.

After the liberation from the Portuguese regime, Goa had the status of Union Territory with Daman and Diu. However, Legislation to tax sale of goods within Goa, Daman and Diu came into force with effect from 1st October, 1964. The Central Sales Tax Act, 1956 was made applicable to the Union Territory of Goa from 21st January 1961. Goa became a full-fledged state of Union of India with effect from 30th May 1987 and Daman and Diu continued to be Union Territory governed by the Central Government. The Goa Value Added Tax Act, 2005 and Goa Value Added Tax Rules, 2005, have been introduced with effect from 1st April 2005. With the introduction of VAT in Goa from 1st April 2005, the earlier 'The Goa Sales Tax Act, 1964 stands replaced as Value Added Tax (VAT) in relation to Sales Tax in Goa. In respect to interstate sales Central Sales Tax Act, 1956 is fully in force even at present.

1.6   History of Sales Tax and VAT in Kerala: Kerala State was formed in the year 1956 by integrating three Malayalam speaking regions namely Travancore,

Cochin and Malabar but the sales tax was prevalent much before the formation of the State. In Cochin sales tax was introduced in the year 1946 Cochin Sales Tax Act (Act XV of 1121), Travancore General Sales Tax Act 1124 (Act XVI I I of 1124) and, the Madras General Sales Tax Act, 1939 (Act IX of 1939) the Madras Sales of Motor Spirit Taxation Act, 1939 (Act VI of 1939) and the Madras Tobacco (Taxation of Sales and Registration) Act, 1953 Act IV of 1953. The Kerala Adaptation of Laws Order, 1956, made Travancore Cochin and the Madras Acts applicable in the respective parts of the State.

In 1957 States were began levying tax on Inter State Sales and there conflicting decisions of the High Court's regarding the scope of Article 286 led to the appointment of the Taxation Enquiry Commission under the chairmanship of John Mathai. Based on the recommendations of the Commission, the Government amended the Constitution and a bill was brought in to the Parliament on 21st November 1956 which was passed as the Central Sales tax Act 1956 (Act 74 of 1956) . Section 16 (A) by Act 21 of 1958 Sales Tax law provides establishment of Check Posts from 1st December 1958 to prevent tax evasion by regulating movement of goods within and across the state borders.

Based on the International Customs Organization as Harmonized System of Nomenclature (HSN) and adopted by the Customs Tariff Act, 1975 the Kerala State Government allotted code numbers for the commodities in the schedules. HSN numbers are allotted in the schedules either in four digits or in six digits or in eight digits. The four digit numbers indicate the heading in the HSN classification, six digit numbers indicate the sub-heading and the eight digit numbers indicate the specific commodity number. A comprehensive Value Added Tax Act, 2003 was introduced

from 1st April 2005. There are few amendments within a short period of time after introduction of VAT (Saju K. Abraham, 2005).

State of Kerala itself was formed only on 1st November 1956 by the integration of the Malabar District and the Kasargod Taluka of the South Kanara District of the Madras State with the Travancore Cochin State (excepting the areas transferred to the Madras State), which itself was the result of an earlier integration of the two princely state of Travancore and Cochin on 1st July 1949. Sales tax was introduced in the component parts of the State on much earlier dates. In the erstwhile Cochin State, Sales Tax was introduced on the first day of Chingam (Malayalam month) of 1122 corresponding to the 17th August 1946 by the Cochin Sales Tax Act (Act XV of 1121). In the erstwhile Travancore State the introduction of Sales tax was on 1-10-1124 Malayalam Era, by the Travancore General Sales Tax Act 1124 (Act XVI I I of 1124). So far as the erstwhile Malabar District and the Kasaragod Taluk are concerned, the Madras General Sales Tax Act, 1939 (Act IX of 1939) the Madras Sales of Motor Spirit Taxation Act, 1939 (Act VI of 1939) and the Madras Tobacco (Taxation of Sales and Registration) Act, 1953 Act IV of 1953 were in force at the time of the integration on 1st November 1956.

On 1st November 1956, the Kerala State was formed and by the Kerala Adaptation of Laws Order, 1956, the Travancore Cochin and the Madras Acts were made applicable to the respective parts of the State. The year 1957 marks an important epoch in the history of Sales Tax in India in general. Following the decision of the Supreme Court State of Bombay and Others Vs. The United Motors (India) Ltd. and Others, the states began levying tax on Inter State Sales and there was a conflicting decision of the High Court's regarding the scope of Article 286.

Government of India also constituted the Taxation Enquiry Commission headed by John Mathai.

One of the recommendations of the Commission was to amend the Constitution empowering the Central Government to levy tax on inter State sales and purchases of goods other than newspapers. Accordingly, the Constitution was amended by the Constitution (Sixth Amendment) Act, 1956, by new clauses. In pursuance of these changes in the Constitution, the Government of India introduced a Bill in the Parliament on 21st November 1956 which was passed as the Central Sales tax Act 1956 (Act 74 of 1956) .

Another important step forward in the development of sales tax law in 1958 was the enactment of Section 16 (A) by Act 21 of 1958 providing for the establishment of Check Posts with a view to prevent evasion of tax by regulating movement of goods within and across the state borders. Check Posts were established under this new provision with effect from 1st December 1958. The introduction of Check Posts proved to be the most effective method of prevention of evasion of tax.

Harmonized System of Nomenclature under VAT in Kerala: The commodities in the schedules are allotted with Code Numbers, which are developed by the International Customs Organization as Harmonized System of Nomenclature (HSN) and adopted by the Customs Tariff Act, 1975. However, there are certain entries in the schedules for which HSN numbers are not given. Those commodities which are given with HSN number should be given the same meaning as given in the Customs Tariff Act, 1975. While interpreting a commodity, if any inconsistency is observed between the meaning of a commodity without HSN number and the meaning of a commodity with

HSN number, the commodity should be interpreted by including it in that entry which is having the HSN number.

HSN numbers are allotted in the schedules either in four digits or in six digits or in eight digits. The four digit numbers indicate the heading in the HSN classification, six digit numbers indicate the sub-heading and the eight digit numbers indicate the specific commodity number. A comprehensive Value Added Tax Act, 2003 was introduced from 1ˢᵗ April 2005. There are few amendments within a short period of time after introduction of VAT (Saju K. Abraham, 2005).

1.7 **Statement of Problem:** In India Value Added Tax (VAT) was introduced to reform the indirect tax system, to bring uniformity in the tax system across the country and to promote economic development. Multiplicity of taxes and numerous exemptions led to cascading effect and low revenue productivity. Even though the main purpose of VAT introduction is to avoid cascading effect of taxes, it has other benefits such as simplification of tax structure, checking the tax evasion, revenue efficiency, transparency and price reduction. It is important to understand how introduction of VAT affects the revenue generation of the states, how VAT influences various stake holders and perception of these stakeholders on the working and functioning VAT in different states. In this context, the present study is an attempt to examine the implication of Value Added Tax on revenue generation in Goa and Kerala and also examines the Impact of Value Added Tax on the consumers, businessmen, practitioners and administrative machinery in the states of Goa and Kerala. The study also looks into the future reforms which may require in the area of indirect taxes and draw a roadmap for the introduction of Goods and Services Tax in India.

1.8 **Significance of the Study:** As part of the reforms in indirect tax system in the country, Goa introduced the VAT system from 1st April 2005. There were many studies conducted nationally and internationally on the impact of VAT on revenue generation, distributional effects and other operational aspects but there are very few studies done in India on the Impact of Value Added Tax on various stakeholders. The present study is an attempt to evaluate the perception of stakeholders on VAT. To the best of knowledge of the researcher, very few studies are found in literature. The impact of VAT on the stakeholders such as consumers, businessmen, VAT practitioners, VAT officials is a unique study which was not carried out in Goa before. The study also made a comparison on the implementation of VAT in Goa with another federal State Kerala to assess the dynamics of this policy transition in a comparative framework. Kerala is selected for comparison as it exhibits similar socio-economic characteristics, literacy level and stage of development. Apart from these both are consumerist states with limited manufacturing and services economy with large emigrant population.

1.9 **Objectives of the Study:** The objectives of the study are to evaluate how the VAT system works in the states of Goa and Kerala which are having similar socio economic characteristics. The study also compares and contrasts functioning of Value Added Tax System in the two states to identify important factors influencing the successful implementation of VAT. This led to following specific objectives.

i)   To study the VAT and its Impact on the Tax Revenues in the States of Goa and Kerala.

ii)   To study the Perception about VAT by the Consumers of Goa and Kerala.

iii)   To study how the Businessmen are affected by the implementation of VAT in Goa and Kerala.

iv)   To understand the Perception of Tax Practitioners and Tax Officials about VAT in the States of Goa and Kerala.

v)   To Identify the Roadmap for the implementation of Goods and Service Tax in India.

1.10 Hypothesis: Hypothesis is a tentative, precise and testable statement. It is a prediction of what the researcher expects to find, prove or disprove. Null hypothesis is an essential part of research design and has to be tested by using appropriate statistical tools. Alternate hypothesis is a hypothesis which a researcher has to accept if null hypothesis is rejected. The objectives stated in this study led to formation of following null hypothesis denoted by Ho.

i)   Ho 1: There is no significant difference in the perception of VAT among the Consumers in the States of Goa and Kerala.

ii)   Ho 2: There is no significant difference with respect to issues in VAT among the Consumers in the States of Goa and Kerala.

iii)   Ho 3: There is no significant difference in the perception of the VAT System among the Businessmen in the States of Goa and Kerala.

iv)   Ho 4: There is no significant difference in the practices of the VAT system among the Businessmen in the States of Goa and Kerala.

v)   Ho 5: There is no significant difference with respect to Administrative Machinery for VAT system among the Businessmen in the States Goa and Kerala.

vi)   Ho 6: There is no significant difference with respect to satisfaction about VAT system among the Businessmen in the States of Goa and Kerala.

vii)   Ho 7: There is no significant difference with respect to perceptions about E-Governance under VAT system among the Businessmen in the States of Goa and Kerala.

viii)   Ho 8: There is no significant difference with respect to issues in VAT system among the Businessmen in the States of Goa and Kerala.

ix)   Ho 9: There is no significant difference in the perception of VAT system among the Practitioners in the States of Goa and Kerala.

x)   Ho 10: There is no significant difference with respect to performance of Administrative Machinery under VAT system among the Practitioners in the States of Goa and Kerala.

xi)   Ho11: There is no significant difference with respect to perceptions about E-Governance among the Practitioners in the States of Goa and Kerala.

xii)   Ho 12: There is no significant difference with respect to issues in VAT system among the Practitioners in the States of Goa and Kerala.

xiii)   Ho13: There is no significant difference with respect to perception about VAT system among the Officials in the States of Goa and Kerala.

xiv)   Ho 14: There is no significant difference with respect to performance of Administrative Machinery under VAT system among the Officials in the States of Goa and Kerala.

xv)   Ho 15: There is no significant difference with respect to perceptions about E-Governance among the Officials in the States of Goa and Kerala.

xvi)   Ho 16: There is no significant difference with respect to issues in VAT system among the Officials in the States of Goa and Kerala.

1.11   Research Methodology of the Study: VAT is a consumption tax which involves array of stakeholders whose degree of interaction with taxation system differs widely. Under VAT system consumer pays Value Added Tax, knowingly or unknowingly, where as the registered dealers collect the tax for the government. The responsibility of proper implementation of the system lies with VAT officials.

Consumers: In the case of indirect taxes the ultimate burden rests with general consumers. Consumer means "Any person who buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose" (The Consumer Protection Act ,1986 & Rules 1987).

Businessmen: Businessmen represent manufacturing and trading dealers who plays the   crucial role in VAT system. They collect the tax from customers and pay to the government.

VAT Officials: VAT officials play the dual role, policy formulator and implementer. Senior level officials act as formulator as well as implementer whereas other officials take role of implementing the policy in an efficient manner.

VAT Practitioners: VAT practitioners are experts in academia as well as experts in professional arena. VAT practitioners also included retired officials who have the expert knowledge and understating of past and present sales tax system. They also played the role during an early stage of VAT system introduced. Retired officers are

those who have knowledge to compare present VAT system with earlier sales tax system.

1.12 Methods of Data Collection: Present research study is based on primary as well as secondary data.

Primary Data: In this study, primary data was collected from the sample of Consumers, Businessmen, VAT Officials and VAT Practitioners through structured interview schedule. The interviews are conducted by the researcher about the VAT system from the states of Goa and Kerala.

"Compared to a questionnaire, an interview method is considered more likely to provide better cooperation and understanding between the researcher and the interviewee. An in-depth interview provides the greatest opportunity to find out what someone thinks or feels, and how they react to various issues and opportunities" (Bouma 1995).

An interview is a direct face-to-face attempt to obtain reliable and valid measures in the form of verbal responses from one or more respondents.

Interview Process: The interview was conducted on individual basis. The in-depth interviews are taken from Consumers, Businessmen, VAT Officials and VAT Practitioners. The data was collected about awareness, perception, practices, administrative machinery, e-governance, and issues about VAT system in the states of Goa and Kerala.

Sample Size: "There are no rules for sample size in qualitative inquiry. Sample size depends on what you want to know, the purpose of the inquiry, what will be useful,

what will have credibility and what can be done with available time and resources" (Patton, M. 1990).

Sampling Method: The study used stratified random sampling to select the respondents for the data collection. Fourteen districts of Kerala are classified based on three geographical attributes. Malabar (North Kerala), Kochi (Central Kerala), Travancore (Southern Kerala). Malabar consists of Kasaragod, Kannur, Wayanad, Kozhikode, Mallappuram and Palakkad districts. Cochin has Ernakulam and Thrissur districts. The Travancore region includes Idukki, Kottayam, Alappuzha, Pathanamthitta, Kollam and Tiruvananthapuram districts. In the state of Goa entire state has been considered as a population whereas in the state of Kerala three districts (Tiruvananthapuram, Ernakulum and Kasaragod) were chosen   by considering south, middle, and north part of Kerala.

Data Collection: There were in all 29,545 registered Business Dealers in Goa as on 31st March 2012 (Commercial Tax Department of Goa) and 1,86,987 Registered Dealers in Kerala as on 31st March 2012(Audit Report of Revenue Receipts, 2012 page 16). Out of which a total number of 300 Businessmen, 150 each from Goa and Kerala were chosen by the method of stratified random sampling. A broad list of Businessmen was prepared with the help of Commercial Tax Department and Vyapari Vyavasaee Ekopana Samiti (in the State of Kerala). 150 Businessmen from each state were chosen by the stratified random sampling method. Businessmen were interviewed according to the convenient timing of Businessmen and the Researcher. Researcher visited their business place with pre informed schedule. The businessmen category consists of Sole Proprietorship, Partnership, Co-operative Society, Company consisting the nature of Manufacturing, Wholesale trade, Retail trade and others.

A total number of 300 consumers, consisting of 150 each from Goa and Kerala were chosen for the study. Participants were interviewed in business centres in Goa as well as Kerala. The duration for the data collection for the present research was six months ranged from 1st July 2013 to 31st December 2013. In the case of collection of data from the Consumers, randomly interpreted people method was used.

A total 90 VAT Practitioners, 45 from each state were chosen for the study. In both the states Practitioners list was prepared taking information from The Institute of Chartered Accountant's directory and website. The samples were selected from the three selected districts in the case of Kerala and for Goa samples were selected from all seven wards representing the entire state. VAT practitioners consist of Sales Tax Practitioners and Chartered Accountants were included for the study through the systematic random sampling method.

In the case of VAT Officials a total number of 60 were selected for the study consisting of 30 each from Goa and Kerala. The list of VAT Officials was prepared with the help of Commercial Tax Department and Officials were selected randomly from the state of Goa and Kerala. The Officials consist of, Assistant Commissioners and Assessing Officers.

Secondary Data: The secondary data was collected from books, magazines, periodicals, Government reports, publications and official records.

1.13   Pilot Testing and Validation of Questionnaire: Prior to the final interview with respondents pilot survey was conducted by the researcher to validate the interview schedule and to confirm the feasibility of the study in the city of Margao, Goa. In the light of the experience gained, the questionnaire was modified suitably to explicit the response from the pilot study.

1.14 **Data Processing and Tools for Analysis**: Statistical analysis of coded questionnaire data was performed using SPSS 20. The statistical tools used were average and percentage, chi square, ANOVA test, and t-test. The details of the test are mentioned in chapter V.

1.15 **Period of the Study**: The Study is based on the data relating to Sales Tax for a period of five years from 2001-02 to 2004-05 and VAT for period of six years from 2005-06 to 2011-12 in the states of Goa and Kerala.

1.16 **Organization of the Thesis:** The study is divided into seven chapters. The first chapter provides an introduction to the study. The general introduction is followed by introduction to taxation in India, system of VAT in India and traces the history of Sales Tax and VAT in the states of Goa and Kerala. The chapter also gives the statement of research problem, objectives of the study, hypotheses, research methodology of the study, method of data collection, sampling method, chapter scheme and limitations of the study.

The second chapter provides the background of the Commercial Tax Department of Goa and Kerala. The chapter provides the classification of goods and the rates applicable on specified schedules in both states. System of assessment and collection of taxes under Value Added Tax Act /Rules such as registration, filing of periodical returns, payment of tax and assessments in the States of Goa and Kerala are also discussed in the chapter.

The third chapter provides extensive review of theoretical developments and empirical studies carried out in the area of indirect tax reforms particularly Value Added Tax done internationally, nationally and across the States in India. Many studies have shown that the introduction of Value Added Tax is a major reform

carried out in the country in the area of indirect taxes. Many other studies considered the replacement of Sales Tax by the Value Added Tax is a significant step in the domestic trade in India. Studies pertaining to VAT divergence in India, sub- national Value Added Tax, adoption and impact of VAT in India, Value Added Tax administration in various countries and its problems, effects of VAT on economic growth, effects of Value Added Tax on Indian economy, achievements Tax reform and challenges in India are reviewed to identify variables to be used in the study. Researcher draws from a wide spectrum of past research findings from across the world to find support for the postulations and propositions made in the present study.

Chapters IV and V forms the core of the analysis of the study. The fourth chapter provides the trends in the Sales Tax /VAT revenues, its growth rate and average growth rate before and after implementation of Value Added Tax system. The chapter also outlined total revenue and its growth, contribution of Sales Tax/VAT to Total Revenue of Goa and Kerala. Comparison of annual growth rate of Own Tax Revenue, contribution of Sales Tax /VAT in Own Tax Revenue is also discussed in this chapter. The number of registered dealers and receipt per dealer for the period 2001-02 to 2011-12 is included to know the impact of VAT on revenue in the states of Goa and Kerala.

Fifth chapter is titled as 'Impact of VAT on Stakeholders in the States of Goa and Kerala'. In this chapter the Impact of Value Added Tax on the Stakeholders such as Consumers, Businessmen, Practitioners, and Officials has been discussed. With regard to Consumers, aspects like awareness about Value Added Tax, perception VAT and issues pertaining to VAT has been analyzed. In the case of Businessmen, Practitioners and Officials, factors such as awareness about VAT system, sources of

awareness, perception about VAT system, satisfaction about VAT system, and administrative machinery for VAT have been analyzed. Perception about E-Governance and issues in VAT system are also discussed. In order to test the sampling adequacy in the study, the KMO test has been used. Factor analysis is used to find the specific factors influencing the attribute from the large number of observed variables. To compare the VAT system in Goa and Kerala, the t-test is used to compare the means. Output of analysis is presented in the same order as the hypotheses are stated. The interpretation following the output comments to what extent the analysis supports the hypothesis being tested.

The sixth chapter of the study discussed the concepts of Goods and Service Tax, justification of GST in India, justification for Central and State level and GST working mechanism. Researcher made an attempt to explain how the consumer will bear only the GST charged by the last dealer in supply chain, with set–off benefits at all the previous stages. Advantages of GST and a preferable model for India have been elaborated in this chapter.

The last chapter provides the summary of the study, major findings, and suggestions emanating from the study.

1.17 Chapterisation Scheme: The entire thesis is divided into seven chapters as under

Chapter I   - Introduction

Chapter II   - VAT System in Goa and Kerala

Chapter III   - Value Added Tax –Theoretical Developments and Empirical Studies.

Chapter IV   - Impact of VAT on Revenue in the States of Goa and Kerala

Chapter V   - Impact of VAT on Stakeholders in the States of Goa and Kerala

Chapter VI   - Roadmap to Indian Goods and Service Tax

Chapter VII   - Summary of Findings and Suggestions

1.18   Limitations of the Study: Though the present study is systematically designed it influenced by a few limitations which are mentioned below.

i)   The survey was conducted on the basis of stratified random sampling method and results may differ with other methods.

ii)   The study is based on perceptions of the Consumers, Businessmen, Officials and Practitioners where human bias may creep in.

iii)   The study is purely based on present VAT System. The findings may vary with introduction of Goods and Service Tax system which is expected to be introduced shortly.

CHAPTER II

VAT SYSTEM IN GOA AND KERALA

CHAPTER II
VAT SYSTEM IN GOA AND KERALA

2.1 **Introduction of Goa:** Goa is one of the smallest yet most beautiful state on the west cost of India has always remain as the first preference for domestic as well as international tourist because of its natural beauty and also one of the major trade center for traders, merchants, seafarers and many others. One of the main features of the state is harmonious relationship maintained among the people of different religions who are living together for many generations. The state has entered into the planning process lately but has emerged as one of the most developed state in India and ranked as one the best state for environmental and infrastructure investment.

Goa was liberated from the Portuguese rule in 1961 and joined Indian Union as the 25th state. Panaji is became its capital city. Marathi and Konkani are declared as official languages. For the purpose of administration, Goa was divided into 12 talukas, two districts namely, North Goa and South Goa and into 12 community development blocks. This beautiful state spans an area of 3702 square kilometers and has a population about 15 lakhs.

The state has entered into the planning process lately but has emerged as one of the most developed state in India and ranked as one of the best state for environmental and infrastructure development . Further, the natural beauty of the state has attracted a lot of tourists making it a favourite among domestic and international tourists.

2.1.1 **Goa Population and Growth Rate:** Goa is one of the smaller States in India located on the western coast of India. The State has a total population of 14.59 Lakhs

according to 2011 Census, an increase from 13.48 Lakhs reported in 2001 Census. The State has experienced a population growth of 8.23 percent in this decade whereas the population growth of the previous decade was 14.89 percent. There is a marginally higher male population in the state compared to female population with 739,140 males and 719,405 females. The proportion of Goan population in Indian population is small with a minuscule 0.12 percent.

2.1.2   Literacy Rate in Goa*:* Goa is one of the highly literate State in the Country with literacy level touching 88.70 percent as per 2011 population Census. Male literacy is slightly higher than the female literacy with 92.65 percent male literacy and 82.16 percent female literacy. The corresponding figure for the year 2001 was 88.62 percent male literacy and 76.47 female literacy.

2.1.3   Density of Goa*:* Total area of Goa is 3,702 sq. km. Density of Goa is 394 per sq km which is higher than national average 382 per sq. km. In 2001, density of Goa was 364 per sq km, while national average was 324 per sq. km.

2.1.4   Sex Ratio in Goa: Sex Ratio in Goa is 973 for each 1000 male, in comparison with national average of 940 as per census 2011. In 2001, the sex ratio of female was 960 per 1000 males in Goa.

Fig. 2.1 Administrative Map of Goa

2.2   Profile of Kerala

Kerala is located in the southernmost part of India is one of the highly literate state in the country. The land area of the State is 38,863 square kilometers which borders Tamil Nadu and Karnataka in the east and north-east, Arabian Sea in the west and Indian Ocean in the South.

2.2.1 Population and Growth Rate in Kerala: As per the Census 2011, Kerala has a population of 3.34 crores, which showed an increase of 3.18 crore from 2001 census. Of the total population of 33,406,061 in 2011, the male population consists of 16,027,412 and the female population is 17,378,649 respectively. In 2001, total population was 31,841,374 in which males were 15,468,614 while females were 16,372,760. Kerala got the rare honor of female population outnumbering the male population.

2.2.2 Sex Ratio in Kerala: Due to higher number of female population over male population, Kerala got a favourable sex ratio of 1084 females per 1000 male. This is a significant improvement from 2001 statistics which shows the sex ratio 1058 female for every 1000 male population in Kerala.

2.2.3 Literacy Rate in Kerala: Kerala is the most literate State in India with a literacy rate of 93.91 Percent. There is no significant difference between rural and urban literacy in the State with the rural literacy rate of 92.92 percent and urban literacy rate of 94.99 percent. The gender gap in literacy in rural area of the State is found to be 4.55 percent; whereas that in urban area is 3.5 percent.

Fig.2.2   Administrative Map of Kerala

2.3 Commercial Tax Department in Goa: The Department of Commercial Tax is administering levy and collection of tax revenue such as Goa Value Added Tax / Goa Sales Tax, Central Sales Tax, Goa Luxury Tax, Goa Entry Tax on Entry of Goods and Goa Entertainment Tax Acts.

For the purpose of proper administration and control, there are seven wards, namely, Margao, Ponda, Panaji, Mapusa, Bicholim, Vasco and Curchorem. The overall tax administration is controlled and monitored at Panaji.

The Department is headed by the Commissioner who is assisted by Assistant Commissioners , Commercial Tax Officers and Assistant Commercial Tax Officers in performance of statutory functions. Assistant Commissioners have been given different branches of Administration, Computerization, Check Posts and Entertainment and Luxury Tax Wings.

One Additional Commissioner is also appointed in the Department as First Appellate Authority for major cases. Ward offices are headed by Commercial Tax Officers.   All Ward Commercial Tax Officers and Assistant Commercial Tax Officers are appointed as Appropriate Assessing Authorities under Sales Tax/VAT, Central Sales Tax , Entry Tax and Luxury Tax.

2.4   VAT Registration under Goa VAT Act/Rules: The registration procedure of VAT is discussed hereunder.

1) Dealer whose turnover of all the sales made during the year commencing on the 1st day of April of the year during which Goa Value Added Tax Act was enforced, who has exceeded the limit as mentioned in Table 2.1 shall until the

liability ceases, be liable to pay tax under Goa Value Added Tax Act on the turnover of sales, made on or after the appointed day.

Table: 2.1 VAT Registration under Goa VAT Act/Rules

Category	Total Turnover Exceeds	Other Conditions
Importer/Manufacturer	Rs. 1,00,000	Nil
All other Dealers	Rs. 5,00,000	Nil
Non Resident Dealer and Casual Dealer	Rs. 10,000	Nil
Voluntary Registration	Nil	Payment of Rs 2,000

Source: GVAT ACT 2005

2) When a person is registered or liable under the CST Act ,1956 or

3) When a person succeeds the business of a dealer due to the death or transfer.

2.5   VAT Rates in Goa: The following rates are applicable as on 1-04-2013 on various schedules.

Table 2.2 : VAT Rates in Goa

Goods specified in Schedule A	At 1 paisa per rupee
Goods specified in Schedule B	At 1 paisa per rupee
Goods specified in Schedule C	As shown against of each entries
Goods specified in Schedule D	Exempt from Tax
Goods specified in Schedule E	At 12.50 paisa per rupee

Source: GVAT ACT 2005

2.6   Payment of Tax under Goa VAT Act: As per Section 25 of Goa Value Added Tax Act every dealer has to pay the tax under chalan Form VAT-V with in the period as shown below.

Table 2.3 : Payment of Tax under Goa VAT Act

S. No.	Particulars	Frequency	Due Date
1	Tax liability exceeds or equal Rs. 1 lakh	Monthly	Within Twenty days from the end of the month.
2	Tax liability less than Rs. 1 lakh	Monthly	Within one calendar month end of the month.
3	Composition Tax	Quarterly	Within one calendar month end of the quarter.

Source: GVAT ACT 2005

2.7   Filing of Periodical Returns under Goa VAT Act: A return is a self-attested consolidated list of business transactions during a return period, monthly / quarterly / annually depends on the return form for a dealer (Hand book, 2008).

Under the Goa VAT Act/Rules every registered dealer is required to file quarterly return within thirty days from the end of the quarter. Form 'VAT IV' is applicable to those who opted the composition tax and Form 'VAT III' is applicable to all other dealers.

2.8   Revision of Returns under Goa VAT Act: If a dealer finds any omission or incorrect statement in the return, has to furnish a revised return before the expiry of one year following the last date prescribed for furnishing the return or at any time before a notice of assessment received by the dealer in respect of the period covered by the said return, whichever is earlier.

2.9   Audit of Accounts under Goa VAT Act: As per Section 70 of GVAT 2005, the dealer should get his accounts audited by a Chartered Accountant, if the gross

turnover of sales exceeds rupees one crore in any year or if the amount of Input Tax Credit (ITC) claimed in any year exceeds rupees ten lakhs. The audit should be completed within ten months from the end of the year and the audit report in Form VAT-XV should be submitted to the appropriate assessing authority within that period.

2.10   Commercial Tax Department of Kerala: Sales tax history in India started from 1938. The Commercial Tax Department is the major source of revenue of the Government of Kerala, accounting for three-fourth of its revenues. The Department caters to 1,83,000 dealers through 431 offices, including Check Posts, across the state. The critical functions of the Departments are fully automated.

Commercial Tax Department, administers and controls the Sales Tax Act and rules, is under general supervision of the Commissioner, Commercial Taxes Department. Commissioner is assisted in his functions by Joint Commissioners, Deputy Commissioners, Inspecting Assistant Commissioners and Commercial Tax Officers. There are fifteen Deputy Commissioners at district level and twenty-six Inspecting Assistant Commissioners at sub divisional level.

2.11   Basics of VAT in Kerala: In India all the states have passed Value Added Tax Act under the field of legislation, which states that the taxes on sale or purchase of the goods other than newspapers. As per the legislation, each state enacts a separate VAT Act.

2.12   Classification of Goods under VAT in Kerala: Under the VAT, law is tax is levied on every sale of goods in the state. The goods are classified according to the

provisions of Kerala VAT Act. If the goods not classified under any schedules, then they will be classified on the basis of the residual schedule.

2.13   Registration under VAT in Kerala:

A) *Mandatory Registration of Dealers:* Registration is compulsory for the following dealers and entities.

1) Total turnover during the any year exceeds Rupees five lakhs,

2) Casual dealer,

3) Dealer registered under the Central Sales Tax Act, 1956,

4) Dealer, brings goods from outside the state or exports goods outside the territory of India,

5) Dealer in the business of bullion, spice, jewellery of gold, silver and the platinum group of metals,

6) Dealer residing outside the state but carrying the business in the state,

7) Agent of non-resident dealer,

8) Commission agent broker, delcredere agent, auctioneer, or any other mercantile agent.

9) Contractor,

10) State Government, Central Government or Government of Union Territory or any department thereof or any local authority , autonomous body, which shall be registered under Kerala Value Added Tax Act ,

11) Hallmarking unit.

B) *Voluntary Registration:* Other dealer may get registered under the Kerala Value Added Tax Act. The burden of proving that a dealer is not liable to be registered under Kerala VAT Act shall depend on the dealer.

2.14 Issue of VAT Registration Certificate in Kerala: The time limit for disposing the Registration Certificate by the registration authority is 30 days of the receipt of the application unless it has been rejected. However, application for registration shall not be rejected without giving an opportunity of being heard to the applicant.

2.15 VAT Rates in Kerala. The following VAT rates are applicable as on 1-04-2013 on various categories of goods.

Table: 2.4 VAT Rates in Kerala

Category	VAT Rates
First Schedule	Exempted Goods
Second Schedule	Rate of one percent
Third Schedule	Rate of five percent
Fourth Schedule	Goods which are outside the purview of VAT
Notification List	Rate of 14 percent*
Tax rate Miscellaneous	
Cigars, cheroots, cigarillos and cigarettes, of tobacco or tobacco substitutes	Rate of 20 percent
Soft drinks ,excluding soda Carry bags made plastic including poly propylene ,which have vest type self carrying feature to carry commodities Disposable plates ,cups and leaves made of plastic	Rate of 20 percent
Pan masala, chuna for pan, pan chutney, other manufactured tobacco and tobacco substitutes, harmonized or reconstituted tobacco, tobacco extracts, and essences.	Rate of 22.50 percent

Source: KVAT ACT 2005
*The original rate was 12.50 percent as on 21.1.2006. Later the Kerala Finance Act, 2012 (Act No. 16 of 2012) the rate was enhanced to 13.50 percent w.e.f. 1-4-2012. Again by the Kerala finance Act, 2013(Act No.29 of 2013) the rate was enhanced to 14.50 percent w.e.f. 1-04-2013.

2.16   Payment of Tax under Kerala VAT Act: As per Section 22 of Kerala Value
Added Tax Rules every dealer has to pay the tax within the period as shown below.

Table: 2.5 Payment of Tax under Kerala VAT Act

S.No.	Particulars	Due Date
1	Dealer whose annual net tax payable for the preceding year was rupees ten lakhs and above.	On or before the fifteenth day of the month following the return period.
2	Dealer whose annual net tax payable for the preceding year was between Rupees two lakhs but below Rupees ten lakhs.	On or before the twentieth day of the month following the return period.
3	Others	On or before the twenty –fifth day of the month following the return period.

Source: KVAT ACT 2005

2.17   Filing of Periodical Returns under Kerala VAT Act: With effect from 1st
April 2009 all the returns to flied with the Commercial Tax Department shall be done
electronically. This includes the monthly returns, quarterly returns and annual returns
filing of the returns are mandatory for all the dealers. The sales and purchase list is
also to be uploaded along with the electronic return. A hard copy of the return should
be filed along with the copies of the documents such as statement of purchases and
sales, branch transfers, statement of purchase and sales returns.

Every registered dealer is liable to file the returns to the assessing authority in
the following manner.

Table 2.6 : Filing of Periodical Returns under Kerala VAT Act

	Dealer	Frequency	Form	Due date
a	Dealer's annual net tax payable - Rs. Ten lakhs or more for the preceding year.	Monthly	10	On or before the 15th day of the following month.
b	Dealer's annual net tax payable- above Rs 2 lakhs but below Rs.10 lakhs for the preceding year.	Monthly	10	On or before the 20th day of the following month.
c	Other dealer	Monthly	10	On or before the 25th day of the following month.
d	Casual Dealers	Monthly	10E	On or before the 10th day of the following month.
e	Works Contractor	Monthly	10B	10th or 15th of the following month as per 'a' or 'b' above.
f	Awarder of Works Contract	Quarterly	10C	10th of month following Quarters ending June 30, Sept 30 Dec 31, March 31.
g	Dealer Paying Compounded Tax	Quarterly	10D	25th of month following Quarters ending June 30, Sept 30 Dec 31, March 31.
h	Dealer paying presumptive tax of dealing exclusively in exempted goods.	Quarterly	10A	25th of month following Quarters ending June 30, Sept 30 Dec 31, March 31.
i	Bar attached hotels dealing in cooked food and dealers in jewellery of gold paying compounded tax	Monthly	10	On the basis of annual tax payable of the previous year as specified 'a' to 'c' above.
j	Owner of delivery vehicles/vessels	Monthly	10	On or before the 10th day of the following month.
k	Forwarding agency, clearing house	Monthly	11A	On or before the 10th day of the following month.
l	Banks and their Branches	Quarterly	11B	On or before the 10th day of the following month.
m	Oil Companies	Monthly	10	On or before the 10th day of the following month.

Source: KVAT ACT 2005

2.18 Annual VAT Returns under Kerala VAT Act: As per the Kerala Value Added Tax Act 2003 every registered dealer has to submit annual return before 31st day of May every year electronically along with the following documents.

a) Copy of inventory as on 31st March.

b) Original delivery notes used during the year.

c) Copy of the financial statements drawn up for the year where the dealer not liable for audit.

If the furnished details in the annual return differs from those furnished in the monthly returns, a statement of reconciliation has to be submitted at the time of submission of the annual return.

2.19   Revision of the VAT returns under Kerala VAT Act: Where a return filed for a return period found defective by the dealer on account of some omission or mistake, a revised return curing the defects can be filed within the two months from the last day of the return period to which it relates. The revised return shall be accompanied by statement of sales and purchases, proof of payment of additional tax and interest and penalties if any. However, this option will not be available to a dealer against penal action is initiated for the defects, under Kerala Value Added Tax Act.

2.20   Self-Assessment under Kerala VAT Act: When the return submitted and accompanied by the documents, the assessment relating to the period shall be deemed to have been completed on the receipt of return.

2.21   Audit Assessment under Kerala VAT Act: Audit assessment under the Kerala VAT Act can be initiated if any dealer:-

a.   Submitted incorrect or incomplete return for any return period on audit of his books of accounts. or,

b.   Fails to make available any accounts or other records required by the audit officer for audit at the business place of the dealer ,or

c.   Fails to prove the claim of input tax credit, special rebate or refund claimed, the audit officer may, at any time with in the three years from the last date of the year to which return relates, after conducting enquiry reject the returns of such periods and complete the assessments to the best of his judgment. The assessment shall not complete without affording the dealer an opportunity being heard.

2.22   Assessment of Escaped Turnover under Kerala VAT Act: If the turnover of the business of a dealer has escaped for tax during any year, under assessed, assessed at a lower rate at which it is assessable, deduction has been wrongly made, the input tax or the special rebate has been wrongly availed of, the assessing authority may at any time with in the five years from the last date of the year to which return relates, can proceed for escaped assessment after issuing a notice to the dealer and making enquiry.

2.23   Audit of Accounts and Certification of Returns under Kerala VAT Act:

As per section 42 of the of the KVAT 2005, dealers total turnover exceeds rupees sixty lakhs, should get his accounts audited annually by a Chartered Accountant or Cost Accountant and should submit a copy of audited statement of accounts of certificate in form No 13 in case of a Company on or before 31st December, in form No 13A in other cases on or before 31st October of the year succeeding the in the year to which it relates it. If the dealer finds any omission or mistake in the annual return he can file the annual return by rectifying the mistake or omission along with the audit certificate.

2.24   Conclusion: "In order to avoid any unhealthy competition among the States which may lead to distortions in manufacturing and trade attempts have been made from the very beginning to harmonize the VAT design in the States, keeping also in

view the distinctive features of each State and the need for federal flexibility. This has been done by the States collectively agreeing, through repeated discussions in the Empowered Committee, to certain common points of convergence regarding VAT, and allowing at the same time certain flexibility for the local characteristics of the States" (A White Paper on VAT).

The summary of various provisions of Goa Value Added Tax Act and Kerala Value Added Tax Act is presented in the Table 2.7.

Table 2.7 Comparative VAT Provisions under Goa and Kerala

S. No	Particulars	Provisions Under Goa VAT	Provisions Under Kerala VAT
1	Filing of Periodical Returns.	Under the Goa VAT Act/Rules every registered dealer required to file quarterly return within 30 days from the end of the quarter Form 'VAT IV' is applicable to those who opted the composition tax and Form 'VAT III' is applicable to all other dealers.	With effect from 1st April 2009 all the returns to flied with the Commercial Tax Department shall be done electronically. This includes the monthly returns, quarterly returns and annual returns filing of the returns are mandatory for all the dealers. The sales and purchase list is also to be uploaded along with the electronic return. A hard copy of the return should be filed along with the copies of the documents such as statement of purchases and sales, branch transfers, statetement of purchase and sales returns.
2	Annual VAT return	No provision	Every registered dealer has to submit annual return before 31st day of May every year electronically.
3	Revision of the VAT return	If a dealer finds any omission or incorrect statement in the return, he has to submit a revise return before the expiry of one year following the last date for furnishing the return or at any time before a notice of assessment received by him in respect of the period covered by the return, whichever is earlier.	Where a return filed for a return period found defective by the dealer because of some omission or mistake, a revised return curing the defects can be filed within the two months from the last day of the return period.
4	Audit of Accounts	As per Section 70 of GVAT 2005, the dealer should get accounts audited by a chartered Accountant, if gross turnover of sales exceeds Rupees one crore in any year or if the amount of input tax credit claimed in any year exceeds Rupees 10 lakhs. The audit should be completed within ten months from the end of the year and the audit report in Form VAT-XV should be submitted to the appropriate assessing authority within that period.	As per Section 42 of the of the KVAT 2005, dealer whose total turnover exceeds rupees sixty lakhs, should get his accounts audited annually by a Chartered Accountant or Cost Accountant and should submit a copy of audited statement of accounts of certificate in Form 13 in case of a Company on or before 31st December, in form 13A in other cases on or before 31st October of the year succeeding the in the year to which it relates.

Source: GVAT ACT 2005 and KVAT ACT 2005

CHAPTER III

VALUE ADDED TAX - THEORETICAL DEVELOPMENTS AND EMPIRICAL STUDIES

CHAPTER III

VALUE ADDED TAX –THEORETICAL DEVELOPMENTS AND EMPIRICAL STUDIES

This chapter provides extensive review of theoretical developments and empirical studies carried out in the area of indirect tax reforms particularly Value Added Tax done internationally, nationally and across the states. Many studies have shown that the introduction of Value Added Tax is a major reform carried out in the country in the area of indirect taxes. Many other studies considered the replacement of sales tax by the Value Added Tax is a significant step in the domestic trade in India. The chapter reviewed some of the critical issues pertaining to VAT such as VAT divergence in India, sub-national Value Added Tax, adoption and impact of VAT in India, Value Added Tax administration in various countries and its problems, effects of VAT on economic growth, effects of Value Added Tax on Indian economy, tax reforms achievements and challenges in India to enable the researcher to identify the research gap and to frame appropriate research problems for the study. The literature review enabled the researcher to draw from a wide spectrum of past research findings from across the world to formulate postulations and propositions required for the present study.

Value Added Tax (VAT) is a replacement to Sales Tax. In India Value Added Tax (VAT) was introduced to reform the indirect tax system and to bring uniformity in the tax system across the country. The rationalization of indirect tax is expected to stimulate economic development of the country. VAT is a consumption tax whose incidence rests with the final consumers and it is involved in multi-stage collection of tax (Oladipupo 2013). The Value Added Tax (VAT) basically means the tax levied on

the value added by an organization at each stage of its rendering services or producing goods (Sarkar, C.R. 2005). Starting with Haryana in 2003-04 and ending with Uttar Pradesh in 2007-08, VAT on goods were implemented in all Indian states and several union territories (Gupta Das, 2012). The researcher used extensive sources of literature such as journals, articles, books, magazines, theses, dissertations and websites for the study. The chapter is divided into four parts. The first section of the chapter provided the concepts used in the study followed by the second section review of studies carried out in India on Value Added Tax (VAT). The third section of the chapter reviewed the studies carried out at the international level while the last section looked into the PhD studies done in this area.

3.1 Concepts Used in the Study

1) **Indirect Taxes:** Indirect taxes are taxes the impact can be shifted from one person to another. Indirect taxes are generally levied on goods and services. Some of the important indirect taxes include Value Added Tax, Central Sales Tax, Central Excise Duty, Customs Duty, Stamp Duty and Expenditure Tax. Customers indirectly pay this tax in the form of higher prices. For example, it can be said that while purchasing goods from a retail shop, the retail sales tax is actually paid by the customers. The dealer passes this tax to the respective authority.

2) **Sales Tax:** Sales Tax in India is a form of tax that is imposed by the Government on the sale or purchase of a particular commodity within the country. Sales Tax is imposed under both Central Government (Central Sales Tax) and State Government (Sales Tax) Legislation. Generally each state follows its own Sales Tax Act and levies tax at various rates. The Sales Tax is

a major revenue generator for the various State Governments. Presently all the States in India have supplemented sales tax with Value Added Tax (VAT).

3) **Value Added Tax:** VAT is levied by State Governments within sale of goods in India. The general rates of VAT are 12.50 percent, 4 percent and zero percent. In case of few states, the VAT rate has been increased from 4 percent to 5 percent. A dealer is allowed to take input tax credit of VAT paid on inputs and utilize the same against its output VAT liability when the goods are sold. In India VAT rates are classified under the tax slabs are zero percent for essential commodities, one percent on gold ingots and expensive stones, 4 percent on industrial inputs, capital merchandise and commodities of mass consumption and 12.50 percent on other items. Value Added Tax on the estimated market value added to a product or material at each stage of its manufacture or distribution, ultimately passed on to the consumer. VAT is a multi-point levy on each of the entities in the supply chain. The value addition in the hands of each of the entities is subject to tax. VAT can be computed by using any of the three methods:

(a) **Subtraction Method:** The tax rate is applied to the difference between the value of output and the cost of input. Value addition is calculated the difference between the total output and total input.

(b) **Addition Method:** The value added is computed by adding all the payments that is payable to the factors of production (wages, salaries, interest payments).

(c) **Tax Credit Method:** This is also known as tax invoice method. Most of the countries are adopting this method. This method is appropriate where rates

are different for input and output this method. This entails set-off of the tax paid on inputs from tax collected on sales.

4) **Total Revenue:** The total revenue receipts of the state primarily consist of three components such as states Own Tax Revenue, states Own Non Tax Revenue and transfer from Government of India.

5) **Own Tax Revenue:** Own Tax Revenue of the state mainly comprises of Value Added Tax, state excise, stamp duty, registration fees, and motor vehicle and passenger tax.

6) **Goods and Service Tax**: Goods and Service Tax (GST) is a new word in the tax regime. GST is proposed to merge service tax, Value Added Tax and central excise into one tax. Goods and Service Tax is a comprehensive indirect tax levy on manufacture, sale, supply and consumption of goods and services. Its main objective is to converge all indirect taxes into a single tax, replacing multiple tax levies, overcoming limitation of current indirect tax structure and creating efficiency in tax administration.

3.2   Indian Studies

Jayakumar (2012) examined the impact of Value Added Tax (VAT) implementation in India and analysed the perceptions of consumers, wholesalers, retailers, chartered accountants and officials regarding VAT implementation. Using a convenient random sampling method the study selected 409 respondents to explore the objectives. The study used Factor Analysis and Cluster Analysis to reduce the predominant factors that influence perception of VAT and employed parametric T-test to determine the significant difference between the categorical variables. The study concluded that transparency is required at all levels to obtain effective

functioning of the VAT system in all states of India. The introduction of uniform product classification across the country is required to exhibit the implementation process with effective return. Researcher suggested that a transparent approach to rate of tax, refund procedure, maintaining and improving accounting procedure are essentials for improving the VAT system.

Khan and Shadab (2013) studied the impact of Value Added Tax (VAT) on the state revenue in the pre and post VAT period taking the case of six states such as Andhra Pradesh, Bihar, Karnataka, Kerala, Maharashtra and Orissa. Data was collected from the government source reports from Reserve Bank of India (RBI). Study was conducted taking the data from RBI for a period of ten years (2000-01 to 2009-10). The study used variables such as State Sales Tax/Value Added Tax (ST/VAT), Gross State Domestic Product (GSDP) to examine the revenue impact of VAT. Using statistical tools such as Compound Annual Growth Rate (CAGR), Buoyancy (B), and Co-efficient of Variation (CV), the study found CAGR of post VAT period of all six major states of India were greater than pre VAT period. The results proved that the VAT improves tax compliances and increases the efficiency of tax administration in the examined states. Study also suggested that VAT features are highly competent to allot benefit to the government. So the channel of distribution and flow of VAT must be reformed.

Jagadeesan (2013) studied the impact of Value Added Tax (VAT) in Salem district of Tamil Nadu with special reference to the impact of demographic profile of traders on the VAT compliance. The sample of 130 respondents from Salem city were selected for the study and the data were analyzed using a Chi- Square test. The findings indicated that there is a close relationship between the demographic variables of the trader and his perception about VAT system.

Singh and Arora (2011) examined various aspects of VAT and its impact on industry in Punjab. The study focused to identify whether Value Added Tax is causing in present tax system among the states and thereby resulting in different rates for the same product for interstate and intrastate. The findings of the study revealed that due to divergence in VAT rates, many industrial units of sports goods, leather goods and bus body builders are either migrating to other states or forced to close down their industry. Researchers suggested that the state should take full advantage of VAT by honestly and uniformly implementing the VAT and should not rush to GST Act.

Gupta Das (2012) examined two important issues confronting VAT namely (i) whether the VAT has done better than the sales tax it replaced, (ii) Whether VAT contributed to an improved own revenue performance. In order to study the revenue impact of state level VAT in India, the study considered revenue and GSDP for 29 states for the period 1993-1994 to 2008-09. The study examined the direct tax revenue impact by testing if VAT introduction increased VAT or State's Own revenue Buoyancies to GSDP ratios. The results showed that there is no direct impact of VAT on its base. The direct revenue impact of VAT was found to be positive in two –thirds of the sample jurisdictions. The findings indicated that there are deficiencies in VAT Acts and Rules in many states and defective procedures for verifying Input Tax Credit claims and detecting fake Input Tax Credits.

Balachandran and Saranya (2013) studied the adoption of Value Added Tax in Karaikudi district of Tamilnadu using a structured interview schedule method. The study explored the opinion about the businessmen regarding the implementation of Tamil Nadu Value Added Tax, their compliance of VAT rules and the problems experienced by them with regard to compliance rules. Using an ANOVA (Analysis of variance) test to examine association between the socio -economic profile and various

parameters of the VAT system, the study found that poor understanding about tax structure and difficulty in maintaining the books were the main reasons for tax evasion by traders. Researchers suggested Government should undertake awareness campaign about the VAT procedures to the traders and businessmen.

Korabu and Kamble (2010) studied the Impact of Tax Reforms on Sales Tax revenue and economic growth in Maharashtra computing the economic growth and tax revenue. The result showed that own tax revenue of Maharashtra remained 8 percent constant with some fluctuations. Researchers pointed out that after the rate cut policy of sales tax of the Maharashtra government, the number of tax payers has been increased significantly. The reforms in sales tax have favorably impacted to revenue. Study concluded that tax reforms should aim at designing an appropriate policy tax incentives such as tax rebates, set off and investment credit.

In the paper titled "Buoyant Agglomeration of the VAT Refund: An Application of EFA and CFA". Kumar and Bagga (2014) examined various factors responsible for accumulated VAT refund and its effect. The researcher used the exploratory factor analysis to identify the factors accountable for delayed VAT refund. The five main factors identified by the study are conceptual defects, fraud and tax evasion, inter -state disharmony, legal aspects responsible and VAT adoption for delayed VAT refund. The findings revealed that although VAT Act has accelerated tax compliance, VAT refund problem has led to accumulation of VAT refund which has which has adversely affected in the working capital requirement of the industry. The findings also revealed that unless the VAT Act is implemented effectively problem of VAT refund cannot be resolved.

Vats (2014) conducted a study on State Finances of Haryana on the revenue receipts of Haryana. Researcher observed that the pattern of GSDP ratio showed the

fluctuations. The tax GSDP ratio was 9.02 percent in 2004-05 and declined continuously for next five years and became to 6.75 percent in 2009-10. The findings revealed that fiscal parameters exhibit a sound fiscal health of the state but fiscal strategy is required to enhance own non- tax revenues through user charges and by recovering cost from the government services.

Singh and Agarwal (2012) carried out the study on "Return and Assessment Perception of Assessees under VAT" in Assam. The objective of the study was to identify the similarity and dissimilarity in the perception of the taxpayers regarding the returns and assessment aspects under VAT system in Assam. The sample survey included one hundred and five respondents which included the traders and professional accountants. The study observed that majority of the respondents hold a view that scope of error in filing tax form is wider and experts help for understanding provisions are required. Researchers concluded that the government should arrange the training and orientation programmes to educate traders so that VAT becomes user friendly and traders will be able to file forms without help of experts.

In the paper "Procedural Reforms under VAT in India", Kapoor and Dhaliwal (2009) discussed various procedural reforms under VAT system in Punjab. Researchers studied the working of VAT, input tax mechanism, payment of tax, filing of returns and refund procedures under VAT system in Punjab. The paper made an attempt to compare the VAT system to earlier sales tax system. The paper discussed the various categories of traders to whom the refund is available. Authors concluded that VAT system provides self-assessment by the tax payer and gives lesser discretionary power to the officers and also it is more simple and transparent as compared to earlier sales tax system.

Komal (2013) investigated the impact of Value Added Tax (VAT) in Delhi and analyzed the VAT impact on business enterprises, wholesalers, retailers, chartered accountants, tax officials and consumers in Delhi. The sample contained 409 respondents of business enterprises, wholesalers, retailers, chartered accountants, tax officials and consumers located in Delhi. The author identified the perceptions through different characteristic effects and optimistic impact on business establishments. The results indicated that the tax applicability and e- filing plays a vital role in the VAT system. The findings also revealed that transparency is required at all levels in order to obtain effective functioning of VAT system in all the states of India. Study concluded that there is a need of single window system and abolition of CST for success of VAT.

Rao (2000) analyzed the evolution of tax system. Author described and assessed the introduction of new forms of direct and indirect taxes, their revenue, and equity implications and success achieved in their implementation. The analysis included the India's tax system prior to comprehensive reforms and impact of tax reforms since 1991. Study observed that reforms in excise duties have not reached the stage of achieving a simple transparent manufacturing stage of VAT. The study concluded that in the case of direct taxes there is a need to broaden the tax base by minimizing tax concessions and preferences.

In the Research paper titled 'Value Added Tax: Current Issues in India', Sivasakkaravarthi (2014) investigated the impact of Value Added Tax on the state governments in India. The study carried the analysis with reference to growth of state revenue, growth of VAT revenue, and cost of VAT collections, trends in growth of revenue and VAT revenue. The findings indicated that rate of growth of VAT collections was lower in 2005-06 for VAT states, as compared to non –VAT states.

Author recommended that rather than prescribing different rates for different goods, a uniform VAT will improve economic efficiency and also suggested to prepare the infrastructural setup requisite for adequate automation in tax administration before GST implementation.

Deshmukh (2012) conducted a study of Economic Analysis of VAT and revenue Growth in Maharashtra and stated that Maharashtra is the third largest state which was contributed 12 percent revenue through VAT in the national exchequer in year 2009-10. In Maharashtra the contribution of Sales Tax/VAT revenue to gross receipts has increased from 52.20 percent to 67.07 percent during 2001-02 to 2009-10. The findings indicated that since e- registration has been made compulsory for every dealer, VAT has simplified the paper work, proved user friendly, reduced transaction costs and time.

Jayakumar and Konimozhi (2009) studied the Impact of VAT in Tamilnadu. The study conducted the perception of VAT system. The researchers observed that Value Added Tax is a good replacement of erstwhile taxation system. If this system of taxation imposed properly, the consumers, traders, and government will be benefitted. Consumers will be benefitted by the reduced and reasonable price of the goods. Traders will be benefitted by the input tax credit system of VAT. Government will be benefitted by earning more revenue by VAT system instead of sales tax system. VAT restricts the cascading effect of taxation, minimizes the tax evasion, decreases the prices of the goods, and increases the revenue to the government and rationalizes tax structure. Self-assessment by the dealers will increase the transparency which helps the common people, traders and industrialists. The findings indicated that success of VAT fully depends upon proper planning and preparation, examination in detail, the

administrative, organizational, audit related issues relating to electronic base, several transitional issues and sound ethical policies in business.

Mishra (2005) examined the Elasticity and Buoyancy of Sales Tax in Jharkhand. Author estimated the trends to sales tax revenues of Jharkhand State and buoyancy of sales tax with reference to Gross State Domestic Product (GSDP) of Jharkhand by using the regression approach. The results reported that buoyancy of sales tax is very high and proportionate change in sales tax revenue is more than the change in GSDP and also the sales tax revenue would continue to grow faster than GSDP provided no reduction in tax rate or tax base is undertaken. The value of tax buoyancy and tax revenue can be improved if the service sector is brought under the tax net of the state. The findings indicated that the rising trend of tax revenue will continue if there is no reduction in the tax rate and there are no exemptions on commodities from taxation. The study suggested that there is a need to improve tax administration so that tax evasion and other malpractices may be avoided.

Tripathi, Singha and Agarwal (2011) examined the effect of Value Added Tax on the Indian Society and discussed its impact and the future prospect for the product and service industry in India. Findings revealed that Value Added Tax would change the nature of trade in coming years but the medium level of trade would face a problem as the companies would reduce the tier of marketing. Small retail dealers would be required to maintain more accounts or pay composition tax which cannot be collected from the customers. The central sales tax and VAT cannot go together. After abolition of central sales tax the direct marketing may gain and necessity of having warehouse, godowns in all the states may reduce or cease. The researcher concluded that the change in standard of living has increased the purchasing power of the high

class society but the middle class and poor class have to work hard in order to achieve their living and comforts.

Sharma (2005) studied the VAT Implications for Federal Polity and pointed out that over the last few years many attempts have been made to implement VAT in India. VAT has emerged as one of the most fundamental components of the ambitious agenda of tax reforms since 1991. The reforms are aimed at attending to the necessities of the market economy that India is committed to become. The agenda is to make the tax system responsive to the requirements of the international competition. In fact in the changing global economic scenario, economy can be kept competitive only by making tax system comprehensive, broad based, simple and transparent. Author also stated that the rate structure recommended by the Empower Committee of the state finance ministers is complex. Though the CST will be phased out, no exact time period has mentioned. Study concluded that there is a need to develop such a 'federal friendly model' of VAT (along with the suitable compensation package) that can be implemented in India without compromising on federal principles.

Muthukrishnan and Senthilkumar (2013) in the paper titled "Attitude of Pharmaceutical Retailers Towards VAT - With Special Reference to Tiruchendur Taluk" in Tamilnadu and studied the concept and structure of VAT, identified the practical problems encountered under VAT and examined the beneficial aspects enjoyed by the pharmaceutical retailers under VAT. The study was conducted on 55 pharmaceutical retailers by using the interview schedules. The primary data was analyzed by use of Percentage method, T-Test, Analysis of Variance (ANOVA) and F-Test. The results revealed that most of the retailers showed favorable attitude but there are few problems faced by the pharmaceutical retailers such as daily

maintenance of opening and closing stock, maintenance of bills and computerizing the accounts. The author suggested that government should sympathetically view the problems for the development of pharmaceutical retailers.

Purohit (2002) pointed out that VAT has been introduced in large number of countries. However it has not been possible to introduce a fully harmonized VAT in any of the federations. The study revealed that like most of the federations, India also faces the problem of harmonizing tax interstate trade in the context of introducing VAT. The study of Canada and European Union suggest that there should be no tax on the basis of origin. Brazil suggests that if tax is levied should be on the basis of origin the set –off needs to be given to the importing state, which in addition to making the tax destination base serves as an equalizing mechanism in the federal structure. The other model suggests that the central and state VAT could corroborate each other in carrying the tax of the origin state to destination state. However under Indian system of CENVAT, the power to tax extends up to the manufacturing sector only, hence the coordination of CENVAT and state VAT for carrying the tax burden to the exporting state is not feasible. The study suggested that other models such as pre paid destination VAT and destination based central purchase tax are quite useful. In conclusion author mentioned that in all the models revenue of the CST becomes nil as the tax becomes destination based. The states need to be compensated for the loss revenue through various measures including the power to tax services and compensation to the states through the Finance Commission.

Tondon and Kaur (2005) examined the Value Added Tax and discussed various objectives of VAT such as lower the cost of production and investment in the economy by allowing businessmen to claim credit for tax charged on the business inputs, simplify tax administration, relief top small and marginal traders. The findings

revealed that for smooth implementation of VAT there is a need of greater accuracy in order to achieve the penalties and hassles. VAT applies a wide range of commodities and it is taxed in all stages starting from production, it is too difficult to administer the tax in a developing country like India hence it should be introduced in the factory establishment sector from the beginning stage.

Suresh and Khan (2011) examined the trends and buoyancy in the growth of corporate income tax during the pre and post liberalization periods and the buoyancy rates in relation to GDP, inflation and money supply. The study revealed that the corporate activity and corporate income tax have substantially increased after liberalization. The share of corporate income tax in GDP, gross direct tax revenue, and gross central tax revenue has increased tremendously in post liberalization period. Its share in gross central tax revenue in recent years has been more than all other central taxes such as custom duty, excise duty and personal income tax. The corporate tax revenue in the post liberalization period has increased comparison with the pre liberalization period. Further the study showed that there is a positive relationship between the tax revenue and GDP and inflation while there is a negative relation between tax revenue and broad money. The findings showed that there is a long term relationship between the tax revenue and GDP and inflation.

3.3   International Studies:

Faridy and Sarker (2011) conducted empirical study on Value Added Tax (VAT) in Bangladesh considering the tax policies on the distribution of economic welfare. The study primarily used the household income expenditure survey 2005 data to measure the incidence of VAT in Bangladesh. Additional data was collected from other government sources, including the National Board of Revenue and Bangladesh

Bank. To measure the incidence of VAT, researchers calculated the Effective VAT which means [(Actual VAT paid / Per capita consumption) x 100] and VAT incidence varies for people in different income groups. The findings indicated that the VAT incidence for the lowest income group is 6.92 percent whereas for the highest income group it is only 4.56 percent. The higher income groups have fewer burdens than the lower income groups. Comparing the results with and without VAT exemptions and the overall VAT is regressive in Bangladesh.

Saeed, Ahmad and Zaman (2012) studied the validity of Value Added Tax in the South Asain Association for Regional Cooperation (SAARC) region to quantify the revenue effect of Value Added Tax (VAT) and check in particular, whether VAT proved efficient effective form of taxation in SAARC countries. Researchers used the F test for assessing of validity of fixed effect and common constant. The results indicated that VAT is a vital instrument to collect the tax and enhance revenue ratio. And also most of the SAARC countries have adopted the Value Added Tax have gained a more efficient tax instrument to upgrade their GDP to revenue ratio.

Onaolapo, Aworemi and Ajala (2013) examined the relationship between VAT and its effects on revenue generation in Nigeria. The study was conducted by using the secondary data which was sought from Central Bank of Nigeria statistical Bulleting 2010, Federal Inland Revenue Service Annual Reports and Chartered Institute of Taxation Nigeria Journal. Data analysis was performed with the use regression analysis. The results indicated that Value Added Tax has statistically significant effect on revenue generation in Nigeria. The study recommended that there should be a dedication and apparent honest on the parts of all agents of VAT with respect to the collection and payment and government should try as much as possible to improve on the way of collecting Value Added Tax.

Moeinadin, Heirany and Harandi (2014) conducted a survey to understand the ways by which tax compliance could be improved. The study conducted a sample size of 383 taxpayers of Yazd province in Iran. The data was collected by a questionnaire considering the demographic profile and opinion about significance of any statements in terms of tax compliance. The analysis was made by using the statistical methods exploratory factor analysis and independent mean comparison. The findings revealed that social, individual, structural and legal factors are the effective tax elements in the tax compliance. Researchers suggested that appropriate awareness should be made by social media about tax and also efforts to be taken to improve the tax culture.

Suleiman (2008) studied the relevance and problems of Value Added Tax (VAT) in Nigeria. The survey of Vatable Nigerian organizations, Federal Inland Revenue Service (FIRS) staff and public was conducted to gain insights into the way of VAT is administered , its revenue generation, savings and consumption of consumers and problems hindering its efficiency. The findings indicated that a majority of FIRS staff perceive that they are not adequately equipped technically and administratively to handle the VAT operations. Vatable organizations have inappropriate knowledge of VAT operations. The government of Nigeria has raised substantial revenue from VAT but it was underutilized due to high rate of tax evasion, lack of record keeping business enterprises by using unqualified FIRS staff and low VAT education found among the Vatable organizations and public. The study suggested that the administrative machinery of FIRS staff should be improved to eliminate the weaknesses and internal lapses in assessment and collection of VAT.

Muhammad et.al (2011) studied the determinants of tax revenue by comparing the direct and indirect taxes of Pakistan and India. The data was collected through the samples from direct and indirect taxes of both the countries from 2000 to 2009. The

study revealed that Pakistan has approximately half sub categories of taxes in both direct and indirect taxes as compared to India. Researchers analyzed the data by comparing the two regression equations and standardized betas. The findings showed that the two types of fiscal policies can be different. The more the indirect taxes in country, the more increasing gap between rich and poor, thus the more will be the exploitation of labour class.

Yesegat (2008) examined VAT administration in Ethiopia. Ethiopia introduced VAT in 2003 as a replacement to sales tax. Study conducted to examine the VAT administration practices in Ethiopia and identify the main problems in administration. Data obtained through interviews with tax officials. Specifically, in-depth interviews were held with tax officials at different times. The tax officials were interviewed independently and with no interaction among each other. The outcomes of the survey showed a paucity of tax awareness among the society and strong education programs as well as lack of trust between the tax payers and administration as major challenges to VAT system in the country. The outcome of the study revealed that there is a need to strengthen the administrative capacity in general and tax audit programmes in particular.

Umeora (2013) investigated the effects of Value Added Tax (VAT) on economic growth (GDP) and total tax revenue in Nigeria by using the simple regression method to analyze the time series data relating to VAT, GDP and Total Revenue for the period from 1994 to 2010. The analysis of results showed that VAT has a significant effect on GDP and Total Tax Revenue. The findings revealed that government is encouraged to sensitize the people to enable it to increase the tax rate, so as to enlarge its annual revenue for economic development.

Mohammad (2012) studied the economic effect of VAT on the economy of Bangladesh. The study revealed that 31.50 percent of its population is below the poverty line. Income tax plays a small role in the country's tax system, thus distributional impact of VAT is more important. The VAT regime is complex and difficult to administer and enforce in developing countries like Bangladesh.

Refaqat (2005) conducted a survey of redistributive impact of GST on households in Pakistan. The study found that poor households are facing very similar level of GST incidence as compared to richer households due to the failure of the government to bring in more services such as lawyers, financial consultants and recreational activities. The poor are penalized by bringing more and more consumption items within the GST tax net but richer households are benefitting since consumption services are not taxed.

Oladipupo and Izedonmi (2013) conducted a study on the Public Perception and Attitude towards Value Added Tax (VAT) in Nigeria. In the study researchers assessed the level of tax education, particularly of VAT law amongst the tax payers in Nigeria. The objective of the study included assessing the level of awareness and understanding the VAT by businessmen, professionals and laymen. It identifies the problems containing the administration of the VAT from the perspective of the respondents. The data for the study were collected by means of structured questionnaires administered to the respondents. The data were analyzed by using descriptive statistical technique, such as the frequency distributions and means of central tendency. The results showed that majority of the Nigerian taxable persons are quite aware of the operations and knew that VAT law exists but many have never seen a copy nor talk laws, read and understand it. There is no remarkable knowledge of VAT law by businessmen and professionals. The present form of education does

not guarantee tax education. Researchers concluded that there is a need to promote the habit of keeping tax records by various tax payers, including the individual, cannot over emphasized. Currently, individual taxpayers do not keep their tax records and hence might not even know what proportion of their total tax is made up of VAT. Tax education could inculcate this habit of tax payers, as it would increase the magnitude of voluntary tax compliance, decrease the incidence of various tax offenses inadvertently committed by individual taxpayers and consequently enhance the revenue generation capability of taxation.

Unegbu and Irefin (2011) undertook a study on the impact VAT on economic development of emerging nations from 2001 to 2009 the scope of the study centre was Adamawa state of Nigeria. Both primary and secondary data were used for the study. Researchers used regression, discriminant analysis and ANOVA for testing the hypotheses. The results of the study indicated that VAT allocations are alone accounts 91.20 percent of the variation in expenditure pattern of Adamawa state and that VAT allocations to the state within the study period were very significant. The perceptions by citizen across the administrative areas of the state suggest that VAT has minimum impact level on economic and human developments of Adamawa state from 2001 to 2009. The study recommended that governance of Adamawa state in particular and other states of developing countries in general to ensure that revenue allocations especially VAT should not only have impact but should be perceived to impact positively on the economic and human developments by the citizen of that state.

De Souza, Santos and Lima (2010) studied the Tax Reform, Income Distribution and Poverty in Brazil. The objective of the study included to address the potential distributive impacts of changes in the Brazilian indirect tax system, through the simulation of two different indirect tax policies scenario with the aid of a general

equilibrium and micro-simulation model tailored for distributional analysis. The reference year for analysis is selected as 2001. A computable general equilibrium model of Brazil was used to assess the potential impact changes in the tax system on poverty and income distribution. The micro data base containing 2,63,938 adults grouped in 1,12,055 households with information on wage by industry and region and personal characteristics such as ownership of the land, type of work, years of schooling, sex, age, position in family and other socio -economic characteristics. The two models are run in sequential way in a system that guarantees consistency between the results. The findings revealed that the reduction in indirect taxes on food seems to be most promising in terms of poverty alleviation, since it has largest real income increase in the country. The tax reduction in intermediate inputs used in agriculture does not generate any remarkable result regarding welfare improvement for the poor but it is much expensive than earlier policy. The results also revealed that two policies led to two different outcomes in terms of interstate transfers that is a major political barrier to reform in a federal state.

Brew and Wiah (2012) studied the Efficiency in Collection Value Added Tax Revenue in Tarkwa –Nsuaem Municipality in Ghana using Time Series Model. The researchers investigated the efficiency of the mechanism for collection of VAT revenue in Tarkwa –Nsuaem Municipality (Ghana) using time series and regression analysis. The objectives of the study are included that to ascertain the true volume of revenue generated in VAT sector, to fit a model that will help the government to forecast the volume of VAT revenue that can be generated within any period. The sample size of five hundred and twenty traders were interviewed on how often VAT receipts are issued to the customers for the period of four years from January 2007 to December 2010. The results demonstrated that there was a positive relationship

between the VAT revenue and traders issuing VAT receipts which displayed the efficiency in the model of collection of VAT in Tarkwa –Nsuaem Municipality. The findings indicated that there is strong efficiency in collection of VAT revenue in Tarkwa –Nsuaem Municipality.

Yan and Lu (2013) conducted an empirical research on Effect of Transformation of VAT on Fixed Assets Investment Based on the Data of Jiang Su Listed Companies in China. Researchers studied the effect of transformation of VAT on fixed assets investments and also examined whether the transformation of VAT increased the investment of enterprise fixed assets and improved benefit of investment. The data used for analysis for a period of five years from 1st January 2007 to 31st December 2008 before transformation of VAT and 1st January 2009 to 31st December 2010 after transformation. The empirical results showed that the effect of transformation of VAT and increment of fixed asset investment are positively correlated. It shows that transformation of VAT can promote investment in fixed assets. The findings also revealed that the increase of the investment in fixed assets has a significant positive correlation with prior fixed asset investment increment, the investment opportunity and enterprise profitability at one percent level and the scale of enterprise and development ability at five percent level, this shows that after transformation of VAT , the influence of prior period the scale of fixed asset investment, enterprise investment opportunities and enterprise profitability on the current investment in fixed assets is more, by contrast, the influence of the enterprise scale and development capability is smaller. The study concluded that overall the transformation of VAT has a positive effect on management and development of Jiang Su listed companies.

Benk, Budak and Cakmak (2012) studied Tax Professionals Perceptions on Tax Fairness in Turkey The study was conducted to investigate dimensions of tax fairness in Turkey. The sample constituted of 180 tax professionals such as Certified Public Accountants and Sworn in Certified Public Accountants. The study focused on perception of tax professionals because they possess the adequate capability to evaluate both tax system and tax payers in Turkey. Researchers used factor analysis and reliability analysis to find the tax fairness dimensions. The study identified six factors such as general fairness, middle income earners, tax share and tax burden, exchange with the government tax rate structure, special provisions and tax system equality and inequality. The study concluded that there is a difficulty in comparing the fairness perceptions due to differences in income tax structure, time period, methodology, sample characteristics and measures used in each study.

Olatunji (2013) examined the impact of VAT on revenue generation in Nigeria and citizen's perception on VAT and inflation. The researcher had adopted the descriptive research approach for the study. The primary data were collected throw oral interviews and secondary data obtained from annual reports of Federal Inland Revenue Service and other published reports of Nigeria. Descriptive statistics of mean and standard deviation were computed on the response from the questionnaire. The results revealed that there is no significant effect between VAT revenue and the perception of the citizens and the standard deviation of VAT (4.93) was higher than the standard deviation of revenue (3.01). Researcher suggested that VAT rates should be reviewed upward in order to meet the needs of nation.

3.4 Research Studies

Naik (2006) studied the "The Feasibility of Value Added Tax for Southern States" and evaluated the theory of Sales Tax. Researcher discussed the importance of sales tax for state government revenue. Researcher made in depth study on the theory of Value Added Tax, VAT in European Union, Theory of Sales Tax, Central Sales Tax, Sales Tax structure in Southern States and State level Value Added Tax. The study concluded that Value Added Tax is a less detractive an allocation of resources and setting market prices. Researcher suggested that Union Government has to take steps adopt the similar kind of taxation system in all the states in India.

In the research "Impact of Sales Tax, VAT, & GST on the Profitability of Organizations" Dhond (2010) studied the impact of Sales Tax, VAT and GST on the profitability of manufacturing industry. Researcher observed that all the industries were paying more sales tax during the sales tax period and after introduction of VAT same industries contributing less revenue to the government. It indicates that introduction of VAT is more profitable to the organizations. The study suggested that the infrastructure setup is requisite for adequate automation in administration and engineer the business process before implementation of GST.

John (2010) made a research on "Reforms in Sales Tax Structure: A Study with Reference to VAT in Kerala". Researcher assessed the perceptions of manufactures/ traders, consumers, and VAT officials on Value Added Tax in Kerala. Study was made by collecting the primary data from three zones of Kerala such as south, central and north. By using Chi- Square test the author examined the distributions of the respondents in the three zones of Kerala. Study revealed that majority of the manufacturers/traders in south and north zone opine that VAT system favors the Government whereas central zone says that VAT system favors the dealers.

Study also observed that there is a substantial delay in getting refund. In the conclusion researcher suggested to make the monthly and quarterly returns to simple, so that verification of the returns can be done on the day of the filing the returns.

In the title "Economic Analysis of Value Added Tax: A Comparative Study of Punjab and Haryana" Walia (2012) conducted research to identify the problems faced by the traders and other stake holders after implementation of VAT in Punjab and Haryana. Respondents of the study were 100 VAT paying units each from Punjab and Haryana. The study revealed that most of the units in the opine that VAT is more complicated, involving the more paper work, adversely affecting the cash flow, delay in VAT refund. It was suggested that number of categories of various items imposing different VAT rates may be curtailed to simplify the VAT structure.

3.5   Summary of the Literature Review: A careful review of literature carried out by the researcher brought out the following broad conclusions.

1) *Perceptions about VAT*: Majority of the Indian studies showed that Value Added Tax is a good replacement for sales tax in the Indian taxation system. If VAT is implemented systematically; the consumers, traders and government will benefit from the new system considerably. Cascading of taxes and multiplicity of rates can be avoided with this simple and transparent system. Consumers will be benefitted by the reduced and reasonable price of the goods. Traders will be benefitted by the input tax credit system of VAT and Governments will be benefitted from enhanced revenue.

2) *Maintenance of Books and Accounts*: The studies showed that most of the retailers are having favorable attitude towards VAT but there are few problems faced by the pharmaceutical retailers such as daily maintenance of opening and closing stock, maintenance of bills and computerizing the accounts.

3) *Tax Revenue*: Studies showed that sales tax revenue would continue to grow faster than GSDP provided no reduction in tax rate or increase in tax base is undertaken. The rising trend of tax revenue will continue if there is no reduction in the tax rates for commodities or if there are no exemptions on commodities from taxation. Studies also indicated that there are deficiencies in VAT Acts and Rules in many states and defective procedures for verifying Input Tax Credit claims and detecting fake Input Tax Credits.

4) *Tax administration*: Studies observed that there is a need to improve tax administration so that tax evasion and other malpractices can be avoided.

5) *Tax Education*: Studies showed that there is lack of awareness about VAT law by businessmen and professionals. Studies also revealed that there is a need to promote the habit of keeping tax records by various tax payers. Tax education could be inculcated so that there will be voluntary tax compliance, decrease the incidence of various inadvertent tax offenses and enhancement in revenue generation capability of taxation.

Literature review also revealed that there is no systematic research done in India to study the revenue impact of VAT and perception about VAT by the stakeholder in the state of Goa and Kerala. In this direction the present study is aimed at filling this research gap by systematically studying the impact of VAT in Goa and Kerala. The literature review enabled the researcher to identify the variables required for the study and formulate appropriate hypotheses in a comprehensive manner.

CHAPTER IV

IMPACT OF VAT ON REVENUE IN THE STATES OF GOA AND KERALA

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For any national or sub national economy, revenue mobilization is the key to economic development. Revenue receipts of a State comprise of the following three components,

i)   States Own Tax Revenue

ii)   States Own Non-Tax Revenue

iii)   Transfer from Central Government of India to State Government.

The main objective of the study is to highlight the impact of VAT on the tax revenue in the states of Goa and Kerala. In this chapter researcher discuss the following:-

1) Trends of Total revenue, Trends of Sales Tax/ VAT revenues, Trends of own tax revenue of the state of Goa and Kerala.

2) Contribution of Sales Tax /VAT to Total revenue, Own tax revenue of the states of Goa and Kerala.

3) The buoyancy and efficiency of Sales Tax/VAT in the states of Goa and Kerala.

Revenue and Gross State Domestic Product data for Goa and Kerala for the period of 12 years (2001-02 to 2011-12) were used for the study. The direct revenue impact was examined by testing whether introduction of VAT increased states total revenue and own tax revenue. The analysis of Total revenue, Own tax revenue and VAT revenue along with buoyancies is presented in the following section.

4.1 Trends of Total Revenue in Goa and Kerala: The total revenue receipts of the state primarily consists of three components such as states Own Tax revenue, states Own Non Tax revenue and transfer from Government of India.

Table 4.1 Trends of Total Revenue in Goa and Kerala

(Rs. in crore)

Year	Goa		Kerala	
	Total Revenue(Rs.)	Growth Rate (Percent)	Total Revenue(Rs.)	Growth Rate (Percent)
2000-01	789.87		8,730.86	
2001-02	930.59	17.82	9,056.39	3.73
2002-03	1,123.53	20.73	10,637.38	17.45
2003-04	1,254.86	11.69	11,815.37	11.07
2004-05	1,460.63	16.40	13,500.48	14.26
2005-06	1,805.90	23.63	15,294.52	13.28
2006-07	2,142.43	18.63	18,186.62	18.90
2007-08	2,389.70	11.54	21,106.79	16.05
2008-09	2,891.12	20.98	24,512.18	16.13
2009-10	3,491.55	20.77	26,109.40	6.51
2010-11	4,722.52	35.25	30,990.95	18.70
2011-12	5,131.30	8.66	38,010.36	22.65

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

From the Table 4.1 it can be observed that annual growth rate of total revenue in the state of Goa was 17.82 percent in 2001-02 showed a down trend of 11.69 percent in 2003-04 and 16.40 in 2004-05. However after the implementation of Value Added Tax system in the year 2005-06 the growth rate tremendously increased to 23.63 percent. In the year 2007-08 it declined to 11.54 percent when there was a recession in the world market. In the years 2008-09 and 2009-10 its growth remained an average of 20.85 percent and suddenly increased to 35.25 percent. In the year

2011-12 the growth rate of total revenue came to single digit of 8.66 percent which was lowest in the study period of 12 years.

In the case of Kerala it was observed that the growth of total revenue from 3.73 percent in 2001-02 to reached to 13.28 percent in 2005-06 after implementation VAT system 2005-06 to 13.28 percent. Even though it showed an increasing trend in 2006-07 to 18.90 percent due to recession in the world market it came down to 16.05 percent 2007-08. The growth trend was single digit 6.51 percent in 2009-10 which was the lowest among in the study period of twelve years and the growth rate showed highest trend of 22.65 percent in the year 2011-12.

The annual growth rate trend in of Total Revenue in the states of Goa and Kerala are graphically presented below.
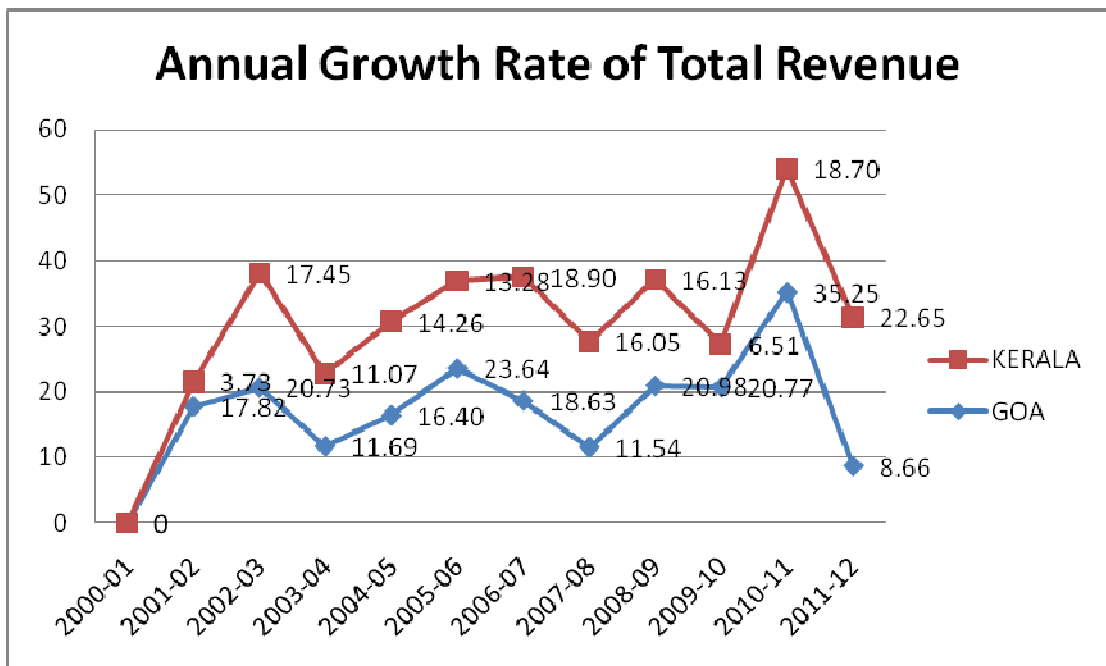
Fig. 4.1 Trends of Total Revenue in Goa and Kerala

4.2   Trends of Own Tax Revenue in Goa and Kerala: Own Tax Revenue of the state mainly comprises of VAT, state excise, stamp duty, registration fees, and motor vehicle and passenger tax. (Economic Surrey Goa, 2012-13).

Table -4.2 Trends of Own Tax Revenue in Goa and Kerala

(Rs. in crore)

Year	Goa		Kerala	
	Own Tax Revenue(Rs.)	Growth Rate (Percent)	Own Tax Revenue(Rs.)	Growth Rate (Percent)
2000-01	515.29	-	5870.26	-
2001-02	569.90	10.60	5923.42	0.91
2002-03	602.81	5.77	7302.54	23.28
2003-04	710.77	17.91	8088.78	10.77
2004-05	856.44	20.49	8963.65	10.82
2005-06	1,096.57	28.03	9779.64	9.10
2006-07	1,291.52	17.77	11941.82	22.11
2007-08	1,358.92	5.22	13668.95	14.46
2008-09	1,693.55	24.62	15990.18	16.98
2009-10	1,812.84	7.04	17625.02	10.22
2010-11	2,193.55	21.00	21721.69	23.24
2011-12	2,526.81	15.19	25718.60	18.40

*Source: Economic Survey, Reports of Comptroller and Auditor General of India
Office of the commissioner of Commercial Taxes Goa.*

In the state of Goa annual growth rate of own tax revenue is declined from 10.60 percent in 2001-02 to 5.77 percent in the year 2002-03. Own tax revenue showed an increase of 7.54 percent from 20.49 (2004-05) percent to 28.03 percent in the year 2005-06 after implementation of VAT. In the year 2007-08 the annual growth was lowest in the study period as 5.22 percent which is due to the recession in the world market. In the year 2008-09 it was recovered to 24.62 percent and again declined to 7.04 percent in 2009-10. In the year 2011-12 the annual growth rate remained 15.19 percent.

In case of Kerala the annual growth rate of own tax revenue showed fluctuations throughout the study period of twelve years. In the year 2001-02 the growth trend was below one percent showing 0.91 percent. It suddenly increased to 23.28 percent in 2002-03 and showed growth rate of 22.11 percent in 2006-07. In the year 2007-08 there was a decline of 7.65 percent due to recession in the world market. In the year 2011-12 the growth rate of own tax revenue stood 18.40 percent in the state of Kerala.

It can be seen that both the states of Goa and Kerala showed fluctuations in the study period. It can be also observed that there was decline trend of growth rate in the year 2007-08 where both the states affected by recession in world market.

The Trends of Own Tax Revenue in Goa and Kerala own tax revenue in the states of Goa and Kerala are graphically presented below.

Fig 4.2 Trends of Own Tax Revenue in Goa and Kerala

4.3   Trends of Sales Tax /VAT in Goa and Kerala: Value Added Tax is a consumption tax. Revenue is raised for the government by requiring traders to register

and charge on taxable goods. Dealers deduct the tax paid during the preceding period the burden of tax is ultimately on the consumer. All states mainly rely on the Value Added Tax (VAT) as one of their main sources of government revenue. Sales tax, which is the most important constituent item under states own tax receipts, has not been fully exploited by the states as a source of revenue. (Rao Govinda, 2000).

Table 4.3 : Trends in Sales Tax /VAT in Goa and Kerala

(Rs. in crore)

Year	Goa		Kerala	
	Sales Tax/VAT Revenue(Rs.)	Growth Rate (Percent)	Sales Tax/VAT Revenue(Rs.)	Growth Rate (Percent)
2000-01	346.73	-	3,971.43	-
2001-02	365.37	5.38	4,164.57	4.86
2002-03	398.93	9.19	4,917.14	18.07
2003-04	463.52	16.19	5,213.83	6.03
2004-05	502.70	8.45	6,182.69	18.58
2005-06	671.83	33.64	6,253.07	1.14
2006-07	783.28	16.59	8,071.62	29.08
2007-08	819.66	4.64	8,349.76	3.45
2008-09	1072.15	30.80	10,917.16	30.75
2009-10	1064.07	-0.75	12,448.18	14.02
2010-11	1280.58	20.35	15,499.22	24.51
2011-12	1563.23	22.07	18,558.11	19.73

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

The Table 4.3 depicts that trend for sales tax in Goa has been increased from Rs. 346.73 crore in the year 2000-01 to Rs 502.70 crore in the year 2004-05. From the introduction of Value Added Tax it has again increased to Rs. 671.83 crore in 2005-06. The Value Added Tax has been increased to Rs. 1072.15 crore in 2008-09 and slightly decreased to Rs 1,064.07 crore. It showed upward trend in the years 2010-11

and 2011-12. In the year 2011-12 the revenue from Value Added Tax Collections amounted to Rs 1,563.23 crore.

The trend for sales tax in Kerala shows that there is an increase in revenue from Rs. 3,971.43 crore in 2000-01 to Rs 6,182.69 crore in 2004-05. Structure of tax revenue showed a radical change from 2005-06 onwards after implementation of VAT system. In the year 2005-06, it was Rs. 6,253.07 crore then showed a upward trend showing a tax revenue of Rs 8,349.76 crore in 2007-08 and reached to Rs 15,499.22 crore in 2010-11 and reached to Rs. 18,558.11 crore showing an increase of Rs 3,058.89 crore in the year 2011-12 as compared to previous year.

Goa showed an increasing trend towards the annual growth rate till 2003-04 by 16.19 percent and suddenly it decreased to 8.45 percent in 2004-05. After introduction of VAT growth rate showed a tremendous increase by 33.64 percent in 2005-06 as compared to the previous year. In the year 2006-07 it decreased to 16.59 percent and again showed decreasing trend in 2007-08 to 4.64 percent when there was a recession in the world market. The growth rate suddenly increased to 30.80 percent in 2008-09 and showed a negative trend (-0.75 percent) in 2009-10. In the years 2010-11 and 2011-12 it showed an increasing trend by 20.35 percent and 22.07 percent respectively.

In case of Kerala also the growth rate of sales tax /VAT showed many fluctuations. It showed increasing trend 2002-03 by 18.07 percent and suddenly declined to 6.03 percent in 2003-04, and again it rose to 18.58 percent in 2004-05. In the year of implementation of VAT System it came down to 1.14 percent. In year 2005-06 it suddenly increased to 29.08 percent. In the year 2007-08 it declined to 3.45 percent when there was rescission in the world market. Again it increased to 30.75

percent in 2008-09, and showed a decline trend to 14.02 percent. In 2010-11 it suddenly increased to 24.51 percent and showed a declining trend reached to 19.54 percent in 2011-12.

The trend in Sales Tax /VAT in Goa is graphically presented in Fig. 4.3.
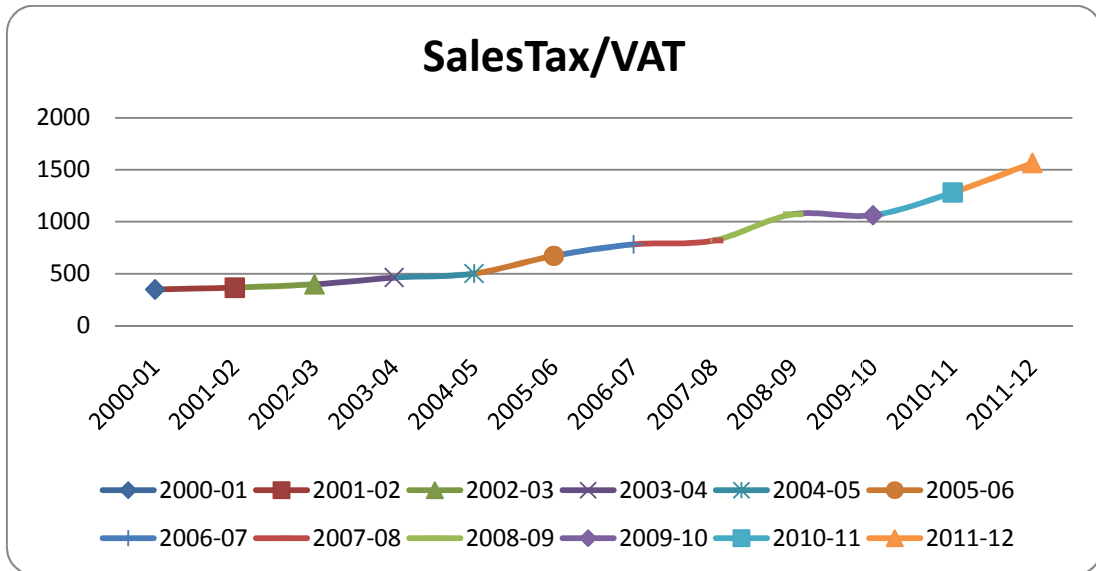
Fig. 4.3 Trends of Sales Tax/ VAT in Goa

The trend in Sales Tax /VAT in Kerala is graphically presented in Fig. 4.4.
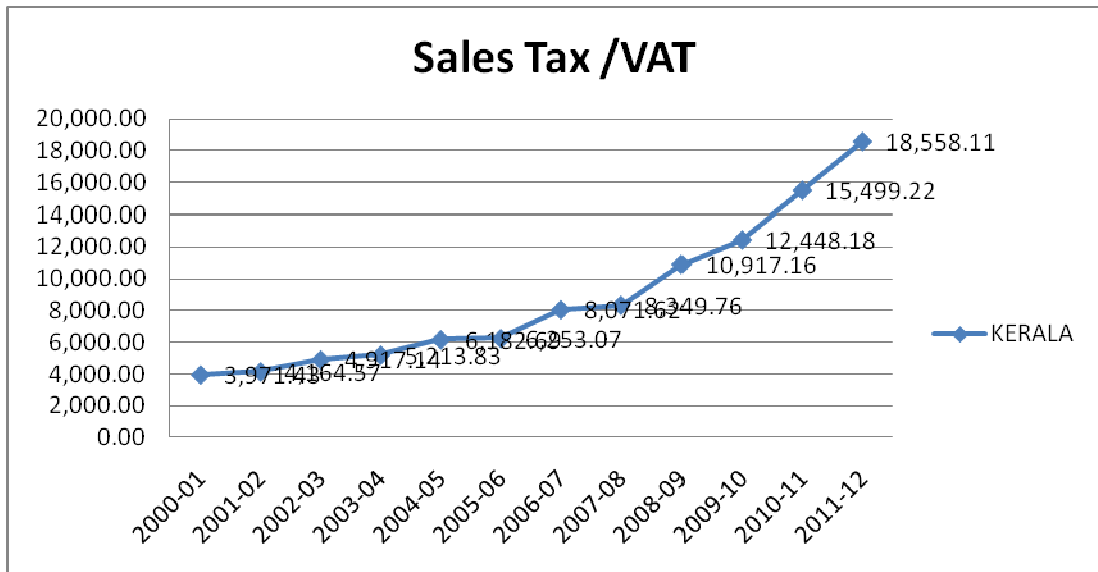
Fig.4.4   Trends of Sales Tax/ VAT in Kerala

4.4   Sales Tax /VAT Collections Pre and Post VAT period: It can be observed that tax collection during the pre-VAT (2001-to 2004-05) and post-VAT periods (2005-06 to 2011-12) and the percentage of growth of receipts, there has been an increase in average growth during the post- VAT over the pre-VAT period by 8.39 percent in case of Goa and 5.61 percent in the state of Kerala.

Table 4.4 Sales Tax/VAT Collections Pre and Post VAT period

(Rs. in crore)

Goa				Kerala	
Year	Sales Tax /VAT(Rs.)	Growth Rate (Percent)	Year	Sales Tax /VAT(Rs.)	Growth Rate (Percent)
2000-01	346.73		2000-01	3,971.43	
2001-02	365.37	5.38	2001-02	4,164.57	4.86
2002-03	398.93	9.19	2002-03	4,917.14	18.07
2003-04	463.52	16.19	2003-04	5,213.83	6.03
2004-05	502.70	8.45	2004-05	6,182.69	18.58
Average Growth		9.80	Average Growth		11.89
2005-06	671.83	33.64	2005-06	6,253.07	1.14
2006-07	783.28	16.59	2006-07	8,071.62	29.08
2007-08	819.66	4.64	2007-08	8,349.76	3.45
2008-09	1072.15	30.80	2008-09	10,917.16	30.75
2009-10	1064.07	-0.75	2009-10	12,448.18	14.02
2010-11	1280.58	20.35	2010-11	15,499.22	24.51
2011-12	1563.23	22.07	2011-12	18,558.11	19.54
Average Growth		18.19	Average Growth		17.50

Source: Economic Survey, Reports of Comptroller and Auditor General of India,
Office of the commissioner of Commercial Taxes Goa.

The percentage of annual growth rate in Sales Tax/VAT in the states of Goa and Kerala are graphically presented in Fig. 4.5.
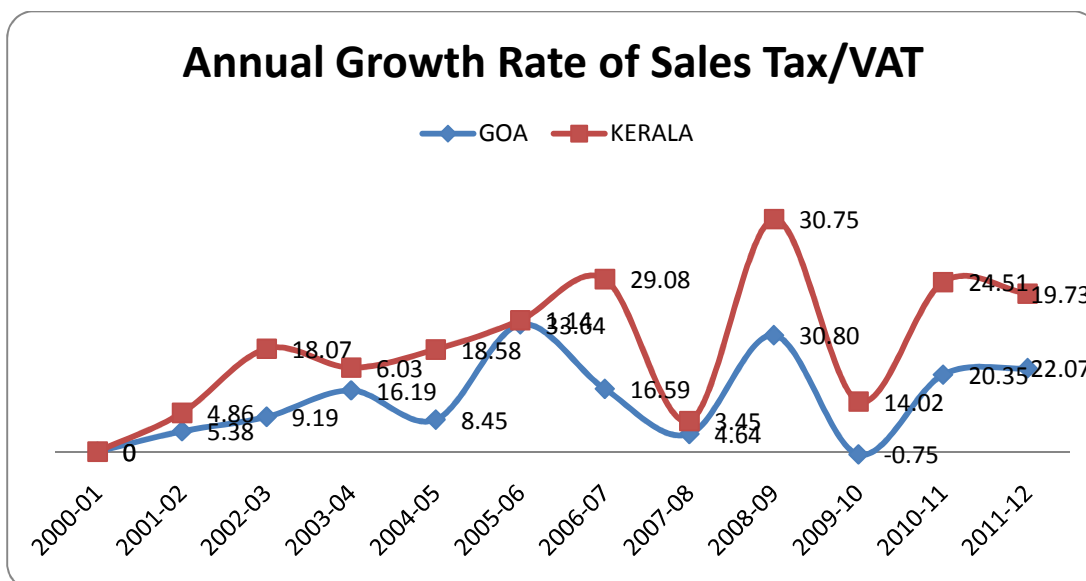
Fig. 4.5   Annual Growth Rate in Sales Tax/VAT in the States of Goa and Kerala

4.5   Contribution of Sales Tax/VAT to Total Revenue in Goa and Kerala: The contribution of Sales Tax to Total Revenue of both Goa and Kerala states was analyzed and the results are presented in Table 4.5.

Table 4.5 Contribution of Sales Tax in Total Revenue in Goa and Kerala

(Rs. in crore)

Year	Goa			Kerala		
	Sales Tax/VAT (Rs.)	Total Revenue (Rs.)	Percentage of Contribution	Sales Tax/VAT (Rs.)	Total Revenue (Rs.)	Percentage of Contribution
2000-01	346.73	789.87	43.90	3971.43	8,730.86	45.49
2001-02	365.37	930.59	39.26	4164.57	9,056.39	45.98
2002-03	398.93	1,123.53	35.51	4917.14	10 637.38	46.23
2003-04	463.52	1,254.86	36.94	5213.83	11,815.37	44.13
2004-05	502.70	1,460.63	34.42	6182.69	13,500.48	45.80
2005-06	671.83	1,805.90	37.20	6253.07	15,294.52	40.88
2006-07	783.28	2,142.43	36.56	8071.62	18,186.62	44.38
2007-08	819.66	2,389.70	34.30	8349.76	21,106.79	39.56
2008-09	1072.15	2,891.12	37.08	10917.16	24,512.18	44.54
2009-10	1064.07	3,491.55	30.48	12448.18	26,109.40	47.68
2010-11	1280.58	4,722.52	27.12	15499.22	30,990.95	50.01
2011-12	1563.23	5,131.30	30.46	18558.11	38,010.36	48.82

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

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The results shows that the percentage contribution of Sales tax in total revenue in Goa has declined from 43.90 percent in 2000-01 to 39.26 percent in 2001-02. It showed 34.42 percent in 2004-05 before introduction of Value Added Tax system. In the year of introduction of VAT it showed 37.20 percent which was the highest post introduction VAT period. It was observed that the Sales Tax /VAT contribution to total revenue went below 30 percent only in the year 2010-12 (27.12 percent). It showed an increasing trend and reached to 30.46 percent in 2011-12.

In Kerala, the percentage contribution of Sales Tax/VAT in total revenue has showed an average of approximately 45 percent for five years from 2000-01 to 2004-05 before introduction of VAT. It decreased to 40.88 percent in 2005-06 after introduction of VAT. Contribution to total revenue of Sales Tax /VAT showed an increasing trend another year 2006-07 (44.38 percent) and it suddenly declined to 39.56 percent in 2007-08 when there was a recession in the world market. It was observed that there was a highest contribution 50.01 percent in the year 2010-11 during the twelve years of the study period. Again it decreased to 48.82 percent in 2011-12.

It is inferred that the percentage contribution of sales tax to the total revenue in both the states of Goa and Kerala shows fluctuating trends. The percentage contribution of Sales Tax/VAT to the total revenue is comparatively higher in Kerala state than Goa state especially after the introduction of VAT.

The Percentage of Sales Tax/VAT in Total revenue in the states of Goa and Kerala are graphically presented in Fig. 4.6.
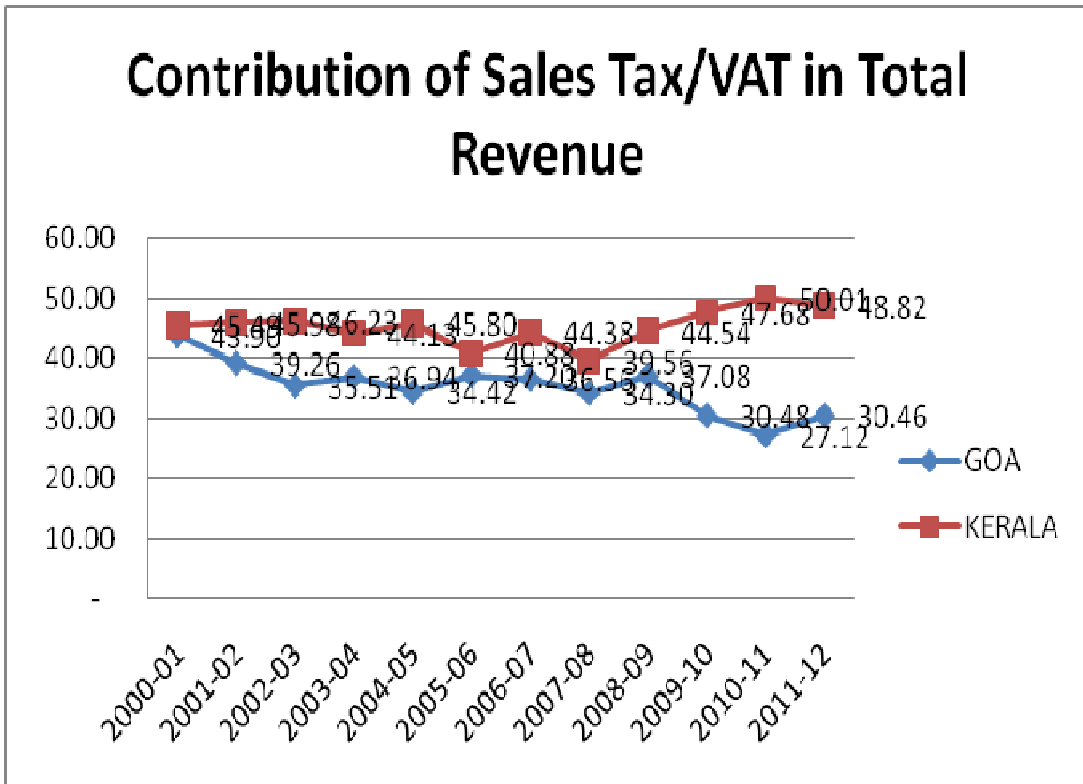
Fig.4.6 Contribution of Sales Tax/VAT in Total Revenue

4.6   Contribution of Sales Tax/VAT to Own Tax Revenue: It is important to note that more than half of the states own tax revenue comes from Sales Tax/VAT. The contribution of Sales Tax/VAT to own tax revenue of Goa and Kerala are analyzed and presented in Table 4.6.

Table 4.6 Contribution of Sales Tax in Own Tax Revenue in Goa and Kerala

(Rs. in crore)

Year	Goa			Kerala		
	Sales Tax/VAT (Rs.)	Own Tax Revenue (Rs.)	Contribution (Percentage)	Sales Tax/VAT (Rs.)	Own Tax Revenue (Rs.)	Contribution (Percentage)
2000-01	346.73	515.29	67.29	3,971.43	5,870.26	67.65
2001-02	365.37	569.90	64.11	4,164.57	5,923.42	70.31
2002-03	398.93	602.81	66.18	4,917.14	7,302.54	67.33
2003-04	463.52	710.77	65.21	5,213.83	8,088.78	64.46
2004-05	502.70	856.44	58.70	6,182.69	8,963.65	68.98
2005-06	671.83	1,096.57	61.27	6,253.07	9,779.64	63.94
2006-07	783.28	1,291.52	60.65	8,071.62	11,941.82	67.59
2007-08	819.66	1,358.92	60.32	8,349.76	13,668.95	61.09
2008-09	1072.15	1,693.55	63.41	10,917.16	15,990.18	68.27
2009-10	1064.07	1,812.84	58.70	12,448.18	17,625.02	70.63
2010-11	1280.58	2,193.55	58.37	15,499.22	21,721.69	71.35
2011-12	1563.23	2,526.81	61.86	18,558.11	25,718.60	72.16

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

From the Table 4.6 it can be observed that in case of Goa it can be seen that sales tax contributed more than 64 percent in own tax revenue till 2003-04 but it reduced to 58.70 percent in 2004-05. After implementation VAT in the year 2005-06 the contribution to own tax revenue increased to 61.27 percent and showed a declining trend for two years 2006-07 and 2007-08. In the year 2007-08 the contribution declined to 60.32 percent, when there was a recession in the world market. It showed a steady increase in 2008-09 of 63.41 percent. In the year 2011-12 the contribution of Sales Tax/VAT to total revenue amounted to 61.86 percent.

It can be observed that in the state of Kerala contribution to Sales Tax /VAT not below 60 percent during the study period. In 2000-01 sales tax contributed 67.65 percent to own tax revenue, it increased to 70.31 percent in 2001-02. It reduced to 68.98 percent in 2004-05 further reduced to 63.94 after implementation of VAT in

2005-06. It showed fluctuating trends in the years 2005-06, 2006-07, and 2007-08. It is observed that Sales Tax /VAT contribution of 61.09 percent was lowest in year 2007-08 when there was global recession in the market. From 2008-09 onwards there is an increasing trend of VAT contribution and showed highest contribution during the study period amounting 72.16 in the year 2011-12.

The contribution of Sales Tax /VAT in Own Tax revenue in the states of Goa and Kerala are graphically presented in Fig. 4.7.
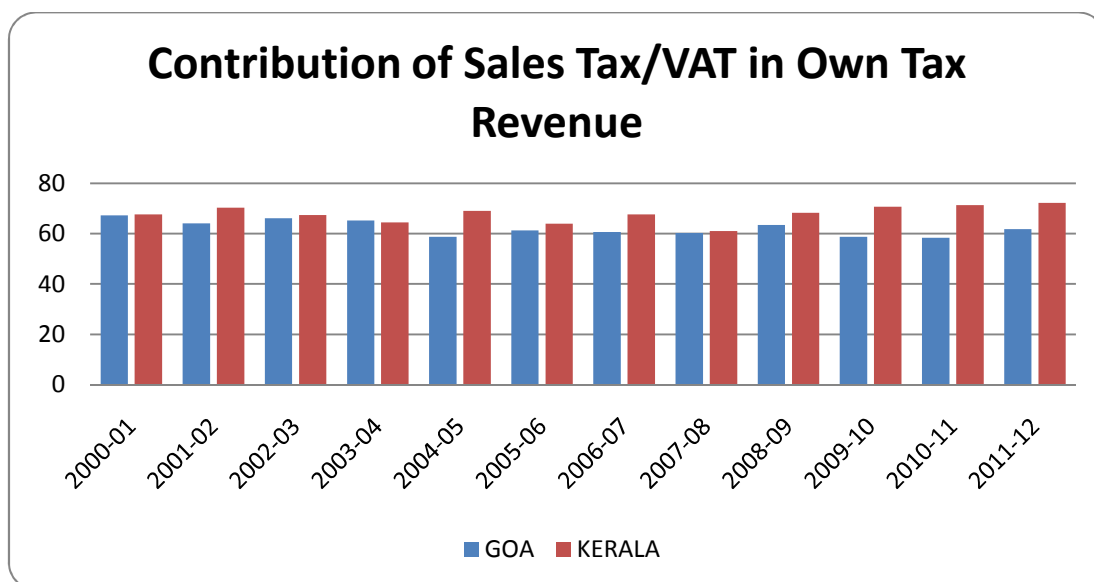
Fig. 4.7 Contribution of Sales Tax/ VAT in Own Tax Revenue in Goa and Kerala

4.7   Growth of Dealers in Goa and Kerala: The total number of registered dealers and its growth rate as compared to the previous year in the states of Goa and Kerala are analyzed in Table 4.7.

Table 4.7 Number of Registered Dealers and Growth Rate in Goa and Kerala

Goa			Kerala		
Year	Number of Registered Dealers	Growth Rate (Percent)	Year	Number of Registered Dealers	Growth Rate (Percent)
2001-02	25,653	-	2001-02	1,38,100	-
2002-03	26,569	3.57	2002-03	1,41,290	2.31
2003-04	27,867	4.89	2003-04	1,43,669	1.68
2004-05	29,250	4.96	2004-05	1,46,909	2.25
2005-06	24,729	-15.46	2005-06	1,28,220	-12.72
2006-07	28,651	15.85	2006-07	1,45,439	13.43
2007-08	23,106	-19.33	2007-08	1,51,550	4.20
2008-09	22,845	-1.13	2008-09	1,59,207	5.05
2009-10	24,005	5.08	2009-10	1,59,665	0.29
2010-11	26,094	8.70	2010-11	1,69,298	6.03
2011-12	29,545	13.23	2011-12	1,86,987	10.44

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

From the Table 4.7, it can be revealed that there is an increasing trend of registered dealers in the state of Goa from 2001-02 to 2004-05. The registered dealers increased from 25,653 to 26,569 during 2002-03. Again it showed a growth rate of a 4.96 percent in 2004-05 as compared to 4.89 percent in the year 2003-04. During the year 2005-06 registered dealers number is reduced to 24,729 from 29,250 (2004-05) showed a decline of 15.46 percent due to increase of threshold limit for the registration under VAT system. In the year 2006-07 the number of registered dealers increased to 28,561. During the year 2007-08 it came down to 23,106 due to non-renewal of registration of the dealers. In 2011-12 numbers of registered dealers were 29,545 showing an increase of 13.23 percent as compared to previous year.

In the case of Kerala there was increasing trend throughout the study period except 2005-06 in the year VAT system was introduced. The reason was increase of

threshold limit for the registration under VAT system. Registered dealers number is increased from 1,38,100 to 1,46,909 from 2001-02 to 2004-05. It was observed that in the year 2011-12 there is an increase of 17,689 in the number of dealers by showing a growth rate of 10.44 percent as compared the previous year 2011-12.

The percentage of annual growth rate of the dealers in the states of Goa and Kerala are graphically presented in Fig. 4.8.
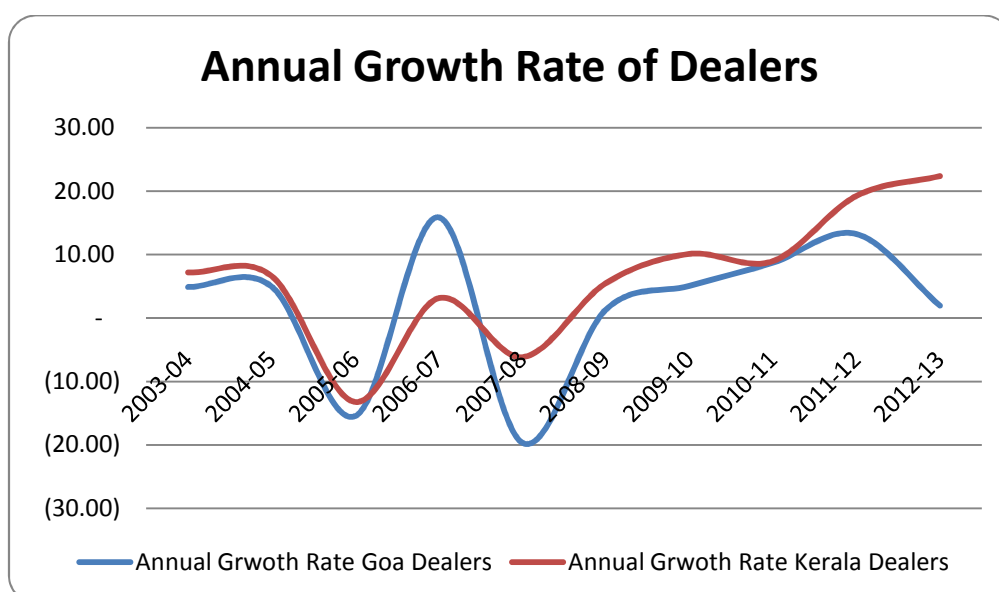
Fig. 4.8 Annual Growth Rate of Dealers in the States of Goa and Kerala

4.8   Receipts per Dealer in Goa and Kerala: The revenue collections from Sales Tax/VAT, number of registered dealers and receipt per dealer in the states of Goa and Kerala are analyzed and presented in Table 4.8.

Table 4.8   Receipt per Dealer in Goa and Kerala

Year	Sales Tax/VAT (Rs. in Lakhs)	Number of Registered Dealers (In Goa)	Receipt Per Dealer (Rs. in Lakhs)	Sales Tax/VAT (Rs. in Lakhs)	Number of Registered Dealers (In Kerala)	Receipt Per Dealer (Rs. in Lakhs)
2001-02	36,537	25,653	1.42	4,16,457	1,38,100	3.02
2002-03	39,893	26,569	1.50	4,91,714	1,41,290	3.48
2003-04	46,352	27,867	1.66	5,21,383	1,43,669	3.63
2004-05	50,270	29,250	1.72	6,18,269	1,46,909	4.21
2005-06	67,183	24,729	2.72	6,25,307	1,28,220	4.88
2006-07	78,328	28,651	2.73	8,07,162	1,45,439	5.55
2007-08	81,966	23,106	3.55	8,34,976	1,51,550	5.51
2008-09	107,215	22,845	4.69	10,91,716	1,59,207	6.86
2009-10	106,407	24,005	4.43	12,44,818	1,59,665	7.80
2010-11	128,058	26,094	4.91	15,49,922	1,69,298	9.15
2011-12	156,323	29,545	5.29	18,55,811	1,86,987	9.92

Source: Economic Survey, Reports of Comptroller and Auditor General of India,
Office of the commissioner of Commercial Taxes Goa.

From the Table 4.8, it can be seen that revenue receipt of Sale Tax /VAT per dealer is showing an increasing trend in both the states till 2008-09. In case of Goa the trend is increased from Rs.1.42 lakhs per dealer in 2001-02 to Rs. 1.72 lakhs in 2004-05 before the year implementation of VAT system. In the year 2005-06 the receipt per dealer from Sales Tax/VAT increased by Rs.1.00 lakh even though there are number of registered dealers became less due to threshold limit reduction. In the year 2008-09 the receipt per dealer was Rs. 4.69 lakhs it reduced to Rs 4.43 lakhs in 2009-10. In the year 2011-12 the receipt per dealer was Rs 5.29 lakhs showing a highest trend in the study period.

In case of Kerala receipt per dealer from Sales Tax /VAT there is an upward trend in the study period of twelve years. In year 2001-02 the receipt per dealer from sales tax was Rs. 3.02 lakhs reached to Rs. 4.21 in 2004-05 before implementation of VAT system. In the year 2005-06 it increased by Rs. 0.67 lakhs and reached to Rs

4.88 lakhs per dealer. There after the trend was increasing and showed Rs. 9.15 Lakhs in 2010-11 and reached Rs. 9.92 lakhs per dealer in 2011-12.

The receipts per dealer in the states of Goa and Kerala are graphically presented in Fig. 4.9.
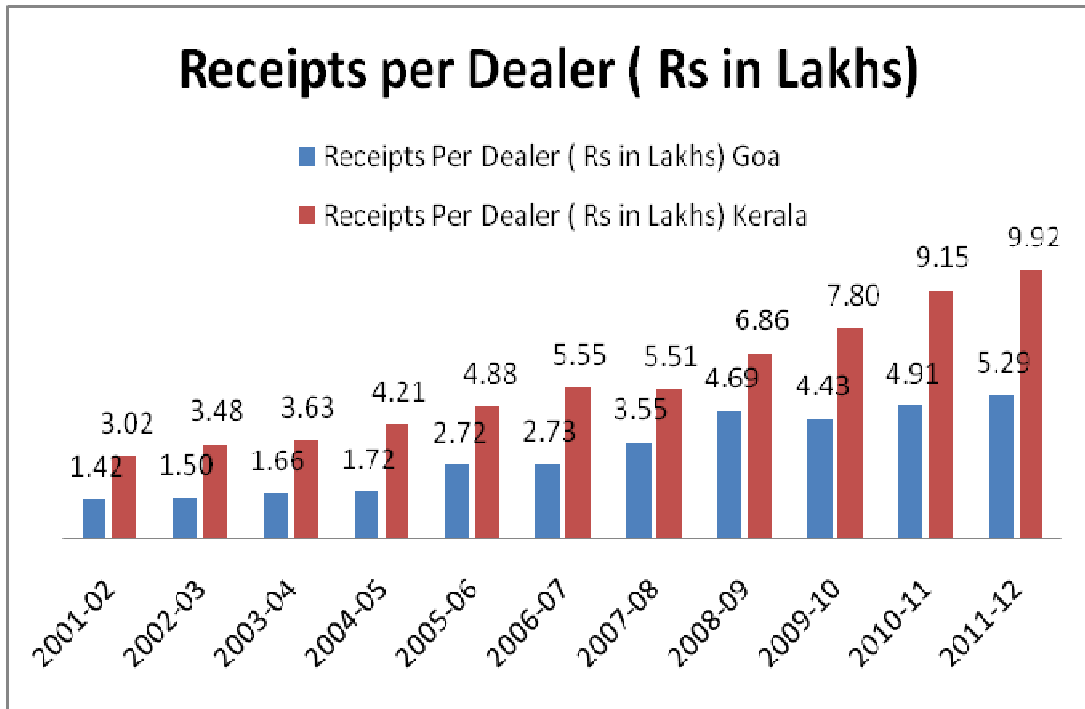
Fig 4.9 Receipts per Dealer in the States of Goa and Kerala

4.9   Growth of Receipts per Dealer in Goa and Kerala: The revenue collections from Sales Tax/VAT per dealer and its growth in the states of Goa and Kerala are analyzed and presented in Table 4.9.

Table 4.9 Growth of Receipts per Dealer in Goa and Kerala

(Rs. in lakhs)

Year	Goa		Kerala	
	Receipt Per Dealer (Rs)	Percentage of Increase	Receipt Per Dealer (Rs)	Percentage of Increase
2001-02	1.42	-	3.02	-
2002-03	1.50	5.63	3.48	15.23
2003-04	1.66	1.10	3.63	4.31
2004-05	1.72	3.61	4.21	15.98
2005-06	2.72	58.13	4.88	15.91
2006-07	2.73	0.37	5.55	13.72
2007-08	3.55	30.04	5.51	-0.72
2008-09	4.69	32.11	6.86	24.50
2009-10	4.33	-7.68	7.80	13.70
2010-11	4.91	13.40	9.15	17.30
2011-12	5.29	7.74	9.92	8.42

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

From the Table 4.9 it can be observed that in case of Goa there is an increase in percentage of receipt per dealer from sales tax of 5.63 percent in 2002-03 as compared to 2001-02. In the year 2005-06 when the VAT system was implemented there is an increase of 58.13 percent in the year as compared to previous year. The percentage of increase was negligible in 2006-07 (0.37 percent), the percentage of growth showed above 30 percent for next two years 2007-08 and 2008-09, an again showed negative trend (-07.68 percent) in 2009-10. In 2011-12 the percentage of growth of receipt per dealer showed 7.74 percent.

In case of Kerala there was much change in growth rate of receipt per dealer before and after implementation of VAT system. In 2004-05 the growth rate was 15.98 percent and it reduced to 15.91 percent in 2005-06 the year which the VAT system was implemented. In the year 2007-08 the trend declined to negative a showing -0.72 percent. In 2011-12 the end of the study period the growth was 8.42 percent.

From the above it can be observed that there is fluctuation in percentage of increase in receipt per dealer in both the states Goa and Kerala.

The percentage of increase of Sales Tax/VAT per dealer in the states of Goa and Kerala are graphically presented in Fig. 4.10.
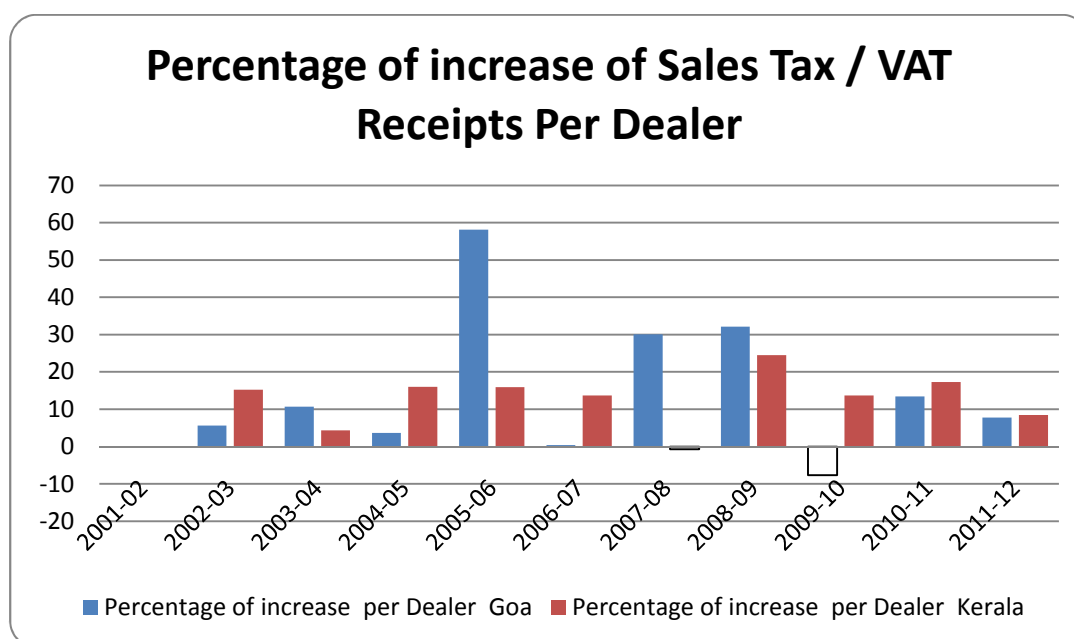
Fig. 4.10 Growth of Receipts per Dealer in Goa and Kerala

4.10   Buoyancy of Revenue Collections in Goa and Kerala: Tax buoyancy measures the relationship between historical tax revenue and Gross State Domestic Product (GSDP) in terms of proportional increase in tax revenue following one percent change in GSDP. It is an indicator to measure efficiency in revenue mobilization in response to growth in GSDP. It is computed by dividing the percentage change in the revenue by the percentage change in GSDP. Buoyancy ratios indicate the elasticity of degree of responsiveness of fiscal variable with respect to a given change in the base variable (Audit Report State Finances, 2011). If buoyancy is 1.2 implies that revenue receipts tend to increase by 1.2 percentage point if the GSDP increases by 1 percent.

Buoyancies of various kinds of revenues during different study periods have been discussed hereunder.

Table 4.10 Buoyancy of Revenue Collections in Goa

(Rs. in crore)

Year	Goa			Buoyancy coefficient		
	Total Revenue	Own Tax Revenue	Sales Tax/VAT	Total Revenue	Own Tax Revenue	Sales Tax/VAT
2000-01	789.87	515.29	346.73	-	-	-
2001-02	930.59	569.90	365.37	3.54	2.11	1.07
2002-03	1,123.53	602.81	398.93	1.47	0.41	0.65
2003-04	1,254.86	710.77	463.52	0.79	1.21	1.09
2004-05	1,460.63	856.44	502.70	0.45	0.56	0.23
2005-06	1,805.90	1,096.57	671.83	1.86	2.21	2.65
2006-07	2,142.43	1,291.52	783.28	1.22	1.16	1.08
2007-08	2,389.70	1,358.92	819.66	0.63	0.28	0.25
2008-09	2,891.12	1,693.55	1072.15	0.70	0.82	1.03
2009-10	3,491.55	1,812.84	1064.07	1.29	0.44	-0.05
2010-11	4,722.52	2,193.55	1280.58	1.62	0.97	0.94
2011-12	5,131.30	2,526.81	1563.23	0.36	0.67	0.93

Source: Economic Survey, Reports of Comptroller and Auditor General of India, Office of the commissioner of Commercial Taxes Goa.

Table 4.10 reveals that total revenue, own tax revenue, sales tax/VAT shown low degree responsiveness during the study period. In year of introduction of VAT system, 2005-06 total revenue, own tax revenue and VAT revenue buoyancy showed more than 2 but it declined to less than 1 in year 2011-12. VAT appears to have no impact on revenue performance in Goa (Gupta Das A, 2012). Buoyancy of revenue collections in Goa graphically presented in Fig. 4.11.
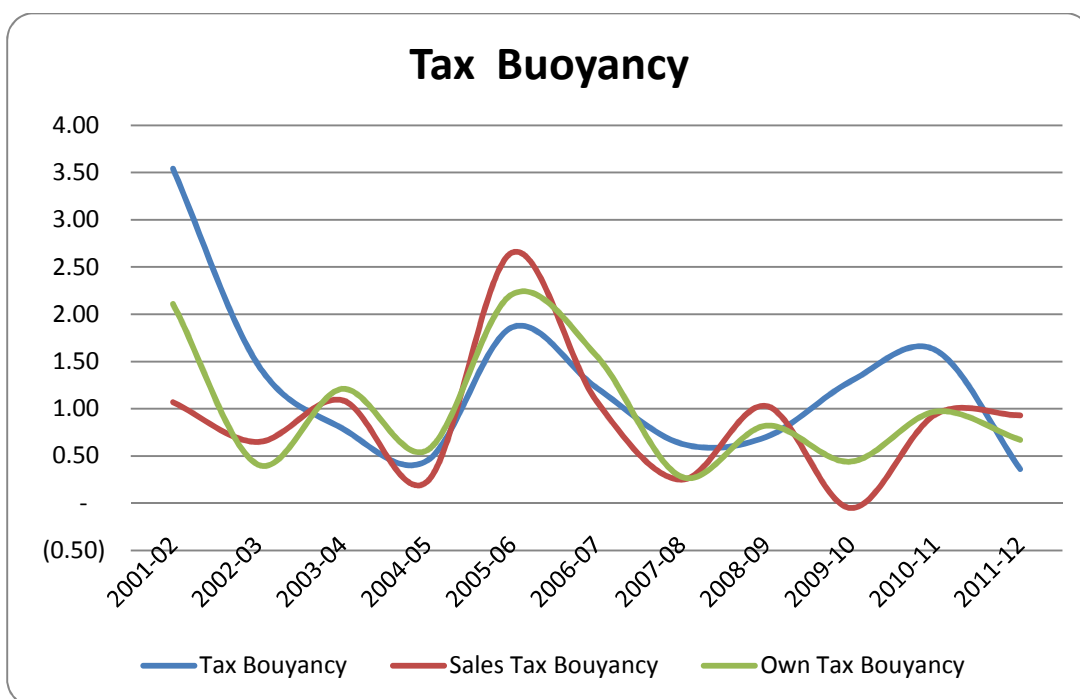
Fig. 4.11 Buoyancy of Revenue Collections in Goa

Table 4.11 Buoyancy of Revenue Collections in Kerala

(Rs. in crore)

Year	Kerala			Buoyancy		
	Total Revenue	**Own Tax Revenue**	**Sales Tax/VAT**	**Total Revenue**	**Own Tax Revenue**	**Sales Tax/VAT**
2000-01	8,730.86	5870.26	3971.43	-	-	-
2001-02	9,056.39	5923.42	4164.57	0.52	0.13	0.67
2002-03	10 637.38	7302.54	4917.14	1.24	1.65	1.28
2003-04	11,815.37	8088.78	5213.83	1.27	1.24	0.69
2004-05	13,500.48	8963.65	6182.69	0.61	0.46	0.79
2005-06	15,294.52	9779.64	6253.07	0.90	0.62	0.08
2006-07	18,186.62	11941.82	8071.62	1.53	1.79	2.35
2007-08	21,106.79	13668.95	8349.76	1.16	1.04	0.25
2008-09	24,512.18	15990.18	10917.16	1.02	1.08	1.95
2009-10	26,109.40	17625.02	12448.18	0.45	0.70	0.96
2010-11	30,990.95	21721.69	15499.22	0.97	1.21	1.28
2011-12	38,010.36	25718.60	18558.11	1.26	1.03	1.10

Source: Economic Survey, Reports of Comptroller and Auditor General of India,
Office of the commissioner of Commercial Taxes Goa.

Table 4.11 reveals that states total revenue buoyancy is showed highest in the two years 2002-03 and 2006-07, which was more than 1.50. It showed less than one in 5 years out of twelve years study period. States own tax revenue showed buoyancy more than one 7 years. The states own tax buoyancy with reference to GSDP during 2010-11 was highest during the four years 2007-08 to 2010-11 (Audit Report, 2011). It is due to sharp increase in growth rate of states own tax revenue. Sales tax /VAT showed buoyancy only 4 years more than one after implementation of VAT. It decreased from 2.25 (2006-07) to 1.10 (2011-12). VAT had no impact on revenue performance in Kerala. Sales Tax buoyancy worsened (Das Gupta, 2012). Buoyancy of revenue collections in Kerala graphically presented in Fig. 4.12.
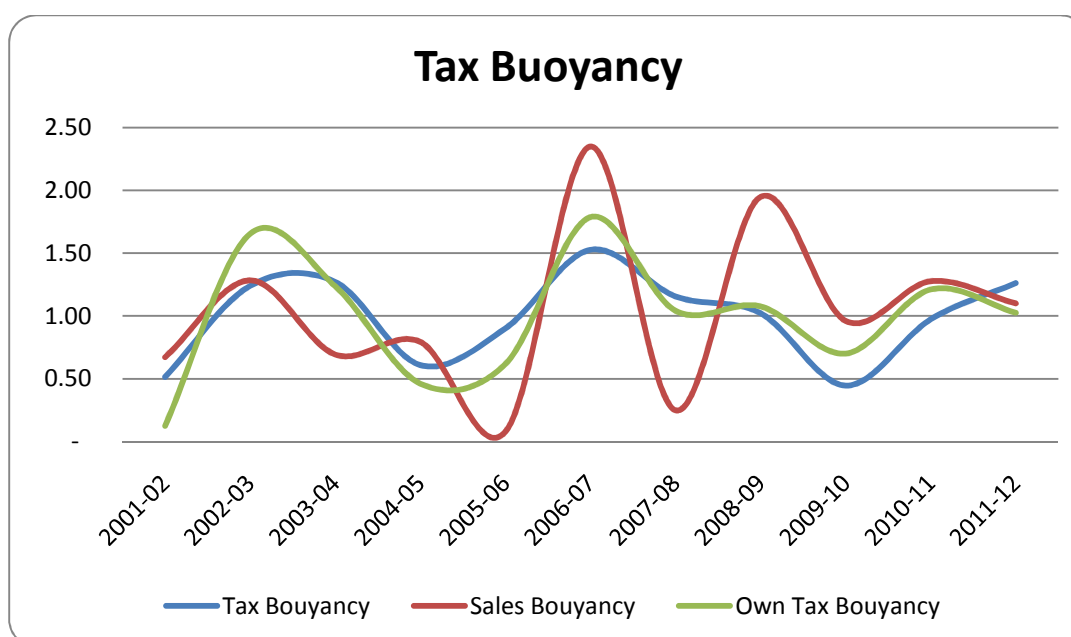
Fig. 4.12 Buoyancy of Revenue Collections in Kerala

4.11   Degree of Variability in Gross Tax Revenue and Gross State Domestic Product of Goa: The degree of variability in Gross Tax Revenue (GTR) and Gross State Domestic Product (GSDP) of Goa was analyzed by estimating coefficient of variation and the results are presented in Table 4.12.

Table 4.12 Degree of Variability in GTR and GSDP of Goa

Statistic	Pre Tax Reform Period		Post Tax Reform Period	
	GTR	GSDP	GTR	GSDP
Mean	1,111.90	8,793.60	3,224.93	26,560.14
Standard Deviation	263.99	2,404.50	1,287.28	10,985.89
Coefficient of Variation	23.74	27.34	39.92	41.36

Source: Audit Reports

The results show that the degree of variability in Gross State Domestic Product (27.34 percent) is slightly high as compared to Gross Tax Revenue (23.74 percent) during pre tax reform period. The variability in Gross State Domestic Product (41.36 percent) is also slightly high as compared to Gross Tax Revenue (39.92 percent) during post tax reform period.

Degree of Tax Buoyancy: The degree of tax buoyancy during pre tax reform period and differential tax buoyancy during post tax reform period in Goa state were estimated by fitting a double log regression model by Ordinary Least Squares (OLS) method and the results are presented in Table 4.13.

Table 4.13 : Degree of Tax Buoyancy during Pre and Post Tax Reform Periods in Goa

Particulars	Regression Coefficients	t-value	Sig
Intercept(β_0)	-.501	-.879	.405
Size of Tax Buoyancy(β_1)	.900**	6.206	.000
Differential Intercept(β_2)	-.168	-.258	.803
Differential Tax Buoyancy(β_3)	.045	.278	.788
Size of Tax Buoyancy($\beta_{1\pm}\beta_3$)	.945		
R^2	0.99		
Adjusted R^2	0.98		
Durbin-Watson Statistic	0.790		

*Note: ** indicates significant at one per cent level.*

The regression results show that the size of tax buoyancy is positively significant and less than unity during pre tax reform period illuminating that gross tax revenue is relatively inelastic. The results also imply that, on the average, one per cent increase in income accompanies with less than one per cent increase in gross tax revenue all else equal. The average propensity to tax (ratio of GTR to GSDP) shows fluctuations with the increase in GSDP during pre tax reform period. At the same time, the average propensity to tax (ratio of GTR to GSDP) also shows fluctuations with the increase in GSDP during post tax reform period.

The impact of rate of change in average propensity to tax per a unit change in income (GSDP) during pre tax reform period and differential rate of change in average propensity to tax per a unit change in income (GSDP) during post tax reform period on the average propensity to tax (ratio of GTR to GSDP) was analyzed by fitting a regression model by OLS method and the results are presented in Table 4.14.

Table 4.14 Degree of Tax Buoyancy during Pre and Post Tax Reform Periods in Goa (GTR to GSDP)

Particulars	Regression Coefficients	t-value	Sig
Intercept(β_0)	.142**	8.302	.000
D(β_1)	-.013	-.677	.517
GDP(β_2)	-1.642E-6	-.871	.409
D* GDP(β_3)	1.410E-6	.736	.483
R^2	0.49		
Adjusted R^2	0.48		
Durbin-Watson Statistic	0.714		

*Note: ** indicates significant at one per cent level.*

The results indicate that both rate of change in average propensity to tax per a unit change in income (GSDP) during pre tax reform period and differential Rate of

change in average propensity to tax per a unit change in income (GSDP) during post tax reform period do not have any impact on the average propensity to tax (ratio of GTR to GSDP).

4.12   Degree of Variability in Gross Tax Revenue and Gross State Domestic Product of Kerala: The degree of variability in gross tax revenue and gross state domestic product of Kerala was analyzed by estimating coefficient of variation and the results are presented in Table 4.15.

Table 4.15 Degree of Variability in GTR and GSDP of Kerala

Statistic	Pre Tax Reform Period		Post Tax Reform Period	
	GTR	GSDP	GTR	GSDP
Mean	10,748.10	8,793.60	24,887.26	21,4946.00
Standard Deviation	1,978.51	2,404.50	7,770.85	68,574.75
Coefficient of Variation (percent)	18.41	20.11	31.22	31.90

Source: Audit Reports

The results show that the degree of variability in Gross State Domestic Product (20.11 percent) is slightly high as compared to Gross Tax Revenue (18.41percent) during pre tax reform period. The variability in Gross State Domestic Product (31.90 percent) is very slightly high as compared to Gross Tax Revenue (31.22 percent) during post tax reform period.

Degree of Tax Buoyancy: The degree of tax buoyancy during pre tax reform period and differential tax buoyancy during post tax reform period in Kerala state were estimated by fitting a double log regression model by OLS method and the results are presented in Table 4.16.

Table 4.16 Degree of Tax Buoyancy during Pre and Post Tax Reform Periods in Kerala

Particulars	Regression Coefficients	t-value	Sig
Intercept(β_0)	-.566	-1.258	.244
Size of Tax Buoyancy(β_1)	.927[**]	10.203	.000
Differential Intercept(β_2)	-.276	-.539	.604
Differential Tax Buoyancy(β_3)	.055	.543	.602
Size of Tax Buoyancy($\beta_{1\pm}$ β_3)			
R^2	0.99		
Adjusted R^2	0.99		
Durbin-Watson Statistic	0.803		

Note: [**] indicates significant at one per cent level.

The regression results show that the size of tax buoyancy is positively significant and less than unity during pre tax reform period illuminating that gross tax revenue is relatively inelastic. The results also imply that, on the average, one per cent increase in income accompanies with less than one per cent increase in gross tax revenue all else equal. The average propensity to tax (ratio of GTR to GSDP) shows fluctuations with the increase in GDP during pre tax reform period. At the same time, the average propensity to tax (ratio of GTR to GSDP) also shows fluctuations with the increase in GSDP during post tax reform period.

The impact of rate of change in average propensity to tax per a unit change in income (GSDP) during pre tax reform period and differential rate of change in average propensity to tax per a unit change in income (GSDP) during post tax reform period on the average propensity to tax (ratio of GTR to GSDP) was analyzed by fitting a regression model by OLS method and the results are presented in Table 4.17

Table 4.17   Degree of Tax Buoyancy during Pre and Post Tax Reform Periods in Kerala (GTR to GSDP)

Particulars	Regression Coefficients	t-value	Sig
Intercept(β_0)	.127[**]	12.391	.000
D(β_1)	-.009	-.753	.473
GDP(β_2)	-9.809E-8	-.884	.402
D* GDP(β_3)	8.651E-8	.762	.468
R^2	0.44		
Adjusted R^2	0.41		
Durbin-Watson Statistic	0.830		

Note: [**] indicates significant at one per cent level.

The results indicate that both rate of change in average propensity to tax per a unit change in income (GSDP) during pre tax reform period and differential Rate of change in average propensity to tax per a unit change in income (GSDP) during post tax reform period do not have any impact on the average propensity to tax (ratio of GTR to GSDP).

4.13   Conclusion: It can be observed that there is an increase in the average growth rate in both the states post VAT period as compared to pre VAT period. The buoyancy VAT is very high and the proportionate change in GSDP. The growth rate showed a negative trend in Goa due to non-renewal of registration (Audit Report, 2010). The VAT revenue shows is increasing trend in the contribution to own tax revenue. Sales Tax VAT is the main contributor to states own tax revenue (Audit Report, 2010). The percentage of VAT shows nearly two third   in case of Goa whereas it shows 72 percent contribution to own tax revenue in case of Kerala. In case of Kerala VAT revenue rises due to better tax compliance as compared to sales tax (Audit Report, 2010). It can be observed that E-Governance and computerization drive improved the situation shows annual growth rate in VAT in recent years. The rising trend of tax revenue will continue if there is no reduction in tax rate and no exemption of commodities in VAT.

CHAPTER V

IMPACT OF VAT ON STAKE HOLDERS IN THE STATES OF GOA AND KERALA

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IMPACT OF VAT ON STAKEHOLDERS IN THE STATES OF GOA AND KERALA

Value Added Tax system was introduced in the country as a replacement to Sales Tax as it was considered efficient and transparent and overcame most of the difficulties faced in the earlier system. The system has changed the pattern of billing, filing of returns, assessment procedures and the accounting practices. Under Value Added Tax system maintenance of books of accounts and preparation of statements, compulsory maintenance and issue of bills, collection and remittance of tax at each point of sale are different from the earlier Sales Tax system. Introduction of this new tax system faced lot of opposition from some of the stakeholders such as Trade Associations and Political Parties.

Value Added Tax System was introduced in Goa and Kerala from 1st April 2005. Even though both States had high literacy level and fairly developed tax administration using technology, introduction of some of the new procedure created resentment among the business community. In the transitional period from Sales Tax to VAT, businessmen had confusion about many procedures of the VAT system such as compulsory registration, quarterly/monthly filing of returns, assessment procedure, VAT audits, input credit system, penalty provisions and cancellation of registration. In this study, researcher made an attempt to understand the various perceptions and issues encountered by the stakeholders after the implementation of the VAT system in the States of Goa and Kerala. Data was collected from stakeholders such as

Consumers, Businessmen, Practitioners as well as Officials and the analysis was made based on the objectives framed for the study.

This chapter is divided into four sections. The first section analyses the Impact of VAT on Consumers such as awareness about Value Added Tax, perception about VAT of the Consumers and issues pertaining to Value Added Tax system in the States. The second section looks into the details of the impact of VAT on the businessmen for the State of Goa and Kerala. While the third section provides information about the impact of VAT on practitioners and the fourth section discusses the perception of officials about the VAT in Goa and Kerala. Important variables selected are sources of awareness, perception about VAT system, satisfaction about VAT system, perception about e- governance and the issues in VAT system.

Methodology: Analysis is the key element of any research, as it is a reliable way to test the hypotheses framed by the researcher. This chapter deals with the analysis of primary data collected through the interview schedule. The data collected from the States of Goa and Kerala has been coded, tabulated and analyzed by using different statistical tools such as Reliability Analysis, Chi-Square test, ANOVA, Factor Analysis and testing the hypotheses focusing on t-test. In addition to those averages, percentages, graphs, and bar diagrams are also used.

Information was collected from the respondents with the help of a five point rating scale. The respondents were asked to state the impact of VAT by indicating 5, 4, 3, 2, or 1 from strongly agree to strongly disagree respectively in the order of rating. If the mean value of the variable is more than 3 which has been considered as about the variables are agreement of the respondent and less than 3 are considered neutral or disagree with the statement.

Reliability Test: Cronbach's Alpha provides an overall reliability coefficient for a set of variables. A pilot study has been conducted and reliability tested to know the reliability of the questionnaire. The reliability test of Cranach's Alpha was observed 0.703, which indicates that a high level of internal consistency for scale with framed questionnaire.

Chi -Square Test: Karl Pearson developed a non-parametric test for testing the significance of the discrepancy between experimental frequencies (observed) and the theoretical frequencies obtained (expected) under some theory or hypothesis. This test is known as Chi-Square Test. This test is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. In this study Chi- Square test is used to test significant levels among categorical variables. As non- parametric test to determine among categorical data to show dependency or the two classifications are independent, the Chi- Square test has been used. This test explains the number of individuals or objects that fall in each category differ significantly from the expected number. It also explains whether there is an existence of difference between the expected and observed due to sampling error, or if is it a real difference.

Analysis of Variance (ANOVA) Test: A statistical analysis tool that separates the total variability found within a data set into two components such as random and systematic factors. The random factors do not have any statistical influence on the given data set, while the systematic factors have statistical influence on the given data set. The ANOVA test is used to determine the impact of independent variables on the dependent variable in a regression analysis. The ANOVA technique investigates any number of factors which are supposed to influence the dependent variable of interest.

KMO and Bartlett's Test: In the factor analysis Kaiser –Meyer-Olkin measure of sampling adequacy test (KMO test) is conducted. KMO test is a helpful measure whether the data is suitable for factor analysis. Bartlett's test of sphericity (Bartlett, 1954) Kaiser-Meyer-Olkin (KMO) measures of sampling adequacy (Kaiser, 1970). If the KMO test comes out at 0.50 or higher, then the data is suitable for factor analysis (Tabachnick & Fidell, 2007).

Factor Analysis: Factor analysis is a technique which is used to reduce a large number of variables into number of factors. Factor analysis extracts maximum common variance from all variables and puts them into a common score (Harry H., 1976). Factor analysis is done in order to obtain factors with the greatest factor loading value. In Factor analysis, all variables under investigation are analyzed to extract a common feature variables or factors. It helps in identifying the underlying structure of data and the correlation coefficient between the factor scores and the variables included in the study known as factor loading. The interpretation of factor loading matrix is called as component matrix. In order to interpret the results in better way the factor rotation method is used.

Testing the hypotheses focusing on t-test: Student t- test is a statistical technique which compares the actual difference between two means or two groups in relation to the variation in the data (expressed as the standard deviation of the difference between the means).

Use of Student's t-test to compare the means of two samples (McDonald J.H., 2014).The t-test assesses whether the means of two groups are statistically different from each other. This analysis is appropriate whenever you want to compare the means of two groups (Fisher R.A., 1925). If the calculated t- value exceeds the

tabulated value than those means are significantly different at that level of probability. Statistical significance indicates whether the difference between sample averages is likely to represent an actual difference between populations. A significant difference at p = 0.05 means that if the null hypothesis were correct (Fisher, 1925). In this study researcher used t- test to compare the attributes and mean scores of two groups such as Goa and Kerala.

In this chapter analysis are made on the Impact of Value Added Tax on the stake holders such as Consumers, Businessmen, Practitioners and Officials and the same has been discussed.

5.1   Impact of VAT on Consumers:

In order to understand the demographic profile of the Consumers, level of awareness about VAT, perception about VAT and problems faced with VAT the data was collected from Goa and Kerala analyzed and the results are discussed in the following section.

5.1.1   Gender Status of the Consumers:

The gender status of the respondent Consumers of both Goa and Kerala are shown in the Table 5.1.

Table 5.1 Gender Status of the Consumers

Gender	Goa		Kerala	
	Number of Consumers	Percent	Number of Consumers	Percent
Male	87	58.00	91	60.67
Female	63	42.00	59	39.33
Total	150	100.00	150	100.00

Source: Primary Data

The Table 5.1 reveals that of the 150 consumers selected for the study, 58 percent of respondent consumers are male and the remaining 42 percent are female for the State of Goa, whereas in Kerala, 60.67 percent of consumers are male and the remaining 39.33 percent of consumers are female. Hence it is inferred that the majority of the respondents are male in both states.

5.1.2 Age Group of the Consumers

The age group of respondent consumers of both Goa and Kerala is presented in the following Table 5.2.

Table 5.2 Age Group of the Consumers

Age Group (Years)	Goa		Kerala	
	Number of Consumers	Percent	Number of Consumers	Percent
Less than 30	34	22.67	25	16.67
31-40	59	39.33	62	41.33
41-50	37	24.67	46	30.67
More than 50	20	13.33	17	11.33
Total	150	100.00	150	100.00

Source: Primary Data

The Table 5.2 exhibits that 39.33 percent of consumers belong to the age group of 31-40 years followed by 24.67 percent with the age group of 41-50 years. The age group less than 30 years constitutes 22.67 percent and more than 50 years has a share of 13.33 percent in Goa. In the case of Kerala, 41.33 percent of consumers belong to the age group of 31-40 years followed by 30.67 percent with the age group of 41-50 years. The age group less than 30 years constitutes of 16.67 percent and more than 50 years has a share of 11.33 percent. Hence it is revealed that majority of the respondent consumers belong to the age group of 31-40 years in both the states. Whereas minority age group consists of more than 50 years.

The graphical representation of age group of consumers is shown in Fig 5.1.
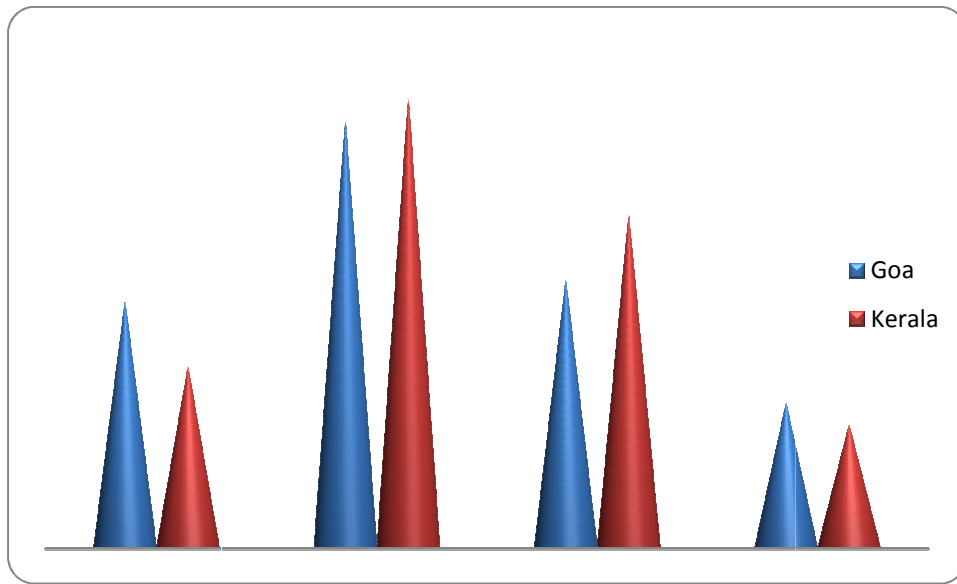
Fig 5.1 : Age Group of the Consumers

5.1.3   Educational Qualification of the Consumers

The level of education plays an important role in determining the awareness level and perception about VAT among consumers. In order to understand the educational qualification of consumers of both Goa and Kerala, data was collected from consumers and presented in Table 5.3.

Table 5.3 Educational Qualification of Consumers

Educational Qualification	Goa		Kerala	
	Number of Consumers	Percent	Number of Consumers	Percent
Secondary and Below	39	26.00	25	16.67
Higher Secondary	19	12.67	20	13.33
Graduation	54	36.00	65	43.34
Post Graduation	27	18.00	23	15.33
Professional	11	7.33	17	11.33
Total	150	100.00	150	100.00

Source: Primary Data

From the Table 5.3 it is observed that 36.00 percent of consumers are graduates followed by secondary and below (26.00 percent), post graduation (18.00

96

percent), higher secondary (12.67 percent) and professional (7.33 percent) in Goa. The corresponding figures for Kerala shows that 43.34 percent of consumers are graduates followed by secondary and below (16.67 percent), post graduation (15.33 percent), higher secondary (13.33 percent) and professional (11.33 percent). It is inferred from the Table 5.3 that the majority of the consumers in both states are graduates.

5.1.4 Occupational Status of the Consumers

The occupational status of the consumers of both Goa and Kerala are described in Table 5.4.

Table 5.4 Occupational Status of the Consumers

Occupation	Goa		Kerala	
	Number of Consumers	Percent	Number of Consumers	Percent
Public Sector	33	22.00	39	26.00
Private Sector	70	46.67	48	32.00
Agriculture	13	8.66	17	11.33
Professionals/Business	22	14.67	36	24.00
Housewife	12	8.00	10	6.67
Total	150	100.00	150	100.00

Source: Primary Data

It is clear from the Table 5.4 that 46.67 percent of consumers are employed in private sector followed by public sector (22 percent) and professionals/Business (14.67 percent).8.66 percent of the consumers have agriculture as occupation and 8.00 percent of them are housewives in Goa. In Kerala 32 percent of the consumers are employed in private sector followed by public sector (26 percent) and professionals/Business (24 percent).This is followed by agriculture (11.33 percent) and housewives (6.67 percent). The data showed that most of the respondent consumers are employed in private sector in both states.

5.1.5 Monthly Income of the Consumers

The income level of the consumers is very important in determining the ability to spend and hence it is an important determinant in VAT payment. In order to understand the monthly income of the consumers of Goa and Kerala, the data is collected and presented in Table 5.5.

Table 5.5 Monthly Income of the Consumers

Monthly Income(Rs.)	Goa		Kerala	
	Number of Consumers	Percent	Number of Consumers	Percent
Less than 30,000	85	56.66	90	60.00
30,001-50,000	43	28.67	34	22.67
50,001-1,00,000	12	8.00	14	9.33
More than 1,00,000	10	6.67	12	8.00
Total	150	100.00	150	100.00

Source: Primary Data

It is apparent from the Table 5.5 that majority of the respondent consumers belong to the monthly income group of less than Rs. 30,000 in both states. This is followed by Rs. 30,001-50,000 (28.67 percent), Rs. 50,001-1,00,000 (8.00 percent) and more than Rs. 1,00,000 (6.67 percent) in Goa. In Kerala, 22.67 percent are in the category of Rs. 30,001-50,000 followed by 9.33 percent are in the income range of Rs. 50,001-1,00,000 and the remaining 8 percent falls in the income group of more than Rs. 1,00,000. Hence it can be concluded that majority of the respondent consumers fall in the monthly income group of less than Rs. 30,000 in both the states.

5.1.6 Consumers Level of Awareness about Value Added Tax

The consumers level of awareness about Value Added Tax of both Goa and Kerala were analyzed by way of conducting Chi -Square test and the results are presented in Table 5.6.

Table: 5.6 Consumer Awareness about VAT in Goa and Kerala

Awareness about VAT	Goa	Percent	Kerala	Percent	Combined	Percent
Very Low	9	6.00	7	4.67	16	5.33
Low	35	23.33	21	14.00	56	18.67
Moderate	71	47.33	85	56.67	156	52.00
High	29	19.33	31	20.67	60	20.00
Very High	6	4.00	6	4.00	12	4.00
Total	150	100.00	150	100.00	300	100.00
Chi-Square = 5.073 p=0.280						

Source: Primary Data

With regard to level of awareness about the VAT, it was found that there was moderate level of awareness in Goa (47.33 percent) and Kerala (56.67 percent). The results of the Chi-Square test showed that there is no significant difference in the level of awareness about VAT among consumers in the State of Goa and Kerala at 5 percent level of significance (Chi-Square =5.073). It shows that the awareness level of VAT is similar among consumers in Goa and Kerala mainly due to the high literacy level and same level of socio-economic conditions prevailing in both the states.

5.1.7   Education Factor and Consumers Awareness and Perception about VAT:
Variances among educational factors, consumers awareness and perception about VAT is studied with the help of ANOVA. The one way ANOVA procedure has been used for the purpose of this study because it produces a one way analysis of variance for the selected quantitative dependent variables (the consumers awareness and perceptions about VAT) by an independent variable (educational factor).

In order to examine the relationship existing between the education factor and the consumers awareness about Value Added Tax ANOVA test was employed and the results are presented in Table 5.7.

Table 5.7 Education Vs Consumers Perception about VAT

Variables		Sum of Squares	Df	Mean Square	F	Sig.
Awareness about VAT	Between Groups	40.951	4	10.238	16.151	0.000***
	Within Groups	186.995	295	0.634		
	Total	227.947	299			
The sales tax is replaced by the VAT	Between Groups	6.791	4	1.698	6.756	0.000***
	Within Groups	74.126	295	0.251		
	Total	80.917	299			
There are different rates of VAT for different goods.	Between Groups	13.660	4	3.415	6.040	0.000***
	Within Groups	166.777	295	0.565		
	Total	180.437	299			
The VAT rates are changed after implementation of VAT system	Between Groups	8.387	4	2.097	3.245	0.013***
	Within Groups	190.610	295	0.646		
	Total	198.997	299			
The VAT system in the state is very good.	Between Groups	1.007	4	0.252	0.434	0.784
	Within Groups	171.179	295	0.580		
	Total	172.187	299			
The price of the goods are inclusive of VAT	Between Groups	1.407	4	0.352	1.434	0.223
	Within Groups	72.363	295	0.245		
	Total	73.770	299			
The registered dealers have to issue bills under VAT system	Between Groups	2.673	4	0.668	0.943	0.439
	Within Groups	208.994	295	0.708		
	Total	211.667	299			
There are few exempted goods dealers cannot collect VAT	Between Groups	3.544	4	0.886	2.423	0.048***
	Within Groups	107.853	295	0.366		
	Total	111.397	299			
Not asking bills from dealer leads to evade the tax	Between Groups	2.651	4	0.663	2.002	0.094
	Within Groups	97.679	295	0.331		
	Total	100.330	299			
The VAT systems is more complex than sales tax	Between Groups	6.262	4	1.566	2.584	0.037***
	Within Groups	178.734	295	0.606		
	Total	184.997	299			

Source: Primary Data

The ANOVA Table 5.7 reveals that there is a significant relationship exists between educational factor and consumers perception such as awareness about VAT, replacement of sales tax by the VAT, different rates of VAT for different goods,

change in the rates after implementation of VAT system, dealers cannot collect tax on exempted goods, VAT system is more complex than the sales tax system. While no significant difference exists in relation to education factor of the consumers perception with regard to VAT system in the state which is very good, price of the goods are inclusive of VAT, registered dealers have to issue bills, not asking for bills leads to evasion of tax.

5.1.8   Consumers Perception about VAT

In order to understand whether there is a significant difference in consumers perception with regard to attributes of VAT between Goa and Kerala, a statistical t-test was conducted on the data collected for the study. The mean values, the t-statistic and the level of significance are presented in Table 5.8.

Table: 5.8 Consumers Perception about VAT

Variables	State	N	Mean	Std. Deviation	Std. Error Mean	t-Value	Sig
The sales tax is replaced by the VAT	Goa	150	3.97	0.584	.048	0.554	0.580
	Kerala	150	4.00	0.449	.037		
There are different rates of VAT for different goods.	Goa	150	3.26	0.878	.072	6.775	0.000***
	Kerala	150	3.83	0.528	.043		
The VAT rates are changed after implementation of VAT system	Goa	150	2.99	0.886	.072	8.025	0.000***
	Kerala	150	3.68	0.559	.046		
The VAT system in the state is very good.	Goa	150	3.19	0.817	.067	4.222	0.000***
	Kerala	150	3.55	0.651	.053		
The price of the goods are inclusive of VAT	Goa	150	3.76	0.527	.043	1.046	0.296
	Kerala	150	3.82	0.464	.038		
The registered dealers have to issue bills under VAT system	Goa	150	3.15	0.873	.071	4.533	0.000***
	Kerala	150	3.58	0.753	.062		
There are few exempted goods dealers cannot collect VAT on them	Goa	150	3.63	0.640	.052	0.283	0.777
	Kerala	150	3.65	0.581	.047		
Not asking bills from dealer leads evade the tax and loss to government revenue	Goa	150	3.61	0.622	.051	1.700	0.090
	Kerala	150	3.73	0.530	.043		
The VAT system is more complex than sales tax system	Goa	150	2.89	0.796	.065	2.442	0.015***
	Kerala	150	3.11	0.764	.062		

Source: Primary Data
Note: *** indicates 5 percent level of significance

From the Table 5.8 it can be revealed that the consumers in Goa State are aware of that sales tax is replaced by the VAT (mean value 3.97). The table also reveals that consumers agreed that there are different rates of VAT for different goods (mean value 3.26), VAT system in the state is very good (mean value 3.19), the price of the goods are inclusive of VAT (mean value 3.76), the registered dealers have to

issues bills under VAT system (mean value 3.15), on exempted goods dealers cannot collect tax (mean value 3.63), not asking bills leads to evade the tax and loss to the government revenue (mean value 3.61). Consumers of Goa are neutral with regard to the changes of VAT rates after implementation of the VAT system (mean value 2.99) and VAT system is more complex than sales tax system(mean value 2.89) From the above table it is also clear that consumers are not much aware about the functioning of VAT system.

Meanwhile, the consumers in Kerala State have agreed with the sales tax being replaced by the VAT (mean value 4.00) there are different rates of VAT for different goods (mean value 3.83), rates are changed after implementation of VAT system (mean value 3.68), the VAT system in the state is very good (mean value 3.55), prices of the goods are inclusive of VAT(mean value 3.82), the registered dealers have to issues bills (mean value 3.58), on exempted goods dealers cannot collect VAT (mean value 3.65), not asking bills from dealer leads to evasion of tax and loss to the government revenue (mean value 3.73) and VAT systems is more complex than sales tax system(mean value 3.11). It is inferred that the mean values of all the perceptional dimensions about VAT for the consumers of Kerala State are higher than the mean values of all the perceptional dimensions about VAT for the consumers of Goa State.

In order to examine impact of VAT among the consumers in the state of Goa and Kerala each individual variable is tested with the help of t -test and the results are discussed herewith.

An examination of the details of t-tests presented in the Table 5.8 it is evident that, for consumers perception there are different rates of VAT for different goods (t-

value 6.775), rates are changed after implementation of VAT system (t- value 8.025), the VAT system in the state is very good (t -value 4.222), the registered dealers have to issues bills under VAT system (t -value 4.533), VAT systems is more complex than sales tax system (t -value 2.442) which are significant at five percent level. Hence there is a significant difference existing in the consumers perception for above mentioned variables between the states of Goa and Kerala whereas sales tax replaced by VAT (t -value 0.554), the prices of goods inclusive of tax (t- value 1.046) on exempted goods dealers cannot collect VAT ((t- value 0.283), not asking for bills the dealer evades the tax and causes loss to the government (t -value 2.442) shows a non-significant at five percent level. It is evident that there is a non-significant difference existing in the consumers perception for the variables between the states.

5.1.9   Evaluation of the Factors Underlying Consumers Perception towards VAT

The researcher has used the Factor Analysis Technique in order to understand the consumers perception towards the Value Added Tax in the states of Goa and Kerala.

Factor Analysis is a statistical technique used to identify constructs, or factors that statistically explains the pattern of variations among the multiple values (Gilligan & Richardson, 2005). In short Factor analysis involves generating one or more unabsorbed independent variables that correlate with observed measures. In a research, factor analysis is used as a data reduction technique because it reduces a large number of variables that overlap to smaller number of factors.

Table 5.9 KMO and Bartlett's Test of Consumers Perception towards Value Added Tax

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.728
Bartlett's Test of Sphericity	Approx. Chi-Square	608.749
	Df	36
	Sig.	0.000

Source: Primary Data

The resultant value of KMO test and Bartlett's Test of Sphericity (0.728 >.05) indicates that present data is useful for factor analysis. The significant value for Bartlett's Test of Sphericity is 0.000 and is less than 0.05 which indicates that there exists significant relation among the variables. Total variance of consumers perception about VAT is presented in Table 5.10.

Table 5.10 Total Variance of Consumers Perception about VAT

Communalities		
	Initial	Extraction
The sales tax is replaced by the VAT	1.000	0.784
There are different rates of VAT for different goods	1.000	0.593
The VAT rates are changed after implementation of VAT system	1.000	0.617
The VAT system in the state is very good	1.000	0.584
The price of the goods are inclusive of VAT	1.000	0.706
The registered dealers have to issue bills under VAT system	1.000	0.324
There are few exempted goods on which dealers cannot collect VAT	1.000	0.494
Not asking bills from dealer leads to evasion of tax and loss to government revenue	1.000	0.670
The VAT systems is more complex than sales tax system	1.000	0.748

Source: Primary Data
Extraction Method: Principal Component Analysis.

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent
1	3.033	33.705	33.705	3.033	33.705	33.705	2.411	26.792	26.792
2	1.366	15.180	48.886	1.366	15.180	48.886	1.713	19.033	45.825
3	1.122	12.466	61.352	1.122	12.466	61.352	1.397	15.527	61.352
4	.826	9.183	70.535						
5	.749	8.321	78.856						
6	.660	7.336	86.192						
7	.533	5.926	92.118						
8	.373	4.148	96.266						
9	.336	3.734	100.000						
Extraction *Method: Principal Component Analysis.*									

Result: The nine variables considered in the primary data were reduced into three factors model and each factor was given a name which associated with corresponding variables. The factor names and descriptions of factors are given in the following Table 5.11.

Table 5.11 Factors Model of Consumers Perception about VAT

Rotated Coefficient Matrix				Factor Name
Variables	**Component**			
	1	**2**	**3**	
The sales tax is replaced by the VAT	0.359			**VAT Understanding**
The price of the goods are inclusive of VAT	0.348			
The registered dealers have to issue bills under VAT system	0.158			
Not asking bills from dealer leads evade the tax and loss to government revenue	0.412			
There are different rates of VAT for different goods		0.408		**VAT Knowledge**
The VAT rates are changed after implementation of VAT system		0.527		
The VAT system in the state is very good.		0.408		
There are few exempted goods dealers cannot collect VAT on them			0.276	**VAT Difficulty**
The VAT systems is more complex than sales tax system			0.611	

Source: Primary Data
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

Results: From the Table 5.11 it reveals that the first factor consists of four variables with variable loadings. Sales tax replaced by VAT (0.359), price of the goods are inclusive of VAT (0.348), registered dealers has to issue the bills (0.158), not asking bills leads to evasion tax and loss to government (0.412). This factor is known as **"VAT Understanding".** The variables consisting of different rates of VAT for

different goods (0.408), changes of VAT rates after implementation (0.527), VAT system in the state (0.408) is named as **"VAT Knowledge".** The next two variables such as on exempted goods dealers cannot collect VAT (0.276), the VAT system is more complex than sales tax (0.611) shows the **"VAT Difficulty".**

5.1.10 Combined Perception Scores about VAT in Goa and Kerala

To get the combined perception of consumers with regard to VAT, the mean values of all the variables together are calculated for both the States. The mean values are then tested whether there is a significant difference in terms of the combined perception of consumers in both the states.

Null Hypothesis (H$_0$): *There is no significant difference in the perception of VAT among the consumers in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference in the perception of VAT among the consumers in the States of Goa and Kerala.*

The above hypotheses examines whether there is significant difference exists among the consumers with respect to perception about Value Added Tax in the States of Goa and Kerala. Acceptance of the null hypothesis means there is no significant difference in the perception about VAT by the consumers of both States. Rejection of null hypothesis means acceptance of alternative hypothesis which shows there is a perceptible difference with regard to VAT among consumers in both States. A statistical t- test is used to test the hypothesis and the results are presented in the Table 5.12.

Table 5.12 Comparison of Goa and Kerala State Consumers with respect to Perception Scores about VAT by t- test

State	Mean	SD	t-value	p-value
Goa	30.46	3.31	6.800	0.000***
Kerala	32.95	3.01		

Source: Primary Data

From the t-test results of Table 5.12 it can be seen that, a significant difference was observed in the perception scores about VAT system among the consumers in the states of Goa and Kerala (t=-6.800, p< 0.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. It means that, the Goa and Kerala state consumers do not have similar perception scores about Value Added Tax.

5.1.11 Issues in Value Added Tax

The Consumers perception about issues in VAT of both Goa and Kerala state was analyzed and the results are presented in Table 5.13

Table 5.13 Consumers Perception about Issues in VAT

Variables	State	N	Mean	Std. Deviation	Std. Error Mean	t-Value	Sig
Lack of Transparency in VAT System	Goa	150	4.21	0.406	0.033	0.143	0.89
	Kerala	150	4.20	0.401	0.033		
Lack of Clarity in VAT System	Goa	150	3.12	0.296	0.024	0.580	0.56
	Kerala	150	3.90	0.301	0.025		
No Uniform rates in all states across the country.	Goa	150	3.59	0.686	0.056	0.583	0.56
	Kerala	150	3.55	0.701	0.057		
Lack of accurate Information about VAT System	Goa	150	3.06	0.197	0.016	0.306	0.76
	Kerala	150	3.97	0.180	0.015		
Changes in VAT Rates	Goa	150	3.63	0.586	0.048	0.982	0.33
	Kerala	150	3.69	0.465	0.038		

Source: Primary Data

It is apparent that the consumers of Goa and Kerala have agreed that, there is lack of transparency in VAT System, lack of clarity in VAT System, no uniform rates in all states across the country, lack of accurate information about VAT system and changes in VAT rates are the major issues in VAT system (in all the cases mean values are more than 3).

5.1.12 Combined Issue Scores about VAT between Goa and Kerala: To know whether there is a significant difference exists among the consumers with respect to the issues in VAT system between states of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference with respect to issues in VAT   among the consumers in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to issues in VAT   among the consumers in the States of Goa and Kerala.*

To test the hypotheses, combined issue scores are taken and the t- test was applied and the results are presented in Table 5.14.

Table 5.14 Comparison of Goa and Kerala State Consumers with respect to Issues scores in VAT by t- test

State	Mean	SD	t-value	p-value
Goa	17.61	1.04	0.600	0.952
Kerala	19.31	0.87		

Source: Primary Data

From the Table 5.14 it can be seen that, no significant difference with regard to combined issues scores in VAT among the consumers in the States of Goa and Kerala (t=0.600, p>0.05) at 5 percent level of significance.   Hence, the null

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hypothesis is accepted. It means that, the Goa and Kerala state consumers have similar issues scores in VAT.

5.2 Impact of VAT on Businessmen

Businessmen play an important role in the VAT system of the State as they act as an important intermediary between customers and tax administration. The success of the VAT system to a large extent depends on how businessmen perceive the tax system in the State and the simplicity with which they can comply the tax liability imposed by the Government. Businessmen are the persons who undertake the business. Business includes an organization or enterprising entity engaged in commercial, industrial or professional activities. Businessmen are links between manufacturers and consumers. This section discusses the profile of the businessmen, source of awareness, perception about VAT system, practices of VAT system, administrative machinery for VAT system, perception about E-Governance and issues in VAT system.

5.2.1 Profile of the Businessmen

Among the businessmen 150 respondents were selected from each States of Goa and Kerala for the study. Businessmen were interviewed according to their convenience in timings and that of the Researcher. Researcher visited their business place with pre informed schedule. The business establishments consist of Sole Proprietorship, Partnership, Co-operative Society, Company comprising of Manufacturing, Wholesale trade, Retail trade and others.

The profile of the businessmen of both Goa and Kerala States and their awareness and perception about VAT in their respective states were analyzed and presented in the following section.

5.2.2 Form of Business: The form of business of the selected businessmen in the State of Goa and Kerala are presented and analyzed in Table 5.15.

Table 5.15 Forms of Business

Form of the Business	Goa	Percent	Kerala	Percent	Total	Percent
Sole Proprietorship	77	51.33	85	56.67	162	54.00
Partnership	45	30.00	43	28.67	88	29.33
Co-operative society	4	2.67	6	4.00	10	3.33
Company	24	16.00	16	10.67	40	13.33
Total	150	100.00	150	100.00	300	100.00
Chi-square=2.4413 p=0.48615						

Source: Primary Data

From the above Table 5.15 it can be observed that in Goa, 51.33 percent of respondent businesses are sole proprietorship followed by 30 percent partnership, 16 percent of the businesses are in the form of the company and 2.67 percent are in the form of co-operative societies. While in Kerala, 56.67 percent of businesses are in the form of sole proprietorship followed by 28.67 in partnership, 10.66 in the form of the company and 4 percent are co-operative societies. Therefore it is inferred that the majority of the respondent businesses are sole proprietorship concerns in both the States.

The Chi-Square test was conducted and the results shows that there is no significant difference among the selected business concerns in the States of Goa and Kerala (Chi-square= 2.4413, p>0.05) at 5 percent significant level. It means that, the form of business is similar among the businessmen in the states of Goa and Kerala.

The graphical representation of the above values shown in Fig 5.2.
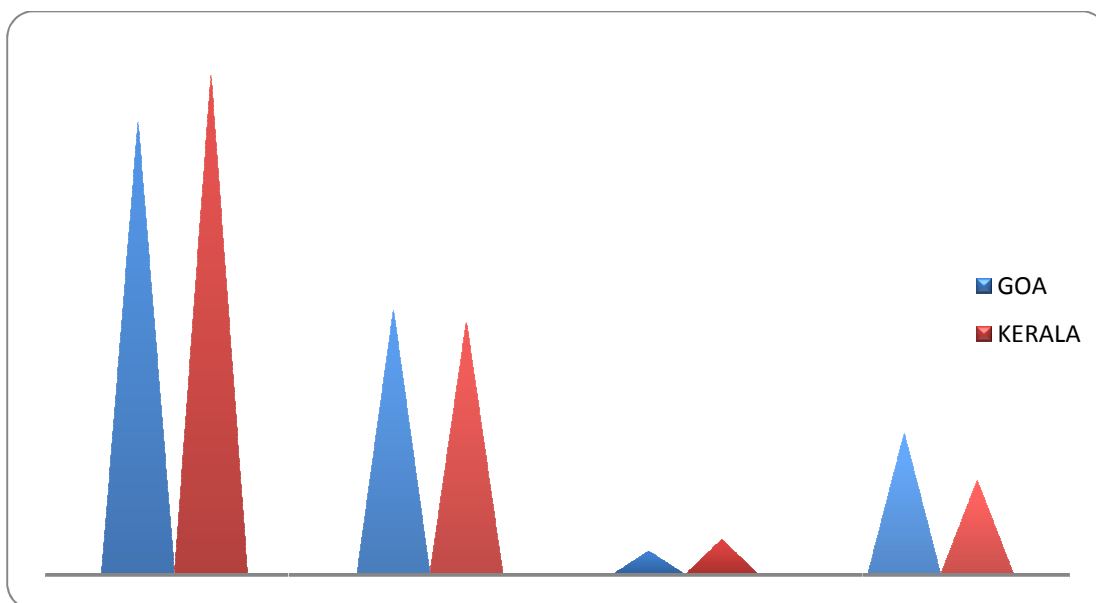
Fig. 5.2 Form of Business

5.2.3 Nature of Business: Business concerns selected for the study consisting of the nature of Manufacturing concern, Wholesale trade, Retail trade, and Others, such as hotels and works contract. Manufacturers are the persons who are engaged in the activities of manufacturing. Manufacturing is an activity of conversion of raw materials into finished goods. The wholesale traders serve as the link between the manufacturers and retail traders. Retail traders are the ultimate link between Wholesalers and Consumers.

The nature of respondent business in Goa and Kerala state were tested with Chi square test to know whether there is any significant difference and the results are presented in Table 5.16.

Table 5.16 Nature of Business

Nature of Business	Goa	Percent	Kerala	Percent	Total	Percent
Manufacturing	28	18.67	23	15.33	51	17.00
Wholesale Trade	38	25.33	49	32.67	87	29.00
Retail Trade	72	48.00	75	50.00	147	49.00
Others	12	8.00	3	2.00	15	5.00
Total	150	100.00	150	100.00	300	100.00
Chi-square=7.3423 p=0.06177						

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Source: Primary Data

The results indicate that in Goa, 48 percent of respondent businesses are in retail trade followed 25.33 percent are in the form of wholesale trade, 18.67 percent are in manufacturing and 4 percent are in the form of other businesses whereas in Kerala 50 percent of businesses are in retail trade, 32.67 percent are in wholesale trade, 15.33 percent are in manufacturing, and another 2 percent are in the form of other businesses. Hence it can be concluded that most of the business concerns are in the nature of retail trade in both the States.

The results of Chi -Square test shows there is no significant difference among the business concerns in Goa and Kerala (Chi-square=7.3423, p>0.05) at 5 percent level of significance. It means that, the nature of respondent business concerns is similar in Goa and Kerala.

The graphical representation of the above values had shown in Fig 5.3.
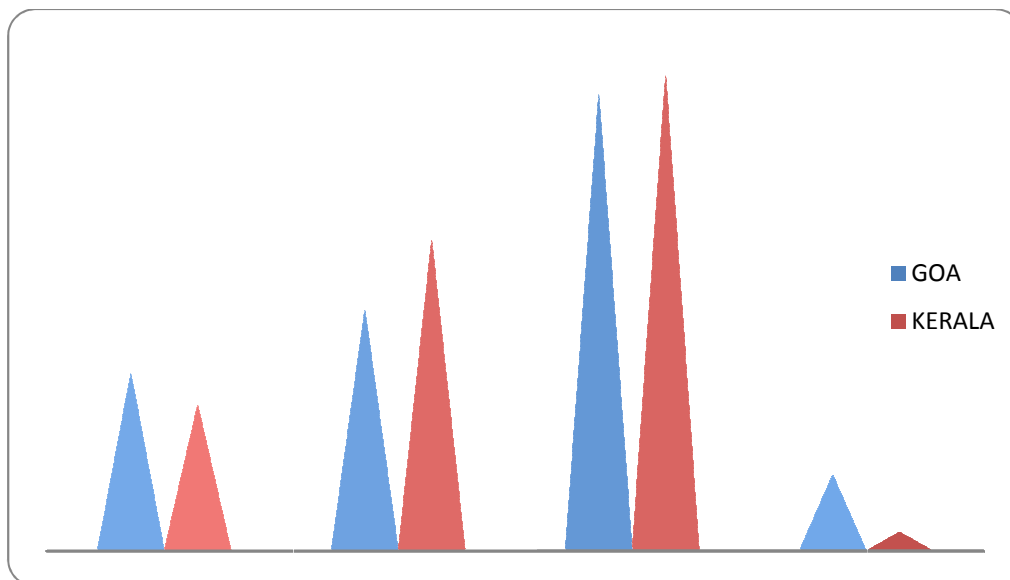
Fig: 5.3 Nature of Business

5.2.4 Average Annual Turnover: The average annual turnover of business in both Goa and Kerala was analyzed and the results are presented in Table 5.17.

Table 5.17 Average Annual Turnover of Business

(Rs. in Lakhs)

Average Annual Turnover (Rs in Lakhs)	Goa		Kerala	
	Number of Businessmen	Percent	Number of Businessmen	Percent
Up to 50	22	14.67	28	18.67
50- 100	66	44.00	67	44.67
Above 100	62	41.33	55	36.66
Total	150	100.00	150	100.00

Source: Primary Data

From the Table 5.17 it can be observed that about 44.00 percent of respondent business concerns have the average turnover of Rs. 50-100 lakhs, 41.33 percent are above Rs. 100 lakhs and another 14.67 percent are upto Rs. 50 lakhs in the State of Goa, whereas in Kerala, 44.67 percent of business concerns have the average turnover of Rs. 50-100 lakhs, 36.66 percent of the businesses are above Rs. 100 lakhs and only 18.67 percent of the business concerns fall in the category of average turnover of upto Rs. 50 lakhs. Hence it is inferred that the majority of the respondent business concerns are having an average turnover of Rs. 50-100 lakhs per annum in both states.

5.2.5 Duration of Business Operation: The duration of business operation of the sample business concern in Goa and Kerala are presented in Table 5.18.

Table 5.18 Duration of Business Operation

Duration	Goa	Percent	Kerala	Percent	Total	Percent
Below 10 Years	7	4.67	30	20.00	37	12.33
10-20 Years	85	56.67	63	42.00	148	49.33
20-30 Years	42	28.00	50	33.33	92	30.67
Above 30 Years	16	10.67	7	4.67	23	7.67
Total	150	100.00	150	100.00	300	100.00
Chi-square=21.7853 p=0.00007*						

Source: Primary Data

On analyzing the Table 5.18 it reveals that in the state of Goa 56.67 percent of sample business concerns have the age group of 10-20 years, 28 percent are in 20-30 years, 10.67 percent are having the duration of business more than 30 years and balance 4.67 percent are below 10 years whereas in Kerala , 42 percent of business concerns having the duration of business operations of 10-20 years, 33.33 percent are in group of 20-30 years, 20 percent of the concerns are below 10 years and remaining 4.67 percent are more than 30 years of duration of business operations. It reveals that majority of the respondent businessmen are in the age group of 10-20 years in both the states.

From the results of the above Table 5.18, it can be revealed that, a significant difference was observed between Goa and Kerala businessmen by duration of business operations (Chi-square=21.7853, p<0.05) at 5 percent level of significance. It means that, the duration of business is different among Goa and Kerala State businessmen.

The graphical representation duration of business operations has shown in Fig.5.4.
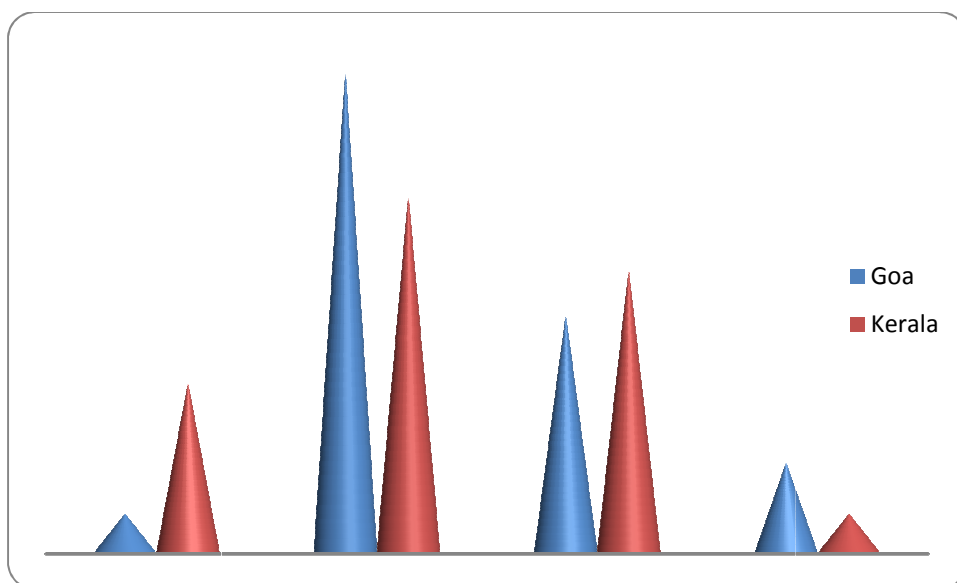
Fig: 5.4 Duration of Business Operation

5.2.6 Awareness about VAT System among the Businessmen

The businessmen's awareness about VAT system in both Goa and Kerala were analyzed and the results are presented in Table 5.19.

Table 5.19 Awareness about VAT System among Businessmen in Goa and Kerala

Awareness about VAT System	Goa	Percent	Kerala	Percent	Total	Percent
Very Low	2	1.33	16	10.67	18	6.00
Low	16	10.67	39	26.00	55	18.33
Moderate	50	33.33	44	29.33	94	31.33
High	75	50.00	34	22.67	109	36.33
Very High	7	4.67	17	11.33	24	8.00
Total	150	100.00	150	100.00	300	100.00
Chi-square=40.4794 p=0.00000*						

Source: Primary Data

From the results of the Table 5.19 it is apparent that in the State of Goa, 50.00 per cent of businessmen have high level of awareness about VAT system, 33.33 percent are having moderate level, 10.67 percent are having low level awareness, 4.67 percent businessmen have a very high level and balance of 1.33 percent are having very low level of awareness about VAT system whereas in Kerala, 29.33 per cent of businessmen are having a moderate level of awareness about VAT system followed by 26 percent low level, 22.67 percent high level, 11.33 percent are having very high level of awareness.

It is inferred that the majority of the businessmen having high level of awareness in Goa and majority of the businessmen are having moderate level of awareness about VAT system in the State of Kerala. It may be presumed that Goa VAT system is simple as compare to Kerala VAT system.

From the results of the Table 5.19, it can be seen that, a significant difference was observed between Goa and Kerala State businessmen by awareness about VAT system (Chi-square=40.4794, p<0.05) at 5 percent level of significance. It means that, the awareness about VAT system is different among businessmen of Goa and Kerala States.

The graphical representation of awareness about VAT system is shown in Fig.5.5.
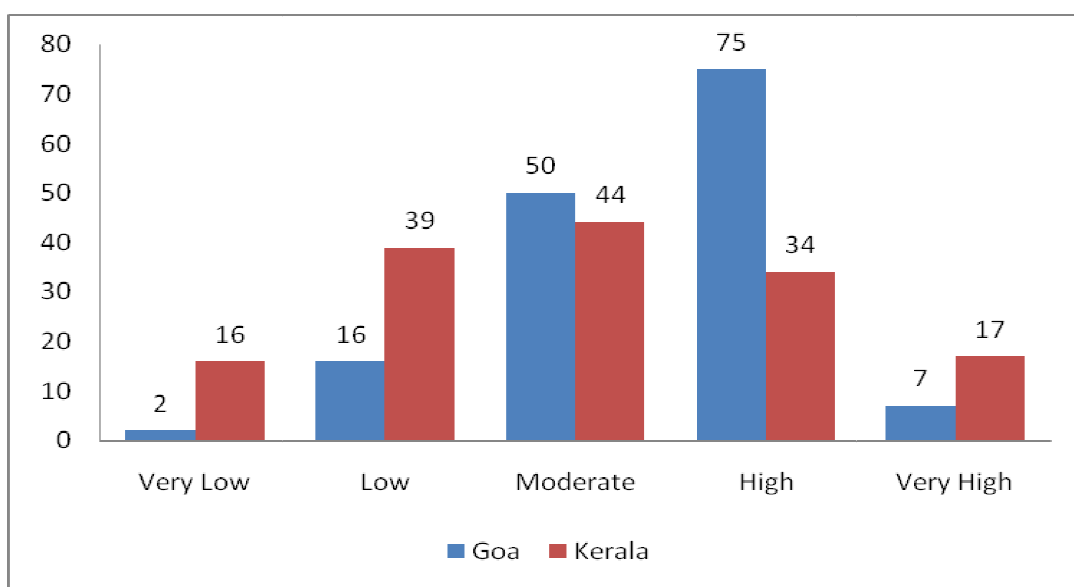
Fig 5.5 Awareness about VAT System among Businessmen in Goa and Kerala

5.2.7   Source of Awareness about VAT System

The awareness about VAT system are created to the businessmen through media, books and journals, seminars, government publications, tax consultants, chartered accountants, tax officials and internet/website.

The source of awareness among the businessmen in Goa and Kerala are ranked and analyzed as below.

Table 5.20 Source of Awareness about VAT System for Businessmen

Source	Goa	Kerala
	Rank	Rank
Government Publications	7	7
Books and Journals	5	4
Seminars and Workshops	4	6
Tax Officials	3	3
Tax Consultants/ Chartered Accountants	1	1
Websites/ Internet	2	2
Friends	6	5

Source: Primary Data

The Table 5.20 depicts that in both the states source of awareness about VAT system for businessmen, tax consultants / chartered accountants stands in the first rank, followed by websites/internet in the second rank and tax officials in the third rank. Seminars and workshops stand in fourth rank in the State of Goa and it stands sixth rank in Kerala. So it may be presumed that more number of seminars and workshops are conducted in the State of Goa about VAT system. It can be noticed that government publications are in the last position in both the states. It shows that there is a need of more government publications to the businesses concerns to update the knowledge about VAT system.

5.2.8 Perception of Businessmen about Implementation of VAT System

The perception of business community about the implementation of VAT system in the State depends on a variety of interrelated variables which need to be identified through a scientific method. In order to identify the important factors influencing the businessmen's perception implementation of VAT system, Factor Analysis method was employed in the study. One of the goals of factor analysis is to obtain 'factors' that helps to explain the correlations, the variables must be related to each other for the factor model to be appropriate. To examine the resultant correlation

matrix to test whether the relationship among the variable is significant or not Bartlett's Test of Sphericity is used.

Table 5.21 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.534
Bartlett's Test of Sphericity	Approx. Chi-Square	629.336
	df	78
	Sig.	0.000

The value of KMO (0.534>0.05) indicates that a factor analysis is useful for the present data. The significant value for Bartlett's Test of Sphericity is 0.000 is less than 0.05 which indicates that there is significant relationship among the variables. The resultant value of KMO test and Bartlett's Test of Sphericity test indicate that the present data is useful for factor analysis.

The businessmen's perception about VAT system pertaining to characteristics of the VAT and its implementation, are ascertained through 13 variables as stated below.

The communalities are extracted to know how much of the variance in the variables has been accounted for extracted variables. Communalities of Businessmen's Perception about VAT system were analyzed in Table 5.22.

Table 5.22 Communalities of Businessmen Perception about VAT System

	Initial	Extraction
Present System curbs Tax evasion.	1.000	0.696
VAT system brings transparency.	1.000	0.495
VAT Law, rules, forms, procedures are simple and unambiguous.	1.000	0.719
VAT system improves government revenue.	1.000	0.609
Under VAT system product prices decreased due to input tax credit.	1.000	0.786
VAT system is more complicated than earlier sales tax system.	1.000	0.570
VAT system fulfills about all the principles of taxation.	1.000	0.674
VAT system is beneficial to the government.	1.000	0.673
VAT system is beneficial to the customers.	1.000	0.669
VAT system helps speedy tax collection.	1.000	0.547
VAT adversely affects the cash flow.	1.000	0.620
VAT system has controlled unaccounted sales in the market.	1.000	0.666
CST should be eliminated for smooth functioning of VAT.	1.000	0.472

Source: Primary Data
Extraction Method: Principal Component Analysis.

From the Table 5.22 it can be observed that the variance range from 0.472 to 0.786. This implies variance range from 47.20 percent to 78.60 percent. VAT implementation curbs the tax evasion variance is 0.696 shows a variance range of 69.60 percent. VAT system brings transparency is 0.495 shows the variance of 49.50 percent. Rules of VAT are simple, VAT improves the government revenue, and decrease of product prices shows the extraction values of 0.719, 0.609 and 0.786 respectively. It implies that variance range is 71.90 percent 60.90 percent and 78.60 percent for these variables .VAT is more complicated than earlier sales tax system shows a variance of 0.570 which implies the range of 57.00 percent. VAT system fulfills all the principles of taxation shows a range of 67.40 percent. VAT system beneficial to government, beneficial to customers, helps speedy collection shows a range of 67.30 percent, 66.90 percent and 54.70 percent respectively. It adversely

affects the cash flow, controlled unaccounted sales in the market, CST should be removed for smooth functioning shows a range of 62.00, 66.60 and 47.20 percent respectively.

5.2.9 Total Variance of Businessmen Perception about VAT Implementation:

It is required to downsize the variables into predominant factors. At this juncture of factor analysis the Principle Component Analysis (PCA) method is used. Principal Component Analysis is a method used to transform a set of correlated variables into set of uncorrelated variables. PCA is used to extract the number of factors required to represent the data.

In this step all the factors extractable from the eigenvalues, the percent of variance attributable to each factor, and the cumulative values of each variance of the factor and the previous factor are extracted and analyzed in the Table 5.23.

Table 5.23 Total variance of businessmen perception about VAT implementation

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent
1	2.018	15.520	15.520	2.018	15.520	15.520
2	1.832	14.089	29.609	1.832	14.089	29.609
3	1.687	12.975	42.583	1.687	12.975	42.583
4	1.414	10.874	53.457	1.414	10.874	53.457
5	1.246	9.588	63.045	1.246	9.588	63.045
6	0.990	7.616	70.661			
7	0.790	6.079	76.741			
8	0.677	5.206	81.946			
9	0.590	4.538	86.484			
10	0.544	4.183	90.667			
11	0.489	3.763	94.429			
12	0.411	3.162	97.591			
13	0.313	2.409	100.000			

Source: Primary Data
Extraction Method: Principal Component Analysis.

From the Table 5.23 it is found that 13 variables are made convenient to five major factors Eigen values 2.018, 1.832, 1.687, 1.414 and 1.246 and the individual

values 15.520, 14.089, 12.975, 10.874 and 9.588. The 13 variables explained 63.045

percent variance which is significant to segregate factors.

The Table 5.23 shows the loadings of 13 variables on five factors extracted.

The higher the absolute value of loading, more contribute to the variable. Factors with

large coefficients (in absolute value) for a variable are closely related to that variable.

Table 5.24 Rotated Component Matrix

	Component					Factor Name
	1	2	3	4	5	
Under VAT system product prices decreased due to input tax credit.	0.758					**VAT Merits**
VAT system fulfills about all the principles of taxation.	0.809					
VAT system improves government revenue.		0.602				**Revenue Generation**
VAT system is more beneficial to the government.		0.787				
VAT system helps speedy tax collection.		0.716				
VAT Law ,rules ,forms, procedures are simple and unambiguous			0.837			**VAT Benefits**
VAT system is more complicated than earlier sales tax system			0.535			
VAT system is more beneficial to the customers.			0.567			
VAT adversely affects the cash flow				0.784		**VAT Functions**
CST should be eliminated for smooth functioning of VAT				0.439		
Present System curbs Tax evasion.					0.628	**VAT Outcomes**
VAT system brings transparency.					0.535	
VAT system has controlled unaccounted sales in the market					0.716	

Source: Primary Data

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 11 iterations.

Results: The Table 5.24 the first factor consists of two variables with variable

loadings. It sets under VAT system product prices decreased due to input tax credit

(0.758), VAT system fulfills about all the principles of taxation. (0.809).This factor is known as **"VAT Merits".** VAT system improves government revenue (0.602), VAT system is more beneficial to the government (0.787), and VAT system helps speedy tax collection. (0.716).This factor consists of three variables named as **"Revenue Generation".** The next three variables such as VAT Law, rules, forms, procedures are simple and unambiguous (0.837), VAT system is more complicated than earlier sales tax system (0.535), VAT system is more beneficial to the customers (0.567) known as **"VAT Benefits".** VAT adversely affects the cash flow (0.784), CST should be eliminated for smooth functioning of VAT(0.439), shows the **"VAT Functions".** Present System curbs Tax evasion (6.28), VAT system brings transparency (0.535), VAT system has controlled unaccounted sales in the market (0.716) known as **"VAT Outcomes"**

5.2.10 Difference in Perception about VAT system by Businessmen

To examine whether there is a significant difference existing among the businessmen of Goa and Kerala with respect to perception about VAT, a test of hypotheses is conducted on the data selected for the study.

Null Hypothesis (H_0): There is no significant difference in the perception of VAT system among the Businessmen in the States of Goa and Kerala.

Alternative Hypothesis (H_1): There is significant difference in the perception of VAT system among the Businessmen in the States of Goa and Kerala.

In order to test the hypotheses, a student t-test is employed and the results are presented in the Table 5.25.

Table 5.25 Difference in Perception about VAT system by Businessmen

State	Mean	SD	t-value	p-value

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Goa	41.59	3.60		
Kerala	41.48	3.15	0.2902	0.7718

Source: Primary Data

From the results shown in Table 5.25, it is inferred that there is no significant difference observed with regard to the perception of VAT system among the businessmen in the states of Goa and Kerala (t=0.2902 p>0.05). The null hypothesis is accepted and the alternate hypothesis is rejected. Hence it can be concluded that the businessmen of Goa and Kerala have similar perception with regard to VAT system.

5.2.11 Businessmen Opinion about Practices of Value Added Tax System

To examine whether a significant difference exists among the businessmen of Goa and Kerala with regard to the practices of VAT system, a test of hypotheses are used in the study.

Null Hypothesis (H₀): There is no significant difference in the practices of VAT system among the Businessmen in the States of Goa and Kerala.

Alternative Hypothesis (H₁): There is significant difference in the practices of VAT system among the Businessmen in the States of Goa and Kerala.

To test these hypotheses, the Student t- test is applied and the results are presented in the following Table 5.26.

Table 5.26 Businessmen Opinion about Practices of Value Added Tax System

State	Mean	SD	t-value	p-value
Goa	10.68	0.92	5.4223	0.0001***
Kerala	11.31	1.09		

Source: *Primary Data*

From the results shown in Table 5.26, it is noticed that there is a significant difference in the practices of VAT system among the Businessmen in the States of

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Goa and Kerala (t= 5.4223, p<0.05) at 1 percent level of significance. Hence, the null hypothesis is rejected and the alternate hypothesis is accepted. It can be concluded that businessmen of Kerala had a higher practice scores of VAT as compared to businessmen of Goa.

5.2.12 Administrative Machinery for VAT System

The businessmen perception about the administrative machinery for VAT system in both Goa and Kerala state was analyzed and the results are presented in Table 5.27.

Table 5.27 : Businessmen Perception about Administrative Machinery for VAT System

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
Officers and staff are friendly with the assessee.	3.76	0.53	3.69	0.72
Officers and staff are punctual in duties.	3.59	0.79	3.83	0.66
Officers and staff find time to give assistance.	2.92	0.94	4.46	0.88
Officers and staff are colluding with tax evaders.	3.34	1.054	3.44	0.92
Getting renewal of registration certificates in time.	4.23	0.69	4.13	0.72
Getting refunds in time.	1.98	1.167	1.96	0.89
No delay in the assessment.	3.38	1.021	3.51	1.365
There is sufficient time to reply for notices.	3.85	0.70	3.85	0.51
Penalties are not heavy.	2.72	0.83	2.44	0.66
Do not deny input tax credit on minor grounds.	3.30	0.78	3.09	0.79

Source: Primary Data

It is evident from the Table 5.27 that the businessmen in Goa State agree with officers and staff, are friendly with the assessee (mean value 3.76), officers and staff are punctual in duties officers (mean value3.59), staff is colluding with tax

evaders (mean value 3.34), no delay in getting registration certificates (mean value 4.23), no delay in the assessments (mean value 3.38) , sufficient time to reply for notices (mean value 3.85)) and do not deny input tax credit on minor grounds (mean value3.30) and while they are neutral or disagree with, officers and staff find time to give assistance (mean value 2.92), penalties are not heavy (mean value 2.72), getting refunds in time (mean value 1.98).

Meanwhile, the businessmen in Kerala State agree with officers and staff, are friendly with the assessee (mean value 3.69), officers and staff are punctual in duties (mean value 3.83), officers and staff find time to give assistance (mean value 3.46), officers and staff are colluding with tax evaders (mean value 3.44), getting registration certificates in time (mean value 4.13), no delay in the assessment (mean value 3.51), there is sufficient time to reply for notices (mean value 3.85) and do not deny input tax credit on minor grounds (mean value 3.09). They are neutral or disagree with getting refunds in time (mean value 1.96) and penalties are not heavy (mean value 2.44).

It is also inferred that the businessmen of both the states not satisfied with penalties and delay in getting refunds.

5.2.13 Difference in Businessmen Perception about Administrative Machinery for VAT System

In order to evaluate the difference in businessmen's perception about administrative machinery for VAT system in individual variables between States of Goa and Kerala, the t- test has employed and the results are presented in Table 5.28.

Table 5.28 Differences in Businessmen Perception about Administrative Machinery for VAT System between the States

Variables	t-Value	df	Sig
Officers and staff are friendly with the assessee	0.913	298	0.362
Officers and staff are punctual in duties	2.863	298	0.004***
Officers and staff find time to give assistance	5.144	298	0.000***
Officers and staff are colluding with tax evaders	0.877	298	0.381
Getting renewal of registration certificates in time	1.313	298	0.190
Getting refunds in time	0.167	298	0.868
No delay in the assessment	0.000	298	0.339
There is sufficient time to reply for notices	0.005	298	0.924
Penalties are not heavy	0.418	298	0.000***
Do not deny input tax credit on minor grounds	4.297	298	0.024***

Source: Primary Data
*Note: ***significant at five percent level.*

The results show that the t-values for businessmen's perception about officers and staff are punctual in duties (t- value 2.863), officers and staff find time to give assistance (t value 5.144), penalties are not heavy (t- value 0.418) and do not deny input tax credit on minor grounds (t- value 4.297) are statistically significant at five percent level. Whereas officers and staff are friendly with the assessee (t- value 0.193), officers and staff are colluding with tax evaders (t -value 0.877), getting renewal of registration certificates in time (t value 1.313), getting refunds in time (t-

value 0.167), no delay in the assessment (t- value 0.000), there is sufficient time to reply for notices (t- value 0.005) are not statistically significant at five percent level.

To examine whether there is significance difference exists with respect to mean scores among the businessmen about the administrative machinery for VAT system between States of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference with respect to administrative machinery for VAT system among the Businessmen in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to administrative machinery for VAT system among the Businessmen in the States of Goa and Kerala.*

To test these hypotheses, the Student t- test is applied and the results are presented in the Table 5.29.

Table 5.29 Comparison of Goa and Kerala State Businessmen with respect to Scores about Administrative Machinery for VAT System by t- test

State	Mean	SD	t-value	p-value
Goa state	33.07	2.77	1.091	0.276
Kerala state	34.40	2.40		

Source: Primary Data

From the results of the Table 5.29, it can be seen that, a no significant difference with respect to administrative machinery of VAT system among the Businessmen in the States of Goa and Kerala. (t=1.091, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted which infers that, the Goa and

Kerala state businessmen have similar perceptions about Administrative Machinery for VAT system.

5.2.14 Satisfaction about the VAT System: Under the VAT system businessmen enjoy the set off of input tax credit on purchases made from a registered dealer with in the state which was not available under the sales tax system. Under VAT system, tax is calculated on the value added on the goods.

Table 5.30 Level of Satisfaction about VAT System

	State		
Level of Satisfaction	**Goa**	**Kerala**	**Total**
Very High	07 (4.67)	11 (7.33)	18 (06.00)
High	59 (39.33)	58(38.67)	117(39.00)
Moderate	60 ((40.00)	78(52.00)	138 (46.00)
Low	21 (14.00)	3(02.00)	24 (08.00)
Very Low	03(2.00)	0 (0.00)	03 (01.00)
Total	150	150	300(100.00)

Source: Primary Data
Note: Figures given in parentheses represent percentages to column total.

Table 5.30 shows that the level of satisfaction about the VAT System by the Businessmen in the states of Goa and Kerala. It is observed that among the total 300 respondents 6 percent of the respondents have a very high level of satisfaction, 39 percent have the high satisfaction and 46 percent businessmen are have moderate satisfaction about VAT system. It can be also noticed that more number of Kerala businessmen are showing very high level of satisfaction as compared to businessmen in Goa.

To examine whether there is a significant difference exists amongst the businessmen with respect to satisfaction about VAT system between the State of Goa and Kerala the following hypotheses are made.

Null Hypothesis (H$_0$): *There is no significant difference with respect to satisfaction about VAT system among the Businessmen in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to satisfaction about VAT system among the Businessmen in the States of Goa and Kerala.*

To test these hypotheses, the Student t-test is applied and the results are presented in the table 5.31.

Table: 5.31 Comparison of Goa and Kerala State Businessmen with respect to Satisfaction Scores about VAT System by t- test

State	Mean	SD	t-value	p-value
Goa	3.31	0.84	2.360	0.019*
Kerala	3.51	0.66		

Source: Computed From Primary Data

From the results of the above Table 5.31, it can be seen that, a significant difference was observed with respect to satisfaction about VAT system among the Businessmen in the states of Goa and Kerala. (t=2.360, p<0.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. It means that, the Kerala State businessmen have higher satisfaction about VAT system as compared to Goa State businessmen.

5.2.15 Satisfaction about E-Governance

E-Governance or Electronic Governance means using Information and Communications Technology to transform functioning of the Government.

The main advantage of the E-Governance in the VAT system is the cost reduction.

Most of the Government expenditure is appropriated towards the cost of stationery. Paper based communication needs lots of stationery, printers and computers which call for continuous expenditure. Use of Information and Communication Technology makes governing process transparent. All the information of the Government would be made available on the internet. The citizens can see the information whenever they require. But this is only possible when every piece of information of the Government is uploaded on the internet and is available for the public. E-Governance helps to make the information available online eliminating all the possibilities of concealing of information.

Analysis of the respondents based on opinion level of satisfaction about the E-Governance is shown as follows.

5.2.16 Mean Score of Perceptions about E-Governance

The mean score of businessmen perception about the e-governance in Goa and Kerala was analyzed and the results are presented in Table 5.32.

Table 5.32 Businessmen Perception about E-Governance

Variables	State	N	Mean	Std. Deviation	Std. Error Mean	t-Value	Sig
The volume of paper work is reduced.	Goa	150	4.09	0.794	0.065	0.143	0.87
	Kerala	150	4.07	0.820	0.067		
Time spent for filing the return is less.	Goa	150	4.04	0.664	0.054	2.695	0.01*
	Kerala	150	4.24	0.620	0.051		
E-Governance is user friendly/ easy to understand.	Goa	150	4.26	0.690	0.056	1.225	0.21
	Kerala	150	4.17	0.595	0.049		
Financial cost of filing returns is reduced.	Goa	150	3.37	0.930	0.076	1.049	0.30
	Kerala	150	3.25	1.049	0.086		
Getting the various forms are easier than the manual system.	Goa	150	4.45	0.538	0.044	3.710	0.00*
	Kerala	150	4.18	0.724	0.059		
It is more complicated than earlier sales tax system.	Goa	150	1.67	0.682	0.056	2.363	0.02*
	Kerala	150	1.93	1.202	0.098		
Number of visits to commercial tax office are reduced.	Goa	150	3.26	1.065	0.087	5.252	0.00*
	Kerala	150	3.87	0.932	0.076		
It is more beneficial to the officials.	Goa	150	4.32	0.468	0.038	2.268	0.02*
	Kerala	150	4.45	0.499	0.041		
It is more beneficial to the dealers.	Goa	150	4.24	0.692	.057	1.459	0.15
	Kerala	150	4.11	0.807	0.066		
It is easy to maintain the records in the form of soft copy	Goa	150	4.16	0.705	0.058	0.419	0.68
	Kerala	150	4.12	0.933	0.076		

Source: Primary Data

From the Table 5.32 it can be revealed that the businessmen in Goa and Kerala agrees with the volume of paper work is reduced (mean value Goa 4.09, Kerala 4.07) , time spent for filing the return is less (mean value Goa 4.04, Kerala 4.24), E-Governance is user friendly/ easy to understand (mean value Goa 4.26, Kerala 4.17), financial cost of filing returns is reduced (mean value Goa 3.37, Kerala 3.25),getting the various forms are easier than the manual system (mean value Goa

4.45, Kerala 4.18), number of visits to commercial tax office are reduced (mean value Goa 3.26, Kerala 3.87).it is more beneficial to the officials (mean value Goa 4.32, Kerala 4.45), it is more beneficial to the dealers (mean value Goa 4.24, Kerala 4.11) and it is easy to maintain the records in the form of soft copy (mean value Goa 4.16, Kerala 4.12) while they are neutral or disagree with complicated than earlier sales tax system (mean value Goa 1.67, Kerala 1.93). It is inferred that the mean values of all the perceptional dimensions about E-Governance for the businessmen of Kerala State are higher than the mean values of all the perceptional dimensions about E-Governance for the businessmen of Goa State.

In order to evaluate the difference in businessmen perception about E-Governance for VAT system in individual variables between States of Goa and Kerala, the t- test has employed. The results show that there is a significant difference observed in businessmen's perception about time spent for filing the return (t- value 2.695), getting the various forms are easier than the manual system (t- value 3.710) VAT complicated than earlier sales tax system (t- value 2.363), reduction of visits to the commercial tax department (t- value 5.252), more beneficial to the officials (t-value 2.268) at one five cent significance level. Hence it can be concluded that there a significant difference exists in businessmen's perception about the variables of time spent for filing the returns, getting the various forms, difficulty about the system, number of visits to commercial tax office and beneficial to the officials between the States of Goa and Kerala.

The results also indicate that the t-values for businessmen perception about the volume of paper work is reduced (t -value 0.143), E-Governance is user friendly/ easy to understand (t -value 1.225), financial cost of filing returns is reduced (t -value

1.049), it is more beneficial to the dealers (t -value 1.459) and it is easy to maintain the records in the form of soft copy (t -value 0.419) are not statistically significant. Hence it is clear that, there are similar perceptions exists among the businessmen of Goa and Kerala about the variables of reduction in the volume of paper work, e-governance, reduction in financial cost, beneficial to the dealers and maintenance of books.

To examine whether there is significant difference exists among the businessmen with respect to perceptions mean scores of e-governance in VAT system between States of Goa and Kerala following hypotheses are framed.

Null Hypothesis (H₀): *There is no significant difference with respect to perceptions about E-Governance under VAT system among the Businessmen in the States of Goa and Kerala.*

Alternative Hypothesis (H₁): *There is significant difference with respect to perceptions about E-Governance under VAT system among the Businessmen in the States of Goa and Kerala.*

To test these hypotheses, the Student t- test is applied and the results are presented in the following table 5.33.

Table: 5.33 Comparison of Goa and Kerala State Businessmen with respect to Perceptions Scores about E-Governance by t- test

State	Mean	SD	t-value	p-value
Goa state	37.85	2.23	2.132	0.34
Kerala state	38.39	2.09		

Source: Primary Data

From the results of the Table 5.33, it can be seen that, a non-significant difference was observed with respect to perceptions of mean scores about e-governance under VAT system among the Businessmen in the States of Goa and Kerala. (t=2.132, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. That indicates Goa and Kerala Businessmen have similar perception about administrative machinery of e-governance under VAT system.

5.2.17 Issues in Value Added Tax System

Goa and Kerala have adopted the Value Added Tax system from 1st April 2005, but they grapple with improving its design and implementation. Facing the problems such as dealing with refunds, keeping the rates similarity with other states, providing information to stakeholders.

The businessmen's perception about issues in VAT system of Goa and Kerala state were analyzed and the results are presented in Table 5.34.

Table 5.34 Businessmen Perception about Issues in VAT System

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
Lack of clarity and transparency in the system	4.24	0.75	3.66	0.82
More number of records to be maintained	3.56	0.86	3.47	0.95
Lack of uniformity in the system	4.20	0.75	3.66	0.82
Many Amendments	3.73	0.72	3.67	0.82
Number of taxes imposed by the Government	4.20	0.96	4.51	0.76
Lack of accurate Information about VAT system	4.39	0.64	4.23	0.67

Source: Primary Data

It is apparent that the businessmen in both Goa and Kerala States agreed with lack of clarity and transparency in the system, more number of records are to be maintained, lack of uniformity in the system, so many amendments, number of taxes imposed by the Government, lack of accurate Information about VAT system. It

reveals that the mean values of all the issues in Value Added Tax for the businessmen of Goa State are higher than the mean values of all the issues in Value Added Tax for the businessmen of Kerala State.

5.2.18 Difference in Issues in VAT System

To examine whether there is significance difference exists among the businessmen with respect to the issues in VAT system between states of Goa and Kerala the following hypotheses are made.

Null Hypothesis (H_0): *There is no significant difference with respect to issues in VAT system among the Businessmen in the States of Goa and Kerala.*

Alternative Hypothesis (H_1): *There is significant difference with respect to issues in VAT system among the Businessmen in the States of Goa and Kerala.*

The hypotheses were tested by using Student t- test and the findings have been depicted in table 5.35.

Table: 5.35 Comparison of Goa and Kerala State Businessmen with respect to Issues Scores in VAT System by t- test

State	Mean	SD	t-value	p-value
Goa	24.32	3.09	0.298	0.766
Kerala	23.20	3.11		

Source: Primary Data

From the results of the Table 5.35, it can be seen that, a non-significant difference was observed with respect to issues in VAT system among the Businessmen in the states of Goa and Kerala. (t=0.766, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, the Goa and Kerala state businessmen have similar issues in VAT system.

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5.3   Impact of VAT on Practitioners

In order to understand the demographic profile of the   practitioners, source of awareness, perception about VAT system, performance of administrative machinery under VAT system, perception about e-governance and issues in VAT system   the data was collected   from Goa and Kerala and analyzed. The results are discussed in the following section.

5.3.1   Gender Status of Practitioners

The gender status of the respondent practitioners of Goa and Kerala state are shown in the Table 5.36.

Table 5.36 Gender Status of the Practitioners

Gender	Goa		Kerala	
	Number of Practitioners	Percent	Number of Practitioners	Percent
Male	30	66.67	34	75.56
Female	15	33.33	11	24.44
Total	45	100.00	45	100.00

Source: Primary Data

The Table 5.36 reveals that of the 45 practitioners selected for the study from the state of Goa, 66.67 are male and the remaining 33.33 percent are female. Wherein Kerala, 75.56 percent of practitioners are male and the remaining 24.44 percent of practitioners are female. Hence it is concluded that the majority of the VAT practitioners are male in both states.

5.3.2   Age Group of Practitioners

The age group of respondent practitioners of both Goa and Kerala is presented in the Table 5.37.

Table 5.37 Age Group of Practitioners

Age Group (Years)	Goa		Kerala	
	Number of Practitioners	Percent	Number of Practitioners	Percent
20- 30	8	17.78	4	8.89
31-40	5	11.11	25	55.56
41-50	21	46.67	8	17.78
51-60	11	24.44	5	11.11
More than 60	0	0.00	3	6.66
Total	45	100.00	45	100.00

Source: Primary Data

The Table 5.37 exhibits that 46.67 percent of practitioners belong to the age group of 41-50 years followed by 24.44 percent with the age group of 51-60 years. The age group of 20-30 constitutes 17.78 percent and 31-40 years are 11.11 percent in the State of Goa. In the case of Kerala, 55.56 percent of practitioners belong to the age group of 31-40 years followed by 17.78 percent with the age group of 41-50 years. The age group between 51-60 years constitutes 11.11 percent. The age group of more than 60 years remains of 6.66 percent only. Hence it is revealed that majority of the respondent practitioners belong to the age group of 41-50 years in the State of Goa whereas the majority of the practitioners belong to the age group of 31-40 years in Kerala State.

The graphical representation of age group of practitioners presented in Fig 5.6.
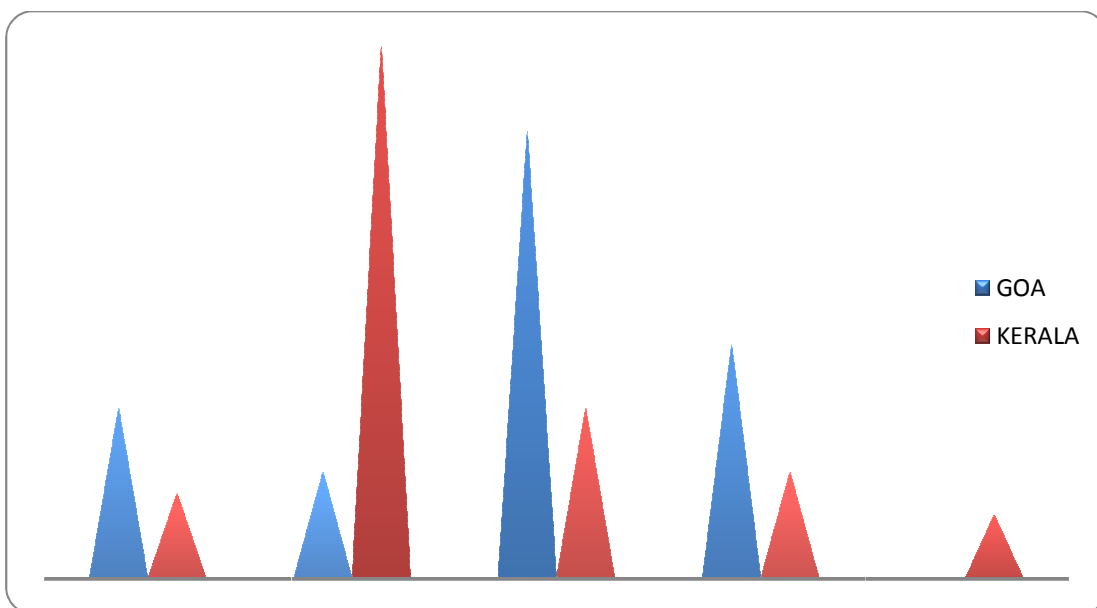
Fig. 5.6 Age Group of Practitioners

5.3.3 Educational Qualification

The educational qualifications of VAT practitioners of Goa and Kerala state presented in Table 5.38.

Table 5.38 Educational Qualifications of Practitioners

Educational Qualifications	Goa		Kerala	
	Number of Practitioners	Percent	Number of Practitioners	Percent
Graduates	10	22.22	4	8.89
Post Graduates	8	17.78	5	11.11
Professional Degree	27	60.00	36	80.00
Total	**45**	**100.00**	**45**	**100.00**

Source: Primary Data

From the Table 5.38 it is observed that 60.00 percent of practitioners are professional degree holders followed by are graduates (22.22 percent) and 17.78 percent post graduates in the State of Goa. Whereas in Kerala, 80 percent of practitioners are professional degree holders followed by post graduates (11.11percent) and the remaining 8.89 percent are graduates. Therefore it is inferred

that the majority of the VAT practitioners are professional degree holders in both States.

The graphical representation with regards to educational qualification of practitioners has shown in Fig 5.7.
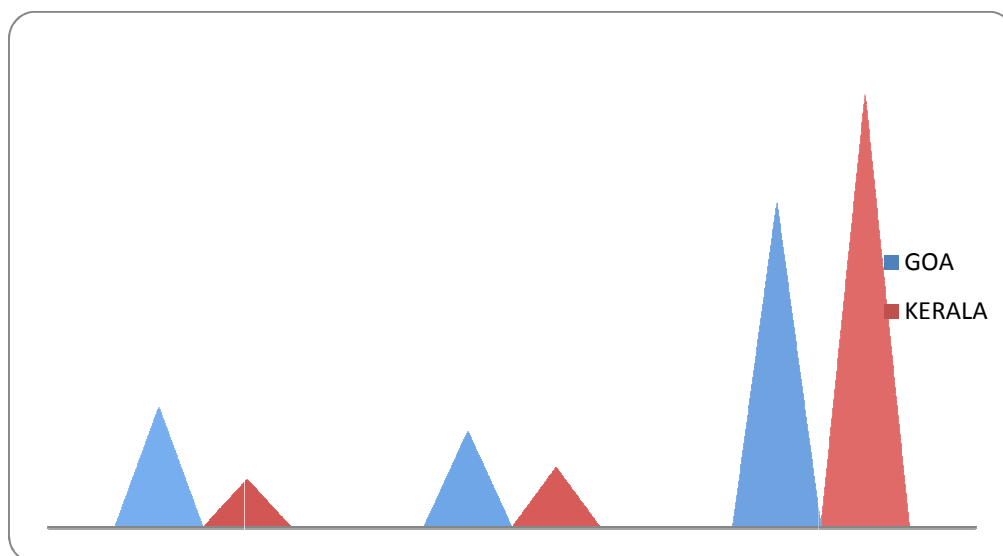
Fig.5.7 Educational Qualifications of Practitioners

5.3.4 Difficulty in understanding VAT System

The rules in VAT system are different from earlier sales tax system. The introduction of VAT system raised many queries and doubts with regard to rates, input tax credit system and maintenance of books of accounts. To know whether similar difficulty faced by the practitioners in understanding the VAT system in Goa and Kerala opinion were collected among VAT practitioners and presented Table 5.39.

Table: 5.39 Difficulty in understanding VAT System

Difficulty in understanding VAT system	Goa	Percent	Kerala	Percent	Total	Percent
Yes	20	44.44	13	28.89	33	36.67
No	25	55.56	32	71.11	57	63.33
Total	45	100.00	45	100.00	90	100.00
Chi-Square= 2.3441 p=0.1257						

Source: Primary Data

Table 5.39 shows that 55.56 percent of the practitioners are in the opinion that they are not facing difficulties in understanding VAT system and the rest of 44.44 percent of practitioners are facing difficulties in understanding VAT system in Goa State. Whereas in the State of Kerala, 71.11 percent of practitioners opined that they are not facing difficulties in understanding VAT system and the rest of 28.89 percent of practitioners are facing difficulties in understanding VAT system. Hence it can be depicted that majority of the practitioners are not facing difficulties in understanding VAT system in both States.

The Chi-Square results shows that, there is no significant relationship between the practitioners of Goa and Kerala as far as understanding of the VAT system (Chi-square=2.3441) at 5 percent level of significance.

5.3.5 Source of Awareness about VAT System

For a practitioner upto date information is very important. There are many amendments takes place in VAT Acts and Rules. They are published in the books, journals, government publication and also in internet. This has also been discussed in seminars and symposia conducted by various bodies.

To know the sources of awareness about VAT system for practitioners of Goa and Kerala the ranking were made among various sources and results are presented in Table 5.40.

Table 5.40 Source of Awareness about VAT System for Practitioners

Source	Goa	Kerala
	Rank	Rank
Government Publications	6	6
Books and/Journals	5	4
Seminars and Workshops	4	5
Tax Officials	3	3
Friends	2	2
Websites/internet	1	1

Source: Primary Data

The Table 5.40 depicts that in both the States source of awareness about VAT system for practitioner, website/internet stands in the first rank, followed by friends in the second rank and tax officials in the third rank. Seminars and workshops stand in fourth rank in the state of Goa and it stands fifth rank in Kerala State. Therefore, it may be presumed that more number of seminars and workshops are conducted in the State of Goa about VAT system. It can be noticed that government publications are in last position in both the States. It shows that there is a need of more government publications to the practitioners to update the knowledge about VAT system.

5.3.6 Opinion of Practitioners about Present VAT System

The VAT laws and Rules are more efficient than the earlier sales tax system. VAT system is expected to benefit consumers, businessmen, government, officials. To know whom the present system is most beneficial the practitioners opinion were collected and presented in Table 5.41.

Table 5.41 : Practitioners Opinion about Present VAT System

Present VAT system favour	Goa	Percent	Kerala	Percent	Total	Percent
Consumers	5	11.11	3	6.67	8	8.89
Businessmen	6	13.33	4	8.89	10	11.11
Government	10	22.22	12	26.66	22	24.44
Tax Officials	24	53.34	26	57.78	50	55.56
Total	45	100.00	45	100.00	90	100.00

Source: Primary Data

It is evident from the Table 5.41 that 53.44 percent practitioners in Goa and 57.78 percent practitioners in Kerala are in the opinion that present VAT system is in favor to officials, followed by 22.22 percent in Goa and 26.66 percent in Kerala to the government. Another 13.33 percent respondents in Goa and 8.89 percent in Kerala are of the opinion that present VAT system favors businessmen and balance 11.11 percent in Goa and 6.67 percent in Kerala are of the opinion that the present VAT system favors the consumers. Hence it can be inferred that majority of the practitioners in both the States are of opinion that present VAT system is in favor of tax officials.

5.3.7   Practitioners Perception about VAT System

To understand the major factors influencing practitioners perception Factor Analysis is conducted and results are discussed here under.

Table 5.42 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.610
Bartlett's Test of Sphericity	Approx. Chi-Square	164.187
	df	78
	Sig.	.000

The value of KMO is determined as 0.610 and the Bartlett's Test of Sphericity as 164.187 significant at 1 percent, (p<0.000) that justify the usage of factor analysis.

Communalities represent the percentage of variance explained by the extracted components.

Table 5.43 Communalities Practitioners Perception about VAT System

	Initial	Extraction
Present System curbs tax evasion	1.000	0.732
VAT system brings transparency	1.000	0.639
VAT Law, rules, forms, procedures are simple and unambiguous	1.000	0.386
VAT system improves government revenue	1.000	0.630
Under the VAT system product prices decreased due to input tax credit.	1.000	0.794
VAT system is more complicated than earlier sales tax system	1.000	0.745
VAT system fulfills about all the principles of taxation	1.000	0.493
VAT system is more beneficial to the government	1.000	0.594
VAT system is more beneficial to the customers	1.000	0.490
VAT system helps speedy tax collection	1.000	0.633
VAT adversely affects the cash flow	1.000	0.633
VAT system has controlled unaccounted sales in the market	1.000	0.548
CST should be eliminated for smooth functioning of VAT	1.000	0.642

Source: Primary Data
Extraction Method: Principal Component Analysis.

Table 5.44 Practitioners Perception Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent
1	2.363	18.178	18.178	2.363	18.178	18.178	2.127	16.364	16.364
2	2.070	15.919	34.097	2.070	15.919	34.097	1.758	13.521	29.885
3	1.224	9.419	43.516	1.224	9.419	43.516	1.468	11.290	41.175
4	1.214	9.341	52.857	1.214	9.341	52.857	1.434	11.027	52.203
5	1.087	8.364	61.221	1.087	8.364	61.221	1.172	9.018	61.221
6	0.942	7.245	68.466						
7	0.837	6.441	74.907						
8	0.733	5.639	80.546						
9	0.640	4.925	85.471						
10	0.556	4.273	89.745						
11	0.487	3.743	93.488						
12	0.453	3.484	96.972						
13	0.394	3.028	100.000						

Source: Primary Data
Extraction Method: Principal Component Analysis.

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Result: The thirteen variables considered in the primary data were reduced into five factors model and each factor is given a name which associated with corresponding variables. The factor names and description of factors are given in the Table 5.45.

Table 5.45 Factors Model Rotated Component Matrix

Variables	Component					
	1	2	3	4	5	
VAT system fulfills about all the principles of taxation	0.653					**Advantages of VAT**
VAT adversely affects the cash flow	0.733					
VAT system has controlled unaccounted sales in the market.	0.695					
VAT Law, rules, forms, procedures are simple and unambiguous		0.516				**VAT Benefits**
VAT system improves government revenue		0.769				
VAT system helps speedy tax collection		0.635				
Present System curbs tax evasion			0.673			**VAT Processes**
VAT system brings transparency			0.476			
VAT system is more beneficial to the government			0.633			
VAT system is more complicated than earlier sales tax system				0.857		**VAT Functioning**
VAT system is more beneficial to the customers				0.524		
CST should be eliminated for smooth functioning of VAT				0.406		
Under VAT system product prices decreased due to input tax credit.					0.870	**VAT Outcome**

Source: Primary Data
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 7 iterations.

Results: From the Table 5.45 reveals that the first factor consists of three variables with variable loadings, such as VAT system fulfills all the principles of taxation (0.653), VAT adversely affects cash flow (0.733), it controls over unaccounted sales in the market (0.695).This factor is known as **"Advantages of VAT".** The variables consisting of rules, procedures are simple (0.516), VAT improves government revenue (0.769), speedy tax collection (0.635) is named as **"VAT Benefits".** The next three variables such as curbs tax evasion (0.673), brings transparency (0.476) and more beneficial to the government (0.633) shows the **"VAT Processes"** and the variables consisting of VAT system is more complicated than earlier sales tax system (0.857), beneficial to the customers (0.524), elimination of CST (0.406) named as **"VAT Functioning"** and the variable under VAT system product prices decreased due to input tax credit (0.870) is known as **"VAT Outcome"**.

To examine whether there is significant difference exists among the practitioners with respect to perception about VAT system between States of Goa and Kerala the following hypotheses are made.

Null Hypothesis (H_0): *There is no significant difference in the perception of VAT system among the practitioners in the States of Goa and Kerala.*

Alternative Hypothesis (H_1): *There is significant difference in the perception of VAT system among the practitioners in the States of Goa and Kerala.*

The student t-test was conducted to find out whether there is any significant difference in the perception of VAT system among the practitioners in the States of Goa and Kerala. The findings have been tabulated in Table 5.46.

Table 5.46 Practitioners Perception with respect VAT System by t- test

State	Mean	SD	t-value	p-value
Goa	41.36	3.59	2.504	0.014*
Kerala	43.02	2.64		

Source: Primary Data

From the results of the Table 5.46 it can be seen that, a significant difference was observed in the perception of VAT system among the practitioners in the States of Goa and Kerala (t=2.504, p<.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. It is inferred that, the practitioners of Kerala State have difference in perceptions about VAT system as compared to the practitioners of Goa.

5.3.8 Dealers Compliance with regards to VAT Rules

Under VAT system, dealers are allowed to make their own assessment of the tax to be paid to the government. Dealers are required to follow certain VAT rules. Here an attempt has been made to know the practitioners opinion about dealers compliance to VAT rules and are presented in Table 5.47.

Table 5.47 Dealers Compliance with regards to VAT Rules

Dealers Compliance	Goa		Kerala	
	Number of Practitioners	Percent	Number of Practitioners	Percent
Very High	10	22.22	11	24.44
High	15	33.33	17	37.78
Moderate	11	24.45	12	26.67
Low	9	20.00	5	11.11
Total	45	100.00	45	100.00

Source: Primary Data

The results indicate that 55.55 percent of the dealers comply with VAT rules above the moderate level in Goa whereas 62.22 percent of the dealers comply with

VAT rules above moderate level in Kerala. It is also found that in Goa 44.45 percent of dealers comply which is low and moderate with regard to VAT rules. In Kerala it is only 37.78 percent. Hence it can be concluded that dealers compliance with regards to tax rules in Kerala are very high and high when compare to the state of Goa. The reason may be presumed as the highest rate of literacy in Kerala.

5.3.9 Effectiveness of VAT System

One of the objectives of the VAT system is to reduce to tax evasion. Business concerns are required to maintain books of accounts and records of purchases to avail the input tax credit.

The opinion of the practitioners about the effectiveness of VAT system in Goa and Kerala were sought and presented in Table 5.48.

Table: 5.48 Effectiveness of VAT System

Effectiveness	Goa		Kerala	
	Number of Practitioners	Percent	Number of Practitioners	Percent
Highly Effective	3	6.67	4	8.89
Effective	24	53.33	30	66.67
Moderate Effective	16	35.56	9	20.00
Somewhat Effective	2	4.44	2	4.44
Total	**45**	**100.00**	**45**	**100.00**

Source: Primary Data

The Table 5.48 clearly shows that 53.33 percent of practitioners in Goa and 66.67 percent in Kerala are in the opinion that the present VAT system is effective, followed by 35.56 percent in Goa and 20 percent in Kerala have an opinion that present VAT system moderately effective. Another 6.67 percent respondents in Goa and 8.89 percent in Kerala pointed out that the system is highly effective. And the remaining 4.44 percent of practitioners in Goa as well as in Kerala are stated that it

somewhat effective. It is inferred that the majority practitioners in Goa and Kerala are under the opinion that the present VAT system is effective.

5.3.10 Performance of Administrative Machinery under VAT System

Efficient administration machinery is very important for any good governance. Here an attempt was made by the researcher to evaluate the perception by the practitioners about the performance of administration machinery under VAT system. For which the researcher has identified seventeen variables, with that t- test was conducted and the results are presented in Table 5.49.

Table 5.49 Practitioners Perception about Performance of Administrative Machinery under VAT System

Variables	State	N	Mean	Std. Deviation	Std. Error Mean	t-value	Sig
Commercial tax department staff is available in the office	Goa	45	3.73	0.688	0.102	1.147	0.16
	Kerala	45	3.96	0.796	0.119		
Officers find time to give assistance	Goa	45	3.27	0.751	0.112	2.246	0.27
	Kerala	45	3.60	0.654	0.097		
Commercial tax department administration is very efficient	Goa	45	2.36	0.857	0.128	1.068	0.29
	Kerala	45	2.18	0.716	0.107		
Commercial tax administration is tax payer friendly	Goa	45	3.60	0.720	0.107	0.138	0.89
	Kerala	45	3.62	0.806	0.120		
Getting refunds due in time is easy	Goa	45	1.71	0.757	0.113	1.064	0.29
	Kerala	45	1.56	0.624	0.093		
No delay in the assessment	Goa	45	2.60	0.889	0.133	2.337	0.02*
	Kerala	45	2.20	0.726	0.108		
Penalties are not heavy	Goa	45	2.42	0.866	0.129	2.509	0.01*
	Kerala	45	2.04	0.520	0.078		
Do not deny input tax credit on minor grounds	Goa	45	3.84	0.824	0.123	12.113	0.00*
	Kerala	45	2.00	0.603	0.090		
Under VAT no much notices to the dealers	Goa	45	3.80	0.694	0.103	12.240	0.00*
	Kerala	45	1.96	0.737	0.110		
There is sufficient time to reply for notices	Goa	45	4.07	0.618	0.092	2.406	0.02*
	Kerala	45	3.76	0.609	0.091		

Variables	State	N	Mean	Std. Deviation	Std. Error Mean	t-value	Sig
Time spent for assessments less as compare to sales tax system	Goa	45	2.36	0.933	0.139	8.479	0.00*
	Kerala	45	3.89	0.775	0.116		
Website of commercial tax department is updated regularly	Goa	45	4.07	0.688	0.102	1.014	0.31
	Kerala	45	4.22	0.765	0.114		
Manpower is overburdened in commercial tax department	Goa	45	2.07	0.720	0.107	1.296	0.20
	Kerala	45	1.89	0.573	0.085		
Tax administration has not been geared up after implementing VAT	Goa	45	3.91	0.668	0.100	10.879	0.00*
	Kerala	45	2.33	0.707	0.105		
Commercial tax department staff is updating their knowledge on VAT	Goa	45	2.62	0.777	0.116	7.814	0.00*
	Kerala	45	4.02	0.917	0.137		
Commercial tax officials are giving advisory services	Goa	45	2.33	0.640	0.095	5.241	0.00*
	Kerala	45	3.27	1.009	0.150		
Commercial tax officials are efficient in solving grievances	Goa	45	2.58	0.783	0.117	3.144	0.02*
	Kerala	45	3.16	0.952	0.142		

Source: Primary Data

Note: [*] indicates significant at five percent level.

The results shows that the practitioners in Goa State are agreed with availability of staff is in the office (mean value 3.73), officers provide assistance(mean value 3.27), administration is tax payer friendly (mean value 3.60), do not deny input tax credit on minor grounds (mean value 3.84), not much notices (mean value 3.80), sufficient time to reply for notices (mean value 4.07), website is updated regularly(mean value 4.07) and administration needs to gear up (mean value 3.91), while they are neutral or disagree with administration is very efficient (mean value 2.36), getting refunds in time (mean value 1.71), no delay in the assessments (mean value 2.60), penalties are not heavy (mean value 2.42), time spent for assessments less, (mean value 2.36) manpower is overburdened(mean value 2.07),

staff is updating their knowledge (mean value 2.62), officials are giving advisory services(mean value 2.33) and officials are efficient in solving grievances (mean value 2.58).

Meanwhile, the practitioners in Kerala State agreed that staff is available in the office (mean value 3.96), officers provide assistance (mean value 3.60), administration is tax payer friendly (mean value 3.62), sufficient time to reply for notices (mean value 3.76), time spent for assessments (mean value 3.89), website is updated regularly (mean value 4.22), and staff are updating their knowledge (mean value 4.02), officials are giving advisory services(mean value 3.27) and officials are efficient in solving grievances(mean value 3.16) while they are neutral or disagree that the administration is very efficient (mean value 2.18), getting refunds due in time (mean value 1.56), no delay in the assessment (mean value 2.20), penalties are not heavy (mean value 2.04), do not in input tax credit on minor grounds (mean value 2.00), not many notices (mean value 1.96), manpower is overburdened (mean value 1.89), tax administration has not been geared (mean value 2.33).

In order to evaluate the difference in practitioners perception about the administrative machinery in individual variables between Goa and Kerala t- test has been employed and results analysed as below.

An examination of the details of the t -test presented in the Table 5.49, it is evident that practitioners perception about, no delay in the assessment (t- value 2.337), penalties are not heavy (t- value 2.509), no deny in input tax credit on minor grounds (t- value 12.113), not much notices to the dealers (t- value 12.240), there is sufficient time to reply for notices (t value 2.406), time spent for assessments less as compared to sales tax system (t- value 8.479), tax administration has not been geared

up after implementing VAT (t- value 10.879), commercial tax department staff is updating their knowledge on VAT (t –value 7.4814), commercial tax officials are giving advisory services (t-value 5.241), commercial tax officials are efficient in solving grievances Goa and Kerala (t -value 3.144), which is significant at five percent level. It can be concluded that no similarity exists in the perception of the practitioners in the above mentioned variables.

The t-value for practitioners perception about commercial tax department staff is available in the office (t-value 1.147), officers find time to give assistance(t-value 2.246), commercial tax department administration is efficient(t-value 1.068), commercial tax administration is tax payer friendly (t-value 0.318), getting refunds due in time is easy (t-value 1.064), website of commercial tax department is updated regularly (t-value 1.014) and that manpower is overburdened in commercial tax department (t-value 1.296) between the states of Goa and Kerala is not statistically significant. Thus the results show that the practitioners' perception is similar about staff is available in the office, administration being very efficient, administration being tax payer friendly, getting refunds due in time, website is updated regularly and manpower is overburdened between states of Goa and Kerala.

5.3.11 Difference in Practitioners Perception about Performance of Administrative Machinery

To examine whether significant difference exists among the practitioners with respect to perception about the performance of administrative machinery under VAT system between the States of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference in the perception with respect to performance of administrative machinery of VAT system among the practitioners in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference in the perception with respect to performance of administrative machinery of VAT system among the practitioners in the States of Goa and Kerala*

To test theses hypotheses, combined scores are taken and the t- test was applied and the results are presented in the Table 5.50.

Table 5.50 Comparison of Perception of Practitioners in the States Goa and Kerala with respect to Performance of Administrative Machinery

State	Mean	SD	t-value	p-value
Goa	51.34	3.81	2.220	0.29
Kerala	49.64	3.40		

Source: Primary Data

The results show that a non-significant difference was observed with respect to performance of administrative machinery of VAT system among the practitioners in the states of Goa and Kerala (t=2.220, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, the practitioners of Goa and Kerala are having similar perception about the performance of administrative machinery.

5.3.12 Perceptions about E-Governance

Electronic Governance means using Information and Communications Technology to transform functioning of the Government. According World Bank, "E-Governance refers to the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the

ability to transform relations with citizens, businesses and other arms of government. These technologies can serve a variety of different ends such as better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information and more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions".

To know the practitioners perception about the e-governance in the states under study, the researcher identified ten variables and t- test was conducted with that. The values are presented in the Table 5.51.

Table: 5.51 Practitioners Perception about E-Governance

Variables	State	N	Mean	Std. Deviation	Std. Error Mean	t-value	Sig
The volume of paper work is reduced	Goa	45	3.87	0.757	0.113	1.29	0.20
	Kerala	45	4.07	0.720	0.107		
Time spent for filing the return is less	Goa	45	3.89	0.682	0.102	3.19	0.00*
	Kerala	45	4.33	0.640	0.095		
E-Governance is user friendly/ easy to understand	Goa	45	4.00	0.564	0.084	2.83	0.02*
	Kerala	45	4.27	0.495	0.074		
Financial cost of filing returns is reduced	Goa	45	2.53	0.919	0.137	2.47	0.20
	Kerala	45	3.07	1.116	0.166		
Getting the various forms are easier than the manual system	Goa	45	4.29	0.458	0.068	1.32	0.19
	Kerala	45	4.42	0.499	0.074		
It is more complicated than earlier sales tax system	Goa	45	2.44	0.785	0.117	4.80	0.00*
	Kerala	45	1.80	0.457	0.068		
Number of visits to commercial tax office are reduced	Goa	45	3.89	0.714	0.106	2.11	0.04*
	Kerala	45	4.18	0.576	0.086		
It is more beneficial to the officials.	Goa	45	3.89	0.611	0.091	2.10	0.04*
	Kerala	45	3.60	0.688	0.102		
It is more beneficial to the dealers	Goa	45	4.09	0.596	0.089	0.41	0.68
	Kerala	45	4.13	0.405	0.060		
It is easy to maintain the records in the form of soft copy	Goa	45	4.20	0.661	0.098	0.58	0.57
	Kerala	45	4.13	0.405	0.060		

Source: Primary Data

* indicates significant at five percent level.

The results show that the practitioners of Goa and Kerala are agree that (shows the mean values more than 3) the volume of paper work is reduced, time spent for filing the return is less, E-Governance is user friendly, getting the various forms are easier, is more complicated than earlier sales tax system, and visits to commercial tax office are reduced, it is more beneficial to the officials, also beneficial to the dealers and it is easy to maintain the records in the form of soft copy. The analysis depicts practitioners of Kerala agreed under e –governance the financial cost for filing

returns is reduced (mean value more than 3), whereas practitioners of Goa not agreed that reduction in financial cost for filing returns under e-governance (mean value less than 3). It is observed that practitioners of both the States are disagreed VAT system is more complicated than earlier sales tax system mean value less than 3).

5.3.13 Difference in Practitioners Perception about E-Governance

To examine whether significant difference exists among the practitioners with respect to perceptions about E-Governance under VAT system between the States of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference with respect to perceptions about E-Governance under VAT system among the practitioners in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to perceptions about E-Governance under VAT system among the practitioners in the States of Goa and Kerala.*

To test the hypotheses, combined mean scores are taken and the t- test was applied and the results are presented in the following Table 5.52.

Table 5.52 : Comparison of Goa and Kerala State Practitioners with respect to Perceptions Scores about E-Governance by t- test

State	Mean	SD	t-value	p-value
Goa state	37.09	2.90	1.6183	0.109
Kerala state	38.00	2.42		

Source: Primary Data

From the results of the Table 5.52, it can be seen that, there is no significant difference was observed with respect to perceptions about e-governance (t=1.6183, p>0.05) under VAT system among the practitioners in the states of Goa and Kerala. Hence, the null hypothesis is accepted. It is inferred that, there are similar perceptions among the VAT practitioners about e-governance in the States of Goa and Kerala.

5.3.14 Practitioners Perception about Issues in VAT System

In order to analyze the practitioners perception about the issues in VAT system of Goa and Kerala the researcher has selected eleven variables and mean values were calculated. The result has been presented in the Table 5.53.

Table 5.53 Practitioners Perception about Issues in VAT System

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
Lack of transparency in the system	3.42	0.84	3.60	0.65
No clarity or lack of clarity in the system	3.91	0.51	3.60	0.65
Assessments more complicated	3.73	0.50	3.80	0.40
Lack of uniformity in system	3.67	0.56	3.84	0.52
So many amendments	4.04	0.60	3.87	0.40
More number of taxes imposed by the Government	2.42	0.81	2.31	0.56
Lack of accurate information about VAT system to the practitioners	4.00	0.71	4.18	0.39
Lack of infrastructure facilities in the department	4.29	0.63	3.69	1.28
Dealing of variety of Goods requires separate invoices	2.29	0.94	2.11	0.94
Changes in VAT rates difficult to maintain the accounts.	2.36	0.77	2.29	0.66
Many times VAT officials disagree for small issues.	3.91	0.76	4.09	0.73

Source: Primary Data

It is apparent that the practitioners in both Goa and Kerala States are (shows the mean values more than 3) agreed with lack of transparency, no clarity or lack of

clarity, assessments are more complicated, lack of uniformity, so many amendments, lack of accurate information about VAT system to the practitioners, lack of infrastructure facilities in the department and many times VAT officials disagree on small issues.

Whereas the VAT practitioners are neutral or disagree (shows the mean values less than 3) with regard to more number of taxes imposed by the Government, dealing of variety of goods requires separate invoices, changes in VAT rates difficult to maintain the accounts.

5.3.15 Difference in Practitioners Perception about Issues in VAT System

To examine whether significant difference exists among the practitioners with respect to the issues in VAT system between the states of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H₀): There is no significant difference with respect to the issues in VAT system among the practitioners in the States of Goa and Kerala.

Alternative Hypothesis (H₁): There is significant difference with respect to the issues in VAT system among the practitioners in the States of Goa and Kerala.

To test the hypotheses, the t- test was applied and the results are presented in the Table 5.54.

Table 5.54 Comparison of Goa and Kerala State Practitioners with respect to Issues Scores in VAT System by t- test

State	Mean	SD	t-value	p-value
Goa	38.04	2.54	1.1871	0.2384
Kerala	37.38	2.78		

Source: Primary Data

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From the results of the Table 5.54, it can be seen that, no significant difference was observed with respect to the issues in VAT system among the practitioners in the states of Goa and Kerala (t=1.1871, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, the Goa and Kerala state practitioners have similar issues in VAT system.

5.4 Officials Perception about VAT System

Efficiency of the VAT system depends upon the tax officials who are responsible for understanding, interpreting, entertaining the tax laws enacted by government from time to time. The personal profile of the officials, perception about VAT system, performance of administrative machinery under VAT system, perception about e-governance and issues in VAT system were analyzed and the results are discussed below.

5.4.1 Gender Status of Officials

The gender of officials of both Goa and Kerala state are presented in Table 5.55.

Table 5.55 Gender Status of Officials

Gender	Goa		Kerala	
	Number of Officials	Percent	Number of Officials	Percent
Male	12	40.00	20	66.67
Female	18	60.00	10	33.33
Total	30	100.00	30	100.00

Source: Primary Data

The result shows that about 40.00 percent of officials are male and 60.00 percent of officials are female in Goa, whereas in State of Kerala, 66.67 percent of officials are male and the remaining 33.33 percent of officials are female. Hence it

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can be inferred that majority of the VAT officials are female in the state of Goa whereas majority of the VAT officials are male in Kerala.

5.4.2 Age Group of the Officials

The age group of respondent VAT officials of Goa and Kerala is presented in Table 5.56.

Table 5.56 Age Group of Officials

Age Group (Years)	Goa		Kerala	
	Number of Officials	Percent	Number of Officials	Percent
31-40	9	30.00	10	33.33
41-50	13	43.33	16	53.34
51-60	8	26.67	4	13.33
Total	**30**	**100.00**	**30**	**100.00**

Source: Primary Data

The results indicate that in the State of Goa 43.33 percent of officials belong to the age group of 41-50 years followed by 30 percent in the age group of 31-40 years and remaining 26.67 percent are in the age group 51-60 years. Whereas in Kerala 53.34 percent of officials belong to the age group of 41-50 years followed by 33 percent in 31-40 years and remaining 13.33 percent is in the age group of 51-60 years. It reveals that the most of the VAT officials belong to the age group of 41-50 years in both the states.

5.4.3 Educational Qualification of Officials

The educational qualification of officials of Goa and Kerala are presented in Table 5.57.

Table 5.57 Educational Qualifications of Officials

Educational Qualifications	Goa		Kerala	
	Number of Officials	Percent	Number of Officials	Percent
Graduates	22	73.33	08	26.67
Post Graduates	06	20.00	14	46.67
Professional Degree	02	6.67	08	26.67
Total	**30**	**100.00**	**30**	**100.00**

Source: Primary Data

It is observed from the Table 5.57 that in the State of Goa 73.33 percent of officials are graduates followed by 20 percent post graduates and 6.67 percent are having the professional degrees. Whereas in Kerala, 26.67 percent of officials are graduates followed by 46.67 percent post graduates and remaining 26.67 of the VAT officials are having professional degrees. It is inferred that majority of the VAT officials in Goa are graduates and postgraduates in the State of Kerala.

5.4.4 Perceptions of Officials about VAT System:

The perception of officials about VAT system of both Goa and Kerala state was interpreted and the results are presented in Table 5.58.

Table 5.58 Officials Perception about VAT System

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
Present system is enough to curb tax evasion	3.23	0.94	4.03	0.49
VAT system brings transparency	3.43	0.86	3.97	0.41
VAT Law, rules, forms, procedures are simple and unambiguous	3.53	0.73	2.47	0.82
VAT system rapidly increased the government revenue	4.07	0.45	3.90	1.09
Under VAT system product prices decreased due to input tax credit	2.67	0.76	2.33	0.61
VAT system is more complicated than earlier sales tax system	2.10	0.61	3.67	0.76
VAT system fulfills about all the principles of taxation	3.20	0.89	4.03	0.41
VAT system is more beneficial to the government	3.80	0.66	4.30	0.47
VAT system is more beneficial to the customers	3.60	0.72	3.73	0.45
VAT system helps speedy tax collection	3.93	0.64	4.37	0.49
VAT system has controlled unaccounted sales in the market	2.17	0.79	2.30	0.92
CST should be eliminated for smooth functioning of VAT	4.10	0.61	3.73	0.69

Source: Primary Data

The results show that the present system is enough to curb tax evasion, VAT system brings transparency, VAT Law, rules, forms, procedures are simple and unambiguous, VAT system rapidly increased the government revenue, VAT system fulfills about all the principles of taxation, VAT system is more beneficial to the government, VAT system is more beneficial to the customers, VAT system helps speedy tax collection, and CST should be eliminated for smooth functioning of VAT, the practitioners of Goa and Kerala agreed with the statements(mean value more than 3). While they are neutral or disagree with under VAT system product prices decreased due to input tax credit, VAT system is more complicated than earlier sales tax system, VAT system has controlled unaccounted sales in the market (mean value less than 3). This indicates that the perceptions about the VAT system are similar in both the states. It is also clear from the table that practitioners of Goa agree that to

VAT Law, rules, forms, procedures are simple and unambiguous(mean value 3.53) and they do not agree with statement VAT system is more complicated than earlier sales tax system(mean value 2.10). Whereas practitioners of Kerala have an opinion that VAT system is more complicated than earlier sales tax system(mean value 3.67) and VAT Law, rules, forms, procedures are simple and unambiguous (mean value 2.47).

To examine whether there is significant difference exists among the officials with respect to perception about VAT system between the States of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference with respect to perception about VAT system among the officials in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to perception about VAT system among the officials in the States of Goa and Kerala.*

To test these hypotheses, the t-test was applied and the results are presented in the following Table 5.59.

Table 5.59 Comparison of Goa and Kerala State Officials with respect to Perception Scores about VAT System by t- test

State	Mean	SD	t-value	p-value
Goa	39.83	2.93	3.940	0.000*
Kerala	42.83	2..97		

Source: Primary Data

From the results of a Table 5.59 it can be seen that, a significant difference was observed in the perception of VAT system among the officials in the states of Goa and Kerala (t=3.940, p<0.05) percent level of significance. Hence, the null

hypothesis is rejected. It indicates that officials perception about VAT system is not similar among the states.

5.4.5 Performance of Administrative Machinery under VAT System

The officials perception about the performance of administrative machinery under VAT system in both Goa and Kerala state was analyzed and the results are presented as below.

Table 5.60 KMO And Bartlett's Test Of The Officials Perception about the Performance of Administrative Machinery under VAT System

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.618
Bartlett's Test of Sphericity	Approx. Chi-Square	278.651
	df	105
	Sig.	0.000

The value of KMO is determined a 0.631 and the Bartlett's Test of Sphericity as 278.651 significant at 1 percent (P<.000) that justify the usage of factor analysis. Factor analysis has been done using the principal component extraction method with Varimax rotation, on the basis of 'Eigen Value' not less than one for any factor. The following Table 5.61 shows the communalities of the officials.

Table 5.61 Communalities of the Officials Perception Performance of Administrative Machinery under VAT

	Initial	Extraction
Work is increased under VAT system as compared to earlier Sales Tax	1.000	0.762
Officers find time to give advisory services to dealers	1.000	0.618
Commercial tax department administration is very efficient	1.000	0.632
Commercial tax administration is tax payer friendly	1.000	0.785
Giving refunds due in time	1.000	0.734
Assessments are completed within stipulated time	1.000	0.758
Do not deny input tax credit on minor grounds	1.000	0.787
Under VAT no much notices to the dealers	1.000	0.713
Dealers reply in time for notices	1.000	0.709
Time spent for assessments less as compare to sales tax system	1.000	0.639
Website of commercial tax department is updated regularly	1.000	0.777
Manpower is overburdened in commercial tax department	1.000	0.819
Tax administration has not been geared up after implementing VAT	1.000	0.804
Commercial tax department conducts seminars and workshops for officials	1.000	0.820
Commercial tax officials are efficient in solving grievances	1.000	0.721

Source: Primary Data
Extraction Method: Principal Component Analysis.

The Table 5.62 shows the results of extraction of six factors showing a cumulative of 73.84 percentages. These six factors explain 73.84 percent of the variability in the 15 variables.

Table 5.62

Total Variance of the Officials Perception Performance of Administrative Machinery under VAT

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent	Total	percent of Variance	Cumulative percent
1	2.971	19.808	19.808	2.971	19.808	19.808	2.318	15.452	15.452
2	2.162	14.413	34.221	2.162	14.413	34.221	1.993	13.289	28.741
3	2.080	13.870	48.091	2.080	13.870	48.091	1.912	12.745	41.487
4	1.540	10.269	58.360	1.540	10.269	58.360	1.814	12.095	53.582
5	1.281	8.538	66.898	1.281	8.538	66.898	1.660	11.067	64.649
6	1.041	6.939	73.836	1.041	6.939	73.836	1.378	9.187	73.836
7	.732	4.881	78.718						
8	.679	4.525	83.243						
9	.602	4.011	87.254						
10	.523	3.488	90.743						
11	.383	2.555	93.298						
12	.352	2.348	95.646						
13	.292	1.945	97.590						
14	.217	1.449	99.040						
15	.144	.960	100.000						

Extraction Method: Principal Component Analysis.

The Table 5.63 documents the results of factor analysis by depicting the rotated values of factor loadings. Nomenclature of the factors extracted has been given on the basis of highest factor loadings of the variables loaded into a particular factor.

Six factors have been identified by the factor analysis which explains 73.94 percent of the variations in the data. Table 5.63 explains the Rotated Component Matrix and Factor names.

Table 5.63 Rotated Component Matrix Officials Perception Performance of Administrative Machinery under VAT System

	Component						Factor Name
	1	**2**	**3**	**4**	**5**	**6**	**Factor Name**
Commercial tax department administration is very efficient	0.760						**Performance**
Commercial tax administration is tax payer friendly	0.559						
Website of commercial tax department is updated regularly	0.826						
Assessments are completed within stipulated time		0.605					**Outcomes**
Under VAT no much notices to the dealers		0.798					
Time spent for assessments less as compare to sales tax system		0.690					
Work is increased under VAT system as compared to earlier Sales Tax			0.693				**Difficulty**
Giving refunds due in time			0.830				
Officers find time to give advisory services to dealers				0.467			**Efficiency**
Tax administration has been geared up after implementing VAT				0.856			
Commercial tax officials are efficient in solving grievances				0.528			
Do not deny input tax credit on minor grounds					0.541		**Satisfaction**
Dealers reply in time for notices					0.707		
Commercial tax department conducts seminars and workshops for officials						0.806	**Ability**
Manpower is overburdened in commercial tax department						0.838	

Source: Primary Data
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 16 iterations.

Results: Factor 1: Indicates three variables with variable loadings. This factor labeled as "**Performance"**. This shows the performance of commercial tax department. It consists of commercial tax department administration is very efficient (0.760), commercial tax administration is tax payer friendly (0.559) and website of commercial tax department is updated regularly (0.826).

Factor 2: This is interpreted as **"Outcomes"** Three variables loaded into this factor such as assessments are completed within stipulated time (0.605), under VAT not much notices given to the dealers (0.798) and time spent for assessments is less as compare to sales tax system (0.690).

Factor 3: This factor explains the "**Difficulty**", loaded with two variables. Work has increased under VAT system as compared to earlier Sales Tax (0.693) and giving refunds due in time (0.830).

Factor 4: This is considered as "**Efficiency**". Three variables that correlated to constitute the fourth factor are officers find time to give advisory services to the dealers (0.467), tax administration has been geared up after implementing VAT (0.856), and commercial tax officials are efficient in solving grievances (0.528).

Factor 5: Is interpreted as **Satisfaction",** covering of two variables, do not deny input tax credit on minor grounds (0.541) and dealers reply in time for notices (0.707).

Factor 5: This factor is understood as "**Ability**". Loading with two variables namely commercial tax department conducts seminars and workshops for officials (0.806) and manpower is overburdened in commercial tax department (0.838).

Table 5.64 Officials Perception about Administrative Machinery under VAT System

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
Work is increased under VAT system as compared to earlier sales tax	3.47	0.82	3.73	0.64
Officers find time to give advisory services to dealers	3.57	0.77	3.80	0.77
Commercial tax department administration is very efficient	3.80	0.66	4.07	0.52
Commercial tax administration is tax payer friendly	3.83	0.70	3.90	0.71
Giving refunds due in time	2.73	0.83	2.80	0.81
Assessments are completed within stipulated time	3.80	0.71	3.80	0.66
Do not deny input tax credit on minor grounds	3.73	0.58	3.80	0.55
Under VAT no much notices to the dealers	3.57	0.77	3.57	0.77
Dealers reply in time for notices	2.37	0.81	2.73	0.80
Time spent for assessments less as compare to sales tax system	2.57	0.86	2.30	0.65
Website of commercial tax department is updated regularly	3.90	0.89	3.73	1.01
Manpower is overburdened in commercial tax department	3.33	0.88	3.27	0.92
Tax administration has not been geared up after implementing VAT	3.17	0.95	3.33	0.94
Commercial tax department conducts seminars and workshops for officials	2.13	0.68	2.20	0.66
Commercial tax officials are efficient in solving grievances	3.70	0.75	3.83	0.59

Source: Primary Data

The results shows with regard to work is increased under VAT system as compared to earlier sales tax, officers find time to give advisory services to dealers, commercial tax department administration is very efficient, commercial tax administration is tax payer friendly, assessments are completed within stipulated time, do not deny input tax credit on minor grounds, under VAT system no much notices to the dealers, website of commercial tax department is updated regularly, manpower is overburdened in commercial tax department, tax administration has not been geared

up after implementing VAT, and commercial tax officials are efficient in solving grievances the practitioners of Goa and Kerala agreed with the statements (mean value more than 3) but they are disagree or neutral with giving refunds due in time, dealers reply in time for notices, time spent for assessments less as compare to sales tax system, commercial tax department conducts seminars workshops for officials (mean value less than 3).

5.4.6 Officials Perception about Performance of Administrative Machinery under VAT System

In order to examine the difference in officials perception about performance of administrative machinery under VAT system in combined scores between states of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference with respect to performance of administrative machinery under VAT System among the officials in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to performance of administrative machinery under VAT system among the officials in the States of Goa and Kerala.*

To test these hypotheses, the t- test was applied and the results are presented in the Table 5.65.

Table 5.65 Comparison of Goa and Kerala State Officials with respect to Performance of Administrative Machinery under VAT System by t- test

State	Mean	SD	t-value	p-value
Goa state	49.67	2.54	0.1595	0.8738
Kerala state	50.86	2.31		

Source: Primary Data

From the results of the Table 5.65 it can be seen that, no significant difference exists with respect to perceptions about e- governance under VAT system among the officials in the states of Goa and Kerala (t=0.1595, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, the Goa and Kerala State officials have similar performance scores of machinery under VAT system.

5.4.7 Officials Perceptions about E-Governance

The officials perception about the e-governance in both Goa and Kerala state was analyzed and the results are presented in Table 5.66.

Table: 5.66 Officials Perception about E-Governance

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
Report generation is easy	4.00	0.37	4.03	0.41
The volume of paper work is reduced	3.83	0.65	3.77	0.63
Time required/spent for assessment is less	3.27	0.91	3.57	0.77
E-Governance is user friendly/ easy to understand	3.77	0.43	3.73	0.45
Work morale is increased	3.73	0.45	3.70	0.47
Giving the various forms are easier than the manual system	4.27	0.45	4.30	0.47
Number of visits of dealers and practitioners to the commercial tax office are reduced	4.13	0.43	4.10	0.48
It is more beneficial to the officials	3.63	0.62	3.73	0.45
It is more beneficial to the dealers	4.17	0.46	4.10	0.40
Number of subordinates required less	2.97	0.85	3.17	0.87

Source: Primary Data

The results shows with regard to report generation is easy, the volume of paper work is reduced, time required/spent for assessment is less, e-governance is user friendly/ easy to understand, work morale is increased, giving the various forms are easier than the manual system, number of visits of dealers and practitioners to the commercial tax office are reduced, it is more beneficial to the officials, and it is more beneficial to the dealers the practitioners of Goa and Kerala agreed with the statements (mean value more than 3). Whereas practitioners of Goa disagree or neutral about number of subordinates required less (mean value 2.97) same statement agreed by practitioners of Kerala (mean value 3.17).

To examine whether there is significant difference exists among the officials with respect to perceptions about e-governance in VAT system between States of Goa and Kerala in combined scores between States of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H_0): *There is no significant difference with respect to perceptions about E- Governance under VAT system among the officials in the States of Goa and Kerala.*

Alternative Hypothesis (H_1): *There is no significant difference with respect to perceptions about E-Governance under VAT system among the officials in the States of Goa and Kerala.*

To test these hypotheses the t- test was applied and the results are presented in the Table 5.67.

Table: 5.67 Comparison of Goa and Kerala State Officials with respect to Perceptions Scores about E-Governance by t- test

State	Mean	SD	t-value	p-value
Goa	37.77	2.42	0.7211	0.4737
Kerala	38.20	2.23		

Source: Primary Data

From the results of the Table 5.67, it can be seen that, non-significant difference was observed with respect to perceptions about E-Governance under VAT system among the officials in the States of Goa and Kerala. (t=0.7211, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It infers that the perception among officials in the State of Goa and Kerala are similar.

5.4.8 Officials Perception about Issues in VAT system

The officials perception about issues in VAT system of both Goa and Kerala State was analyzed and the results are presented in Table 5.68.

Table 5.68 Officials Perception about Issues in VAT

Variables	Goa		Kerala	
	Mean	SD	Mean	SD
VAT provisions are not transparent	3.60	0.68	3.53	0.63
No clarity or lack of clarity in the system	3.40	0.89	3.33	0.92
Assessments more complicated than earlier sales tax system	2.23	0.73	2.30	0.79
Lack of training to officials	4.33	0.48	4.37	0.49
So many amendments	3.87	0.35	3.93	0.25
More number of taxes imposed by the Government	3.77	0.50	3.73	0.52
There is no uniform tax rates across the country	4.17	0.38	4.23	0.43
Lack of infrastructure facilities in the department	4.10	0.76	4.00	1.11
Lack of uniform classification across the country	4.17	0.38	4.23	0.43

Source: Primary Data

It is apparent that the officials in both Goa and Kerala States are agreed with (mean values more than 3) VAT provisions are not transparent, no clarity or lack of clarity in the system, lack of training to officials, so many amendments, more number of taxes imposed by the government, there is no uniform tax rates across the country, lack of infrastructure facilities in the department and lack of uniform classification across the country. Meanwhile the officials in both the states neutral or disagree that

assessments are more complicated than earlier sales tax system (mean value less than 3).

To examine whether there is significant difference exists among the officials with respect to the issues in VAT system between States of Goa and Kerala in combined scores between states of Goa and Kerala the following hypotheses are framed.

Null Hypothesis (H$_0$): *There is no significant difference with respect to issues in VAT system among the officials in the States of Goa and Kerala.*

Alternative Hypothesis (H$_1$): *There is significant difference with respect to issues in VAT system among the officials in the States of Goa and Kerala.*

To test these hypotheses, the t- test was applied and the results are presented in the Table 5.69.

Table 5.69 Comparison of Goa and Kerala State Officials with respect to Issues Scores in VAT System by t- test

State	Mean	SD	t-value	p-value
Goa	33.64	1.87	0.0625	0.9504
Kerala	33.65	2.25		

Source: Primary Data

From the results of the above table 5.69 it can be seen that, a non-significant difference was observed between Goa and Kerala state officials with respect to with respect to issues in VAT system among the officials in the states of Goa and Kerala. (t=0.0625, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, the Goa and Kerala state officials have similar issues scores in VAT system.

5.5 **Conclusion:** In order to understand the Impact of VAT on Stakeholders in the States of Goa and Kerala, important variables such as awareness level, the perception about VAT, administrative machinery for VAT system, satisfaction about VAT system, perceptions about e-governance under VAT system and issues affecting VAT are considered to study the objectives. A hypothesis test was carried to find out the impact using a t-test statistics. The results summarized below.

i. The results from the t- test showed that there is no significant difference between Goa and Kerala State consumers with respect to perception about VAT.

ii. With regard to issues in VAT system, the t-test result showed there is no significant difference between Goa and Kerala State consumers.

iii. The results t-test showed that there is no significant difference with regard to the perception of VAT system among the businessmen in the States of Goa and Kerala.

iv. The result of t-test revealed there is a significant difference in the practices of VAT system among the businessmen in the States of Goa and Kerala.

v. With respect to administrative machinery for VAT system t-test results showed there was significant difference between Goa and Kerala State businessmen.

vi. The result of t-test showed there is a significant difference with respect to satisfaction about VAT system among the businessmen in the States of Goa and Kerala.

vii. With respect to perceptions about e-governance under VAT system among the businessmen in the States of Goa and Kerala the results of t-test revealed that there is no significant difference.

viii. The t-test results revealed that there is no significant difference between Goa and Kerala State businessmen with respect to perceptions about issues in VAT system.

ix. The results of t-test showed there is a significant difference between Goa and Kerala State practitioners with respect to perceptions about VAT system.

x. With respect to performance of administrative machinery of VAT system among the Practitioners in the Sates of Goa and Kerala the t-test results revealed there is a no significant difference.

xi. The results of t- test showed that, a non-significant difference between Goa and Kerala State practitioners with respect to perceptions about e-governance.

xii. The t-test results revealed there is a no significant difference between Goa and Kerala State Practitioners with respect to Issues in VAT system.

xiii. The t-test results showed there is a significant difference between Goa and Kerala State officials with respect to perception about VAT system.

xiv. From the results of t- test it is revealed there is a no significant difference between Goa and Kerala State officials with respect to practices of VAT.

xv. The results of t-test showed there is no significant difference between Goa and Kerala State officials with respect to perceptions about e-governance.

xvi. A non-significant difference was observed between Goa and Kerala State officials with respect to issues in VAT system.

CHAPTER VI

ROADMAP TO INDIAN GOODS AND SERVICE TAX

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ROADMAP TO INDIAN GOODS AND

SERVICE TAX

In a federal State like India, the authority to levy taxes is divided between the Central Government and State Governments. The Central Government imposes multiplicity taxes for its revenue mobilization which are broadly categorized into direct and indirect taxes. Direct taxes mainly include personal income tax and corporate tax, whereas indirect taxes included custom duty, excise duties and service tax and a sales tax on inter-state transactions. The multiplicity of taxes led to cascading of taxes resulting in to double taxation and high tax burden on the people. In order to ameliorate this situation, Government has appointed many committees which was mandated to look in to streamlining of tax structure and to make it simple and effective. The Task Force headed by Vijay Kelkar proposed levy of Goods and Services Tax (GST) as a common tax for goods and services and availability of CENVAT to all the assessees. GST is proposed at both central and State Level accompanied by the simultaneous withdrawal of all the cascading taxes.

In order to have an integrated GST, then Finance Minister made an announcement in the Union Budget 2006 that GST would be introduced from April 1, 2010. But due to lack of political consensus GST could not be rolled out in the year 2010. However the Government effected major changes in Service Tax in the country by bringing in more and more services under service taxation and also by periodic revision of rates of taxation. For the fiscal year 2010-11, the number of services brought under taxation has increased to 104 services. Government introduced the

concept of negative list in service taxation in the budget 2012-13 implying that except the services included in the negative list, all other services will be subject to taxation. Introduction of the negative list concept in service taxation has the potential to eliminate selectivity and discretion in service taxation and can boost revenue growth in a significant way by broadening the base (Rao & Chakraborty, 2013).

6.1   Need for Goods and Services Tax in India

At present Central Government is charging Central Excise Duty at the point of removable of goods from the place of manufacture. Service Tax is charged on the services on the date of the services provided. The State Value Added Tax is chargeable at the time of sale of goods irrespective of receipts of payment against such sale. The introduction of GST will bring in uniformity in the introduction of taxes. GST will be chargeable for each transaction like sale of goods, incorporation of goods in individual contract, hiring a taxi, lease of premises, consultation charges, import and export of goods, rendering of services or transfer of immovable property. Since the GST is chargeable in each transaction, it may be called as transaction tax. It would be levied at every production and distribution with the eligibility to claim set-off on procurement of goods and services.

Under present VAT system, an input tax set-off is given for purchases made only within the State. For example under Goa VAT Act, the dealer can claim the Input Tax Credits towards Out Put tax if the goods are purchased only from Goa. If the goods purchased from outside Goa the dealer cannot claim the Input Tax Credit. Under the State level VAT scheme, CENVAT load on goods has not been removed and cascading effect of that part of tax burden still remains. Further the burden of CST on purchase of inter-state goods which has been reduced from four percent to

two percent has not been fully phased out. If the GST introduced, it will abolish the interpretational problems such as whether a particular transaction is a transaction of transfer of goods or services, applicability of State or Central levy or applicability of particular rate and other issues.

GST is a comprehensive Value Added Tax for almost all goods and services which will subsume most of the indirect taxes existing at the level of state and federal governments. Central Taxes to be subsumed under the Goods and Services Tax are Central Excise Duty, other Excise Duties, Service Tax, Customs Duties and Surcharges. Apart from this, some State taxes to be subsumed under GST are VAT / Sales Tax, Entertainment tax, Luxury tax, Taxes on Lottery, Betting & Gambling, State Cesses and Surcharges and Entry Tax. Some of the goods like crude oil, natural gas, turbine fuel, high speed diesel, and alcohol for human consumption are not included in the list due to import dependence, environmental and social reasons.

GST is a Valued Added Tax on goods and services that is paid by the final consumer while the retailer will be taking credit of the tax he has paid while buying goods for retailing. So in this all the services of retailer or the chain behind him is taxed apart from the actual value of production.

Under the present VAT system Centre and States tax rates and exemptions offered are not related to each other. States also try to compete with each other to attract investments and collection of taxes and also offer reduced rate of tax on select goods, which leads to tax rate war between States and ultimately hurts them. The affected State today has no forum to go to get its grievance redressed. The Bill proposes to set up GST council which after discussion will recommend rate of tax to Centre as well as States. Centre and States will be expected to follow the

recommendations of the GST Council and State and Centre will have a forum in the form of GST Dispute Settlement Authority for seeking redressal of grievances related to loss of revenue. (Seventy Third Report of Standing Committee on Finance, 2012-13).

Advantages of GST

1) Under GST there will be input credit set-off at every stage and this can be used to payment of service tax.

2) CST will be abolished and in the absence of it there is no need to collect it.

3) Many Central and State indirect taxes will be subsumed in GST.

4) There will be uniformity of tax rates in all the states.

5) It may ensure better compliance due to aggregate tax rate reduction.

6) By reducing the tax burden the competitiveness of Indian products in international market is expected to increase.

7) There is a possibility of lower prices due to lower tax burden that can be passed on to the consumers.

6.2   Justification of GST at the Central Level

i.   At present Excise Duty paid only on the raw material purchased is being allowed as input credit for Excise output. For other taxes and duties paid for post-manufacturing expenses, there is no mechanism for input credit under the Central Excise Duty Act.

ii.   Currently credit for service tax paid is being allowed to a limited extent for the manufacturers and service providers. In order to cover all the beneficiaries, a comprehensive system should be evolved where both the goods and services are covered.

iii. At present, the service tax is levied on restricted items only. GST will bring all services in to the tax network which improves the tax collection considerably. Also single tax regime improves the efficiency and productivity of the tax system.

6.3   Justification of GST at the State Level

i. The double taxation arising out of payment of Excise Duty paid to the Central Government can be avoided through GST at the State level.

ii. The present VAT scheme does not allow credit to CENVAT paid on the goods resulting in cascading effect equivalent to the amount of CENVAT.

iii. Many States are still continuing with various types of indirect taxes such as Luxury Tax, Entertainment Tax and other taxes which will be subsumed under the State level GST.

6.4   Working Mechanism of GST

GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits from the producer's point and service provider's point up to the retailer's level. It is essentially a tax only on value addition at each stage and a supplier at each stage is permitted to set-off through a tax credit mechanism. The GST paid on the purchase of goods and services is available for set-off on the GST to be paid on the supply of goods and services. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

6.5   Benefit of GST to the Consumer

With the introduction of GST, all the cascading effects of CENVAT and service tax will be removed with a continuous chain of set-off from the producers point to the retailers point than what was possible under the present VAT system. Some major Central and State taxes will also be incorporated in GST and Central Sales Tax will be phased out. Due to the Input Tax Credit at each stage from producer to final consumer and the enhanced transparency and rationalization of tax structure, the burden of tax on goods would fall under GST. This would benefit the consumers by lowering the overall tax burden on the goods consumed by them.

Under present VAT system Central Sales Tax borne on purchases made in the course of inter-state trade from other States is not eligible to be considered as Input Tax Credit. Thus the set-off is not available tax paid on purchases from outside State while calculating the tax liability of the dealer when goods are sold. Both the Empowered Committee and the Task Force on GST have recommended treating the Central GST and the State GST separately. The CGST and SGST should be credited to the accounts of the Centre and the States separately. Taxes paid against the CGST may be allowed to be taken as input tax credit for the CGST and could be utilized only against the payment of CGST. The same principle will be applicable to the SGST. This may lead to reduction in the price of goods to the final consumer.

6.6   Goods & Services Tax Model for India

There are significant administrative issues involved in designing an effective GST model in a federal system with the objective of having an overall harmonious structure of rates. Together with this, there is a need for upholding the powers of

Central and State Governments in their taxation matters. Further, there is also the need to propose a model that would be easily implementable, while being generally acceptable to stakeholders.

Nearly 150 countries across the world introduced GST in some form or the other. Singapore and New Zealand introduced virtually in everything at a signal rate, Indonesia has five positive rates. Many countries are following single GST. In Japan, the equivalent of VAT or GST is known as Consumption Tax and was introduced in January 1989. It requires re-calculation and payments to the tax authorities at each transaction point in the onward sales chain. The Japanese Consumption Tax rate is currently five percent and out of which four percent is national levy and one percent regional levy. Companies are not required to formally register with the Japanese Tax authorities for Consumption Tax. A foreign, non-resident trader is required to appoint a tax agent who must be a resident of Japan. The agent takes care of all the communications between the company and the Japanese tax authorities.

Goods and Services Tax in Malaysia is implemented by the Malaysian Government in the third Quarter of 2011. Four percent GST was introduced which replaced the sales and service tax which were levied between five percent and ten percent. Being a broad based tax, GST is charged on practically all supplies of goods and services. However, essential items such as agricultural products, poultry and livestock products, sugar, rice, flour, cooking oil and eggs will be exempted from tax. GST adopted a credit offset mechanism whereby tax charged on supplies made by a taxable business may be net off against tax paid on inputs to production.

6.7   Salient Features of GST Model

Keeping in view the report of the Joint Working Group on Goods and Services Tax and the views received from the States and Government of India, a dual GST structure with defined functions and responsibilities of the Centre and the States is recommended. An appropriate mechanism that will be binding on both the Centre and the States would be worked out whereby the harmonious rate structure along with the need for further modification could be upheld, if necessary with a collectively agreed Constitutional Amendment. Salient features of the proposed model are as follows:

The three structure of taxation will be,

i)   CGST- Central Goods and Services Tax.

ii)   SGST- State Goods and Services Tax.

iii)   IGST- Inter State goods and Services Tax.

Under the GST regime the Central Goods and Services Tax will be levied by the Union, State Goods and Services Tax will be levied by the States and Inter State goods and Services Tax will be collected and administered by the union on interstate movement of goods and services. Input tax credit of Central Goods and Services Tax will be allowed to be utilized only for payment of Central Goods and Services Tax. Similarly credit of State Goods and Services Tax can be utilized only for payment of State Goods and Services Tax.

6.8 Transformation System of VAT to GST

The Table 6.1 Shows how the transformation of VAT to GST.

Table 6.1 Transformation of VAT to GST

Transaction	GST System	VAT System	Remarks
Sales within the state	SGCT CGST	VAT	Under New GST System, a transaction of sale shall have two taxes, SGCT-which goes to the State and CGST which goes to the Centre.
Sale outside the state	IGST	CST	Under new GST system, a transaction of interstate shall have only one type of tax, the IGST–which goes to the Centre.

6.9 Registration under GST

Present VAT system is an independent system not linked with Permanent Account Number (PAN). Under GST registration, it will be linked with the existing PAN. The new business identification number will be of ten digits alphanumeric Permanent Account Number and two digits for each state code and one or two check numbers for disallowing fake numbers. The total number of digits in the new number will be in the range of 13 to 14. It will help to cross verify the turnover declared by the dealers in financial statements submitted to the Income Tax Department.

6.10 Challenges in Implementation of GST

Successful implementation of GST regime is a great challenge for Centre and States. Everybody in the political class agrees that India must switch to the GST regime. Centre-State talks have been on for some time to fix GST's contours and modalities of implementation. As it is, states have demanded unreasonable concessions – including one on rate structure, Central Sales Tax continuance and

exemption for many items from under GST's ambit – that threaten to distort the purpose of indirect tax rationalization.

States must certainly be compensated for revenue loss in the post-launch span of adjustment. Creating a seamless common market that trims transaction costs, GST will make business more profitable and competitive and tax evasion more difficult. Improving tax compliance, will boost state coffers, thereby reducing fiscal deficits and providing resources for social spending. Removal of tax multiplication will mean consumer-friendly product pricing, benefitting to the consumer.

Replacing the existing Indirect Tax Structure by entirely a new model would pose a series of challenges such as classification of taxable and exempt goods and services and deciding GST rates. Preparing the administrative machinery for levy and collection tax under GST, simplified tax structures, educating to consumer and supplier awareness before introduction of the new system. Attaining high technical standards for implementation of GST model with the help of information technology and thereby reducing transaction cost. The major challenges for introduction of GST are discussed hereunder:

1) **Constitutional Amendments:** A constitutional amendment for levy of GST by both the Centre and States – Centre is already in advanced stages of discussion. Presently Constitution empowers Centre to levy and collect Income Tax, Custom Duties, Excise, Central Sales Tax and Service Tax. Now as both Centre and States would get power to levy tax on goods and services, a constitutional amendment is required. Ratification by states is required before assent by the President of India.

2) **Agreement on GST rates:** Final rate with allocation between CGST & SGST has not yet been finalized. The then Finance Minister Pranab Mukherjee proposed a three rate structure for GST which will simplify the indirect tax regime – under which goods will attract 20 percent levy, services 16 percent and essential items a concessional 12 percent wherein both Centre and State would have an equal share. After an initial protest, States are falling in line as Centre has agreed to compensate States for revenue losses consequent to the shift. However, a number of industries currently outside the indirect tax net could come within the purview of the GST. Single GST rate is desirable as multiple rates become source of complexity and disputes adding to the cost of tax administration and compliance.

3) **Information Technology infrastructure:** In the computer age, Information Technology infrastructure is a key component for success of any tax administration. There is a need to setup a clearing house to resolve tax collections and credits. The clearing house, a key part of the GST architecture, is expected to ease the creation of the common market, ensure that each state gets its share of revenue and also provide useful tax information to the authorities. Centralized or integrated system integrating payments, refunds, returns and tracking of inter- state movement of goods and services, end to end tracking with proper re-conciliation and exception reports for enforcement agencies for assessment.

4) **Transition Rules**: There are doubts in stakeholders mind about how the present input tax credit under the Excise and the VAT laws will be allowed in the new GST system. There may be transition issues to shift from the litigation under the existing VAT system litigation system to the litigation

system under the GST regime. The other issues will arise in treatment of financial services, insurance, banking, telecommunication, passenger and freight transportation from one state to another, which are rendered and consumed in different states. Place of supply and rules for purpose of taxability need to be defined elaborately.

5) **Threshold limit:** Under the present VAT system there are different threshold limits for different States and this should be made uniform across the country.

6) **Dispute Resolution Mechanism:** There will be challenges that will be faced for tax litigation system in unifying the tax litigation policies and processes under the GST regime. In a dispute over any transaction, will one may have to file two appeals, one for State GST and the other for Central GST. There may be even more complex in the case of inter-state transactions attracting inter-state Goods and Services Tax (IGST). The other difficulty that may arise is due to destination-based tax principle.

7) **Advance Ruling Mechanism:** There is a procedure in some states to obtain an order on determination of disputed question, for that there is an advance ruling mechanism. Excise and Customs advance ruling authorities are different from the VAT advance ruling authorities. Under the GST regime, whether these processes can be clubbed into a single, simple and standard appellate or advance ruling mechanism**.**

8) **Training and Awareness among Stakeholders:** Various stakeholders in the new regime such as Department Officials, Practitioners, Businessmen, Service Providers and Trade Associations would need to be trained on various provisions of new legislation. The provisions of new law would appear to be complicated at the outset creating apprehensions about the new regime. Time

required for shift for the companies for changeover from present VAT system to GST system. The entire systems have to be amended, such as purchase orders and invoices and sales orders and invoices and the accounting systems. This will require a lot of time. Department Officials would need training for enforcing compliances. Presently, Excise and Service Tax staff does not very conversant about VAT system. Employees administering VAT Act do not know the Excise and Service Tax provisions. Thus both Central and State staff will require learning and training in the administration of GST Act.

6.11   Conclusion

GST is a major reform in indirect tax in India which cannot be implemented without the concurrence of the State Governments. Creation of strong infrastructure network would be required to administer GST which would include facility for online payment of tax and e-filing of returns. The GST as a new levy could be a very effective tool as it makes the system simple, avoids cascading effect and provides a breakthrough in indirect tax reforms. GST regime is expected to play an important role in bringing more transparency into the new tax system. Cash refunds will be more beneficial rather than fiscal concessions, and environmental concessions. While unified GST rate may be there, States may be allowed to charge differential rates on select products such as alcohol, petroleum products suitable to their requirement.

CHAPTER -VII

SUMMARY OF FINDINGS SUGGESTIONS

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SUGGESTIONS

7.1   Introduction: Tax reforms have been an integral part in the liberalization process since new economic reforms. The effective implementation of VAT depends upon the willingness to buy in the business community and the public. The major goals of VAT administration should be to promote voluntary compliance and increase VAT revenue by effective and efficient economic process. The main administrational functional areas include identification of taxpayers, ensuring tax registration, processing of returns, carrying out VAT assessments and collection of tax and properly administering the refunds. VAT education is very essential to all the stakeholders, such as Businessmen, Officials, Practitioners and Consumers.

Introduction of Value Added Tax took place in Goa from 1st April 2005. To the best of the knowledge of the researcher no major studies are conducted to know its Impact on Revenue to the Government, Impact on Business community, VAT Officials, VAT Practitioners and Consumers. Keeping the backdrop, the present study titled "Impact of Value Added Tax with Reference to Goa and Kerala - A Comparative Study" has been conducted. Researcher has made efforts to study the Impact of VAT in Goa and compare it with a federal State in India. Keeping in mind a model State with same feature, State Kerala is selected for study. Kerala is selected for comparison as it exhibits similar socio- economic characteristics, literacy level and stage of development. Apart from these both are consumerist states with limited manufacturing and services economy with large emigrant population.

Two things about Kerala Commercial Taxes Department have impressed the nation, 100 percent e-filing of VAT return to all registered dealers and uploading of purchase and sales details. E-Services enriched the department to capture a good data bank relating to the trading activity. Analytical reports of different magnitude can be generated to capture the real tax evader (Operational Manual, 2010).

The study was carried out with the following objectives in the view:

i) To study VAT and its Impact on the Tax Revenues in the States of Goa and Kerala.

ii) To study the Perception about VAT by the Consumers of Goa and Kerala.

iii) To study how the Businessmen are affected by the implementation of VAT in Goa and Kerala.

iv) To understand the Perception of Tax Practitioners and Tax Officials about VAT in the States of Goa and Kerala.

v) To identify the Roadmap for the implementation of Goods and Service Tax in India.

7.2 **Findings of the Study:** To know the VAT impact on the stakeholders namely Businessmen, Officials, Practitioners and Consumers in the States of Goa and Kerala, the study used different statistical methods to analyze the data and important results are outlined below.

7.2.1 **Impact on Tax Revenue:** Tax collection during the Pre-VAT (2001-02 to 2004-05) and Post-VAT periods (2005-06 to 2011-12) and the percentage of growth of receipts in each of these indicated that there has been an increase in average growth during the Post VAT over the Pre-VAT period by 8.39 percent in case of Goa and 5.61 percent in the State of Kerala.

The growth rate showed a negative trend in Goa due to non-renewal of registration (Audit Report, 2010). The VAT revenue shows an increasing trend in the contribution to own tax revenue. Sales Tax /VAT is the main contributor to states own tax revenue (Audit Report, 2010). The percentage of VAT shows nearly two-third   in the case of Goa whereas it shows 72 percent contribution to own tax revenue in the case of Kerala. In   the case of Kerala VAT revenue increases due to better tax compliance as compared to Sales Tax (Audit Report, 2010). The study observed that E-Governance and computerization drive improved the situation and shows annual growth rate in VAT in recent years. The rising trend of tax revenue will continue if there is no reduction in tax rate and no exemption of commodities in VAT.

7.2.2   Impact on Consumers: In order to understand the impact of VAT on Consumers in the States of Goa and Kerala, important variables such as awareness level, the perception about VAT and issues affecting VAT are considered to study the objectives. A test of hypothesis was carried to find out the VAT impact using a t-test .

The ANOVA reveals that there is a significant relationship exists between educational factor and consumers perception such as awareness about VAT, replacement of Sales Tax by VAT, different rates of VAT for different goods, change in the rates after implementation, dealers cannot collect tax on exempted goods, VAT system is more complex than the Sales Tax system whereas there is no significant difference observed in relation to education factor of the consumers perception with regard to VAT system in the state is very good, price of the goods are inclusive of VAT, registered dealers have to issues bills and not asking bills leads to evasion of tax.

The study revealed that most of the consumers are aware of VAT in Goa and Kerala. Majority of the consumers know that there are different rates of VAT for different goods, on exempted goods dealers cannot collect the tax, not asking the bills from a dealer leads to evasion of tax and revenue loss to the government whereas majority of the consumers are not aware that VAT rates have been changed after implementation of VAT system. In the case of Kerala, consumers are aware of VAT rates changed after implementation of the VAT system.

About the issues in VAT, majority of the respondents in both the states agreed that there exists lack of transparency and clarity, no uniform rates across the country, lack of accurate information and change in VAT rates.

The results showed that the consumers in Goa State are agree with the Sales Tax is being replaced by VAT, there are different rates of VAT for different goods, VAT system in the state is very good, the price of the goods are inclusive of VAT, the registered dealers have to issues bills under VAT system, there are few exempted goods on which dealers cannot collect VAT and not asking bills from dealer leads to evasion of tax and loss to the government revenue. While they are neutral with the VAT rates being changed after implementation of VAT system and the VAT systems being more complex than Sales Tax system. Meanwhile the consumers in Kerala State are agree with the Sales Tax being replaced by VAT, there are different rates of VAT for different goods, the VAT rates being changed after implementation of VAT system, the VAT system in the state being very good, the price of the goods being inclusive of VAT, the registered dealers have to issues bills under VAT system, there are few exempted goods dealers cannot collect VAT on them, and not asking bills from dealer leads to evasion tax which leads to loss of government revenue, while

they are neutral with the VAT system being more complex than sales tax system. It is inferred that the mean values of all the perceptional dimensions about Value Added Tax for the Consumers of Kerala State are higher than the mean values of all the perceptional dimensions about Value Added Tax for the Consumers of Goa State.

The consumers in both Goa and Kerala States have agreed that lack of transparency in VAT System, lack of clarity in VAT System, no uniform rates in all states across the country, lack of accurate information about VAT system and changes in rates are issues in VAT system. The study revealed that mean values of all the issues in VAT for the consumers of Kerala State are higher than the mean values of all the issues in VAT for the consumers of Goa State.

The results from the t- test showed that there is no significant difference was observed between Goa and Kerala State Consumers with respect to perception about VAT (t=6.800, p<0.05) at 5 percent level of significance. It means that, the Goa and Kerala State Consumers do not have similar perception about Value Added Tax.

With regard to issues in VAT system, the t-test result showed there is no significant difference between Goa and Kerala State consumers (t=0.600, p>0.05) at 5 percent level of significance. It means that, the Goa and Kerala state consumers have similar issues in VAT system.

7.2.3 Impact on Businessmen: To know the VAT impact on businessmen in the States of Goa and Kerala, source of awareness, perception about Value Added Tax system, practices of Value Added Tax system, administrative machinery for VAT system, perception about E-Governance and issues in VAT system were analyzed.

The study inferred that the majority of the businessmen have high level of awareness in Goa and majority of the businessmen are having moderate level of awareness about VAT system in the State of Kerala. It can be presumed that Goa VAT system is simple as compared to Kerala VAT system. The study also shows that in both the States main source of awareness about VAT system for businessmen are the tax consultants / chartered accountants.

Majority of the businessmen agreed that VAT system improves government revenue, helps speedy collection and is more beneficial to the government. In both the States, Businessmen disagree with VAT is being more beneficial to the customers and VAT system having controlled unaccounted sales in the market.

Majority of the businessmen agreed with states administrative machinery of VAT system, officers and staff are punctual in duties, getting renewal of registration certificates in time, do not deny input tax credit on minor grounds, no delay in the VAT assessments whereas they disagreed with getting the VAT refunds in time.

The results revealed that under e-governance, reduction of the paper work, time spent for the filing the returns is less, e-governance is user friendly, financial cost reduced , number of visits to the commercial tax department reduced, it is easy to maintain the records in the form of soft copy.

The results t-test showed there is no significant difference with regard to the perception of VAT system among the businessmen in the states of Goa and Kerala (t=0.2902 p>0.05). The null hypothesis is accepted and the alternate hypothesis is rejected. Hence it can be concluded that   the businessmen of Goa and Kerala have similar perception with regard to VAT system.

The result of t-test revealed there is a significant difference in the practices of VAT system among the Businessmen in the States of Goa and Kerala (t=5.4223, p<0.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. The study observed that, the Kerala State businessmen have higher practices scores of VAT as compared to Goa State businessmen.

With respect to Administrative Machinery for VAT system t-test results showed that there was significant difference between Goa and Kerala State businessmen (t=1.091, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, the Goa and Kerala state businessmen have similar perceptions scores about Administrative Machinery for VAT system.

The result of t-test showed there is a significant difference with respect to satisfaction about VAT system among the businessmen in the States of Goa and Kerala. (t=2.360, p<0.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. Study observed that the Kerala State businessmen have higher satisfaction scores about VAT system as compared to Goa State businessmen.

With respect to perceptions about E-Governance under VAT system among the businessmen in the States of Goa and Kerala, the results of t-test revealed there is no significant difference (t=2.132, p>0.05) at 5 percent level. Hence the null hypothesis is accepted. That indicates Goa and Kerala businessmen have similar perception about administrative machinery of e-governance under VAT system.

The t-test results revealed there is no significant difference between Goa and Kerala State businessmen with respect to perceptions about issues in VAT system (t=0.766, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is

accepted. It inferred that Goa and Kerala State businessmen have similar issues in VAT system.

7.2.4 **Impact on VAT Practitioners:** In order to understand the demographic profile of the practitioners, source of awareness, perception about VAT system, performance of administrative machinery under VAT system, perception about E-Governance and issues in VAT system the data was collected from Goa and Kerala and analyzed**.**

The study revealed that the majority of the practitioners are not facing difficulties in understanding VAT system in both states.

Majority of the practitioners agreed that present VAT system favors the Tax officials. Majority of the practitioners in both the states disagreed that the commercial tax administration is very efficient. In the State Kerala practitioners agreed that in case of time spent for assessments is less, whereas practitioners of Goa disagreed for less time spent for assessment.

About the updating the knowledge of commercial tax department Kerala practitioners agreed that staff updating their knowledge on VAT, practitioners of Goa disagree that commercial tax department is updating their knowledge on VAT. Study revealed that VAT practitioners agreed that e-governance is effective in both the states.

With regard to e-governance practitioners of Goa do not agree that financial cost is reduced, whereas the practitioners of Kerala agree that financial cost is reduced with filing the returns under e-governance in Kerala.

Majority of the respondents stated in their suggestions that infrastructure facility in the commercial tax department is very poor. They also stated that CST should be removed for smooth functioning of VAT system. Majority officers agreed that there is unaccounted sales increased due to the existence of Central Sales Tax System.

The results of t-test showed there is a significant difference between Goa and Kerala State practitioners with respect to perceptions about VAT system (t= 2.504, p<0.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. It is inferred that, the practitioners of Kerala State have difference in perceptions about VAT system as compared to the practitioners of Goa State.

With respect to performance of administrative machinery of VAT system among the practitioners in the Sates of Goa and Kerala the t-test results revealed that there is a no significant difference (t=2.220, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means the practitioners of Goa and Kerala are having similar perception about the performance of administrative machinery.

The results of t- test showed that, a non-significant difference between Goa and Kerala State practitioners with respect to perceptions about E-Governance (t=1.6183, p>0.05) at 5 percent level of significance. Hence the null hypothesis is accepted. It means the Goa and Kerala State practitioners have similar perceptions scores about e-governance.

The t-test results revealed there is a no significant difference between Goa and Kerala State practitioners with respect to Issues in VAT system (t=1.1871, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means the Goa and Kerala State practitioners have similar issues in VAT system.

7.2.5   Impact on VAT Officials: To know the Value Added Tax impact on officials, perception about Value Added Tax system and performance of administrative machinery under Value Added Tax system, perception about e-governance and issues in Value Added Tax system were analyzed and the results are discussed below.

From the study it was observed that there is lack of training programs to the VAT officials in both the states. Majority of the officials disagree that the commercial tax department conducts the seminars and workshops for the officials.

Majority of the officials agree that work moral is increased after introduction of e-governance in VAT system. From the study it is revealed that VAT officials agreed that CST should be eliminated for smooth functioning of VAT system .They also agree that number of subordinates required less after introduction of e-governance in VAT system. Goa and Kerala VAT officials disagreed that VAT system has controlled unaccounted sales in the market.

The t-test results showed there is a significant difference between Goa and Kerala State officials with respect to perception about VAT system (t=3.940, p<0.05) at 5 percent level of significance. Hence, the null hypothesis is rejected. It means officials perception about VAT system is not similar among the states.

From the results of t- test it is revealed that there is a no significant difference between Goa and Kerala State officials with respect to practices of VAT (t=0.1595, p>0.05) at 5 percent level of significance. Hence the null hypothesis is accepted. It means that, the Goa and Kerala State officials have similar performance of administrative machinery under VAT system.

The results of t-test showed there is no significant difference between Goa and Kerala State officials with respect to perceptions about e-governance (t=0.7211, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It infers that the perception among officials in the States of Goa and Kerala are similar.

A non-significant difference was observed between Goa and Kerala State officials with respect to issues in VAT system (t=0.0625, p>0.05) at 5 percent level of significance. Hence, the null hypothesis is accepted. It means that, Goa and Kerala State officials have similar issues scores in VAT system.

7.3   Suggestions: Based on the intensive study carried out on the impact of VAT and the results emanated from the study, the following suggestions are made for improving the VAT system in the States of Goa and Kerala.

1) **CST should be Abolished**: For smooth functioning of state VAT system the Central Sales Tax (CST) should be abolished. Presently there is a two percent CST charged on inter-state transactions and the dealers cannot claim input tax credit on such purchases. From the study it is revealed that the maintenance cost of accounts and compliance cost under CST is more as compared to state Value Added Tax.

2) **Compliance:** VAT officials and VAT practitioners of both states opined that the compliance of VAT Act and rules by the dealers is moderate. VAT is based on a system of self-assessment under which registered dealers make their own declaration. Voluntary compliance to the tax laws or system is where dealers would willingly keep proper records, file regular returns, which are accurate

and reliable as far as possible. Thus if this attitude is cultivated, dealers would comply with sections of law that are perceived to be favorable to them.

3) **Issue of Refunds in Time:** Delay in refunds causes more interest burden and creates more dissatisfaction among the businessmen. From the study it is revealed that the businessmen, VAT practitioners and VAT officials fully agree that there is a delay in issue of refunds. The government should direct the officials to refund tax due to the dealers within three months from the end of every financial year.

4) **E- Governance should be More User Friendly**: Majority of the businessmen depends upon the consultants and chartered accountants for filing of the returns and for obtaining various statutory forms. It is suggested that the system should be user friendly to the end users.

5) **Clarity and Transparency in the VAT System**: Majority of the respondents stated that there is no clarity in VAT laws and rules. Interpretation differs from section to section and efforts should be made to provide exact interpretation of the VAT laws to the dealers.

6) **Uniformity in the System**: It has been observed that there is no uniformity in the VAT system across the states. In case of filing returns in the State of Kerala monthly returns/ quarterly returns and annual returns are compulsory. This practice followed in majority of States in India. Any difference found in the monthly/quarterly returns with the books of accounts should be reconciled at the time of filing the annual returns. In the State of Kerala form of returns should be accompanied by statement regarding purchase invoices, sales invoices, showing the invoice number, date and name of the purchaser/seller, along with Tax Identification Number (TIN). This helps cross checking at the

time of assessments and also to control revenue leakage in Value Added Tax. In the case Goa there is only quarterly returns and dealers are not filing the annual returns and also no annexure is accompanied with the quarterly returns on the purchases and sales. If the procedure of filing quarterly and annual returns accompanied by statement regarding purchase invoices, sales invoices, showing the invoice number, date and name of the purchaser, seller along with Tax Identification Number (TIN) is followed in the State of Goa, there will be a reduction in the revenue leakage and unaccounted sales.

7) **Website to be Updated Regularly:** In the information and communication age the main source of information for the stakeholders is the website maintained by the Commercial Tax Department. Many states provide updates about revenue collection in VAT, number of dealers in the states, latest amendments in VAT laws in their website. In line with this the Commercial Tax Department of Goa Government should update their website periodically by providing information required periodically.

8) **Official Publicity about VAT in Media:** From the research it has been noticed there is no official publicity in print or audio video media. Most of the stake holders such as Businessmen, Consumers, VAT Officials, and VAT Practitioners agree that they had not seen any publicity in the recent years. Amendments and any other official notifications are required to be published in local newspapers in local languages. Many times businessmen and consumers mostly depend on the newspapers rather than the internet or websites.

9) **Training Programmes and Refresher Courses to Officials and Staff:** The VAT laws, sections and provisions change quite frequently and these needs to be disseminated to the stakeholders at the earliest. This can be done though

organizing training programmes and refresher courses which will entail upgradation of domain knowledge. Training also helps updating of latest amendments, new ways of verifying and scrutinizing the accounts and informing about total VAT dues to the dealers. Regular training and re-training of VAT officials would ensure that businessmen conduct their operations in an acceptable way.

10) **Infrastructure Facility in Commercial Tax Offices:** Many stake holders strongly opined that infrastructure facilities present at the commercial tax departments are inadequate and it should be strengthened at the earliest. Facilities such as computers, internet, scanners, printers, photocopying should be made available at the offices. Also physical infrastructure such as chairs, tables, washroom facilities, fans and other amenities should be made available / augmented to provide comfort to the dealers visiting these offices.

11) **Effective VAT Education:** The VAT machinery should ensure that the general public is aware of the importance of VAT to the State economy. Businessmen who are not registered in Commercial Tax Department of the State but qualified to register, may be given adequate tutorials especially on VAT compliance.

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ANNEXURE

Administrative Setup of the Commercial Taxes Department   (Goa)

ORGANISATIONAL CHART OF COMMERCIAL TAX DEPARTMENT

COMMISSIONER OF COMMERCIAL TAXES

ADDITIONAL COMMISSIONER OF COMMERCIAL TAXES

| ADMN CTO (HQ) | ACCT-I | ACCT-II | ACCT-III | ACCT-IV | ACCT-V | ACCT-VI | ACCOUNTS SECTION |

SUPTD — CTI — CTI — CTI — CTI — CTI — CTI — AO

ACTO — ACCOUNTANT

STATISTICAL ASSISTANT

NORTH GOA   SOUTH GOA   ENFORCEMENT   INTERNAL AUDIT   ENTERTAINMENT LUXARY

PANAJI WARD	MAPUSA WARD	BICHOLIM WARD	PONDA WARD	MARGAO WARD	CURCHOREM WARD	VASCO WARD	CTO	CTO	CTO
CTO	CTO	CTO	CTO	CTO	CTO	CTO	ACTO	ACTO	ACTO
ACT	ACTO	ACTO	ACTO	ACTO	ACTO	ACTO	CTI	CTI	CTI

Administrative Setup of the Commercial Taxes Department   (Kerala)

```
                            ┌──────────────────┐
                            │   Commissioner   │
                            └────────┬─────────┘
                            ┌────────┴─────────┐
                            │      Joint       │
                            │   Commissioner   │
                            └────────┬─────────┘
```

| Deputy Commissioner | Deputy Commissioner (Appeals) | Deputy Commissioner (Audit Assessmement) | Deputy Commissioner (Intelligence) | Member (STAT) |

Deputy Commissioner
- Inspecting Asst. Commissioner
  - Commercial Tax Officer/ Sales Tax Officer
- Assistant Commissioner
- Inspector / ASTO/J.S

Deputy Commissioner (Audit Assessmement)
- Commercial Tax Officer (Audit Assessment)

Deputy Commissioner (Intelligence)
- Inspecting Asst. Commissioner (Int.)
  - Intelligence Officer
    - Int. Inspector
- Inspecting Asst. Commissioner (I.B.)
  - Intelligence Officer (IB)
    - Int. Inspector (IB)

ANNEXURE : 1 List of offices of the Commercial Taxes Department in Goa.

In the State of Goa has been divided into seven ward offices:

1. Panaji.

2. Mapusa.

3. Bicholim.

4. Ponda.

5. Margao.

6. Vasco.

7. Curchorem.

The check-posts are-

1) Check-Post at Molem - Sanguem Taluka

2) Check-Post at Dodamarg - BicholimTaluka

3) Check-Post at Pollem - Canacona Taluka

4) Check-Post at Patradevi - Pednem Taluka

5) Check-Post at Naibag - Pednem Taluka

6) Check-Post at Anjunem - Sattari Taluka

ANNEXURE: 2 : List of offices of the Commercial Taxes Department in Kerala.

DISTRICT: TRIVANDRUM

1   Commissioner, Commercial Taxes

2   Joint Commissioner Office, Thiruvananthapuram

3   Deputy Commissioner Office, Thiruvananthapuram

4   Deputy Commissioner (Int) Office, Thiruvananthapuram

5   Deputy Commissioner (A&I), Thiruvananthapuram

6   Asst. Commr (Asst), Spl. Circle, Thiruvananthapuram

7   Inspg. Asst. Commr. Neyyattinkara

8   Inspg. Asst. Commr Thiruvananthapuram

9   Inspg. Asst. Commr. (Intelligence) Thiruvananthapuram

10   Appellate Asst. Commr Office, Thiruvananthapuram

11   Assistant Commissioner (Training) Office

12   Sales Tax Office, Ist Circle, Thiruvananthapuram

13   Sales Tax Office, IInd Circle, Thiruvananthapuram

14   Sales Tax Office, IIIrd Circle, Thiruvananthapuram

15   Sales Tax Office, Neyyattinkara

16   Sales Tax Office, Nedumangad

17   Sales Tax Office, Attingal

18   Agrl. Income Tax & Sales Tax Office, Thiruvananthapuram

19   Sales Tax Works Contract Office, Thiruvananthapuram

20   Intelligence Office, Thiruvananthapuram

21   Sales Tax Check post, Amaravila

22	Sales Tax Check post, Tile Factory Junction
23	Sales Tax Check post, Kallikad
24	Sales Tax Check post, Mandapathinkadavu
25	Sales Tax Check post, Perumkadavila
26	Sales Tax Check post, Kanjampazhinji
27	Sales Tax Check post, Perumpazhuthur
28	Sales Tax Check post, Neyyar Dam
29	Sales Tax Check post, Utchakkada
30	Sales Tax Check post, Moozhiyilthottam
31	Law Office, Thiruvananthapuram
32	Deputy Commissioner Office, Kollam
33	Deputy Commissioner (Appeals) Office, Kollam
34	Appellate Asst. Commr Office, Kollam
35	Asst. Commr (Asst) Spl. Circle, Kollam
36	Inspg. Asst. Commr. Office, Kottarakkara
37	Inspg. Asst. Commissioner Office, Kollam
38	Inspg. Asst. Commr. Office (Intelligence), Kollam
39	Sales Tax Office, 1st Circle, Kollam
40	Sales Tax Office, IInd Circle, Kollam
41	Sales Tax Office, IIIrd Circle, Kollam
42	Sales Tax Office, Karunagappally
43	Sales Tax Office, Kottarakkara
44	Sales Tax Office, Punalur
45	Sales Tax Office, Kundara

46	Sales Tax Office, Chathannur
47	Sales Tax Office, Anchal
48	Agrl. Income Tax & Sales Tax Office, Kottarakkara
49	Sales Tax Works Contract Office, Kollam
50	Intelligence Office, Kollam
51	Sales Tax Checkpost, Aryankavu
52	Sales Tax Checkpost, Achancoil

DISTRICT : PATHANAMTHITTA

53	Deputy Commissioner Office, Pathanamthitta
54	Inspg. Asst. Commr Office, Pathanamthitta
55	Sales Tax Office, Adoor
56	Sales Tax Office, Pathanamthitta
57	Sales Tax Office, Thiruvalla
58	Agrl. Income Tax & Sales Tax Office, Ranni
59	Sales Tax Works Contract Office, Pathanamthitta
60	Intelligence Office, Pathanamthitta

DISTRICT : ALAPPUZHA

61	Deputy Commissioner Office, Alappuzha
62	Asst. Commissioner (Assmt) Spl. Circle, Alappuzha
63	Inspg. Asst. Commr Office, Chengannur
64	Inspg. Asst. Commr Office, Alappuzha
65	Appellate Asst. Commissioner Office, Alappuzha
66	Sales Tax Office, 1st Circle, Alappuzha
67	Sales Tax Office, IInd Circle, Alappuzha

68	Sales Tax Office, Edathua
69	Sales Tax Office, Cherthalai
70	Sales Tax Office, Kayamkulam
71	Sales Tax Office, Mavelikara
72	Sales Tax Office, Chengannur
73	Sales Tax Office, Haripad
74	Agrl. Income Tax & Sales Tax Office, Alappuzha
75	Agrl. Income Tax & Sales Tax Office, Kuthiathode
76	Sales Tax Works Contract Office, Alappuzha
77	Intelligence Office, Alappuzha
78	Deputy Commissioner Office, Kottayam

DISTRICT:KOTTAYAM

79	Asst. Commissioner (Asst), Spl. Circle, Kottayam
80	Inspg. Asst. Commr Office, Pala
81	Inspg. Asst. Commr Office, Kottayam
82	Appellate Asst. Commissioner Office, Kottayam
83	Sales Tax Office, 1st Circle, Kottayam
84	Sales Tax Office, Iind Circle, Kottayam
85	Sales Tax Office, 1st Circle, Changanacherry
86	Sales Tax Office, Ponkunnam
87	Sales Tax Office, Pala
88	Sales Tax Office, Vaikom
89	Sales Tax Office, Ettumannoor
90	Agrl. Income Tax & Sales Tax Office, Kottayam

91	Agr. Income Tax & Sales Tax Office, Pala
92	Agrl. Income Tax & Sales Tax Office, Kanjirapally (Ponkunnam)
93	Sales Tax Office, 2nd Circle, Changanacherry
94	Sales Tax Works Contract Office, Kottayam
95	Insp. Asst. Comm. Office (Intelligence), Kottayam
96	Intelligence Office, Kottayam
97	Law Office, Kottayam

DISTRICT : IDUKKI

98	Deputy Commissioner Office, Idukki
99	Inspg. Asst. Commr Office, Devicolam
100	Inspg. Asst. Commr Office, Kumily
101	Inspg. Asst. Commr Office, Idukki
102	Appellate Asst. Commr Office, Idukki
103	Agrl. Income Tax & Sales Tax Office, Vandiperiar
104	Agrl. Income Tax & Sales Tax Office, Peerumade
105	Agrl. Income Tax & Sales Tax Office, Kattappana
106	Agrl. Income Tax & Sales Tax Office, Nedumkandom
107	Agrl. Income Tax & Sales Tax Office, Adimali
108	Agrl. Income Tax & Sales Tax Office, Vandanmedu
109	Agrl. Income Tax & Sales Tax Office, Santhampara
110	Agrl. Income Tax & Sales Tax Office, Devikulam
111	Agrl. Income Tax & Sales Tax Office, Qst Crl. Thodupuzha
112	Agrl. Income Tax & Sales Tax Office, IInd Crl, Thodupuzha
113	Sales Tax Works Contract Office, Idukki

114	Intelligence Office, Idukki
115	Sales Tax Checkpost, Kumily
116	Sales Tax Checkpost, Cumbumettu
117	Sales Tax Checkpost, Bodumettu
118	Sales Tax Checkpost, Chinnar

DISTRICT : ERNAKULAM

119	Deputy Commissioner Office, Ernakulam
120	Deputy Commisioner (Appeals) Office, Ernakulam
121	Deputy Commissioner (Intelligence), Ernakulam
122	Deputy Commissioner (Law) Office, Ernakulam
123	Deputy Commissioner Office, Mattancherry
124	Deputy Commissioner (A&I) Ernakulam
125	Asst. Commissioner (Asst) Spl Circle 1, Ernakulam
126	Asst. Commissioner (Asst) Spl Circle Ii, Ernakulam
127	Asst. Commissioner (Asst) Spl Circle Iii, Ernakulam
128	Inspg. Asst. Commissioner, Muvattupuzha
129	Inspg. Asst. Commissioner, Ernakulam
130	Inspg. Asst. Commissioner, Ernakulam-Ii
131	Inspg. Asst. Commissioner Office (Intelligence), Ernakulam
132	Appellate Asst. Commr Office, Ernakulam
133	Inspg. Asst. Commr (Spl), Ernakulam
134	Asst. Commr (Asst), Spl, Circle, Mattancherry
135	Asst. Commissioner (Asst) (Produce), Mattancherry
136	Inspg. Asst. Commr. Mattancherry

137	Sales Tax Office, Ist Circle, Perumbavur
138	Sales Tax Office, Iind Circle, Perumbavur
139	Sales Tax Office, Muvattupuzha
140	Sales Tax Office, Ist Circle, Thrippunithura
141	Sales Tax Office, Iind Circle, Thrippunithura
142	Sales Tax Office, Ist Circle, Kalamassery
143	Sales Tax Office, Iind Circle, Kalamassery
144	Sales Tax Office, Kothamangalam
145	Sales Tax Office, Ist Circle, Ernakulam
146	Sales Tax Office, Iind Circle, Ernakulam
147	Sales Tax Office, Iiird Circle, Ernakulam
148	Sales Tax Office, Ivth Circle, Ernakulam
149	Agrl. Income Tax & Sales Tax Office, Alwaye
150	Sales Tax Works Contract Office, Ernakulam
151	Intelligence Office, Ernakulam
152	Law Office, Ernakulam
153	Sales Tax Office, Ist Circle, Mattancherry
154	Sales Tax Office, Iind Circle, Mattancherry
155	Sales Tax Office, Alwaye
156	Sales Tax Office, Angamally
157	Sales Tax Office, Parur
158	Sales Tax Works Contract Office, Mattancherry
159	Intelligence Office, Mattancherry
160	Sales Tax Checkpost, Karukutty

DISTRICT : THRISSUR

161   Deputy Commissioner Office, Thrissur

162   Asst. Commr (Asst) Spl Circle, Thrissur

163   Inspg. Asst. Commr. Irinjalakuda

164   Inspg. Asst. Commr, Thrissur

165   Inspg. Asst. Commr (Intelligence), Thrissur

166   Appellate Asst. Commissioner Office, Thrissur

167   Sales Tax Office, Ist Circle, Thrissur

168   Sales Tax Office, Iind Circle, Thrissur

169   Sales Tax Office, Iiird Circle, Thrissur

170   Sales Tax Office, Ivth Circle, Thrissur

171   Sales Tax Office, Chalakudy

172   Sales Tax Office, Irinjalakuda

173   Sales Tax Office, Kondungallur

174   Sales Tax Office, Chavakkad

175   Sales Tax Office, Kunnamkulam

176   Sales Tax Office, Vadakkancherry

177   Agrl. Income Tax & Sales Tax Office, Thrissur

178   Sales Tax Works Contract Office, Thrissur

179   Intelligence Office, Thrissur

180   Sales Tax Checkpost, Thumburmuzhi

DISTRICT : PALAKKAD

181   Deputy Commissioner Office, Palakkad

182   Asst. Commr (Asst), Spl Circle, Palakkad

183	Inspg. Asst.Commr, Chittur
184	Inspg. Asst. Commr, Palakkad
185	Inspg. Asst. Commr (Intelligence), Palakkad
186	Appellate Asst. Commr Office, Palakkad
187	Sales Tax Office, Ist Circle, Palakkad
188	Sales Tax Office, Iind Circle, Palakkad
189	Sales Tax Office, Iiird Circle, Palakkad
190	Sales Tax Office, Alathur
191	Sales Tax Office, Chittur
192	Sales Tax Office, Ottappalam
193	Sales Tax Office, Pattambi
194	Sales Tax Office, Mannarghat
195	Agrl. Income Tax & Sales Tax Office, Chittur
196	Agrl. Income Tax & Sales Tax Office, Alathur
197	Agrl. Income Tax & Sales Tax Office, Mannarghat
198	Sales Tax Works Contract, Palaghat
199	Intelligence Office, Palakkad
200	Sales Tax Checkpost, Govindapuram
201	Sales Tax Checkpost, Gopalapuram
202	Sales Tax Checkpost, Walayar
203	Sales Tax Checkpost, Valanthavalam
204	Sales Tax Checkpost, Meenakshipuram
205	Sales Tax Checkpost, Nadupunni
206	Sales Tax Checkpost, Anakatty

| 207 | Law Office, Palakkad |

DISTRICT - MALAPPURAM

208	Deputy Commissioner Office, Malappuram
209	Asst. Commr (Assmt) Spl. Circle, Tirur
210	Inspg. Asst. Commr Office, Malappuram
211	Sales Tax Office, Manjeri
212	Sales Tax Office, Tirur
213	Sales Tax Office, Tirurangadi
214	Sales Tax Office, Perinthalmanna
215	Sales Tax Office, Ponnani
216	Sales Tax Office, Nilambur
217	Agrl. Income Tax & Sales Tax Office, Manjeri
218	Sales Tax Work Contract Office, Malappuram
219	Intelligence Office, Malappuram
220	Sales Tax Checkpost, Manimooly
221	Deputy Commissioner Office, Kozhikode
222	Deputy Commissioner (Int) Office, Kozhikode
223	Deputy Commissioner (Appeals) Office, Kozhikode
224	Deputy Commissioner (A&I), Kozhikode
225	Asst. Commissioner (Assmt) Spl. Circle I, Kozhikode
226	Asst. Commissioner (Assmt) Spl. Circle Ii, Kozhikode
227	Inspg. Asst. Commissioner, Badagara
228	Inspg. Asst. Commissioner, Kozhikode
229	Inspg. Asst. Commissioner (Intelligence), Kozhikode

230	Inspg. Asst. Commissioner (Spl), Kozhikode
231	Appellate Asst. Commissioner Office, Kozhikode
232	Sales Tax Office, Ist Circle, Kozhikode
233	Sales Tax Office, Iind Circle, Kozhikode
234	Sales Tax Office, Iiird Circle, Kozhikode
235	Sales Tax Office, Ivth Circle, Kozhikode
236	Sales Tax Office, Vth Circle, Kozhikode
237	Sales Tax Office, Quilandy
238	Sales Tax Office, Badagara
239	Agrl. Income Tax & Sales Tax Office, Perambra
240	Agrl. Income Tax & Sales Tax Office, Kozhikode
241	Sales Tax Work Contract Office, Kozhikode
242	Intelligence Office, Kozhikode
243	Sales Tax Checkpost, Feroke
244	Sales Tax Checkpost, Thamrasseri
245	Sales Tax Check Post, Muttungal
246	Law Office, Kozhikode

DISTRICT : WAYANAD

247	Deputy Commissioner Office, Wayanad
248	Inspg. Asst. Commissioner Office, Wayanad
249	Sales Tax Works Contract Office, Wayanad
250	Sales Tax Office, Vythiri
251	Sales Tax Office, Mananthavady
252	Agrl. Income Tax & Sales Tax Office, Vythiri

253	Agrl. Income Tax & Sales Tax Office, Sultanbathery
254	Intelligence Office, Wayanad
255	Sales Tax Checkpost, Muthanga
256	Sales Tax Checkpost, Vaduvanchal
257	Sales Tax Checkpost, Noolpuzha (Pazhoor)
258	Sales Tax Checkpost, Bavali
259	Sales Tax Checkpost, Tholpetty
260	Sales Tax Checkpost, Chulliyode

DISTRICT: KANNUR

261	Deputy Commissioner Office, Kannur
262	Asst. Commissioner (Assmt) Spl. Circle, Kannur
263	Inspg. Asst. Commissioner, Kannur
264	Appellate Asst. Commissioner Office, Kannur
265	Sales Tax Office, Taliparamba
266	Sales Tax Office, Ist Circle, Kannur
267	Sales Tax Office, IInd Circle, Kannur
268	Sales Tax Office, IIIrd Circle, Kannur
269	Sales Tax Office, Ist Circle, Tellicherry
270	Sales Tax Office, II nd Circle, Tellicherry
271	Sales Tax Office, Kuthuparamba
272	Agrl. Income Tax & Sales Tax Office, Thaliparamba
273	Sales Tax Work Contract Office, Kannur
274	Inspg. Asst. Commr (Intelligence), Kannur
275	Intelligence Office, Kannur

276	Intelligence Office, Tellicherry
277	Sales Tax Check post, Peratta
278	Sales Tax Check post, Mekkunnu
279	Sales Tax Check post, Koottupuzha
280	Sales Tax Check post, Paral
281	Sales Tax Check post, New Mahe

DISTRICT : KASARAGOD

282	Deputy Commissioner Office, Kasargod
283	Asst. Commissioner Office, Kasargod
284	Inspg. Asst. Commissioner Office, Kasargod
285	Sales Tax Works Contract Office, Kasargod
286	Sales Tax Office, Kasargod
287	Sales Tax Office, Hosdurg
288	Agrl. Income Tax & Sales Tax Office, Kasargod
289	Agrl. Income Tax & Sales Tax Office, Hosdurg
290	Intelligence Office, Kasargod
291	Sales Tax Checkpost, Bengramanjeswar
292	Sales Tax Checkpost, Beyar
293	Sales Tax Checkpost, Perala
294	Sales Tax Checkpost, Adhoor
295	Sales Tax Checkpost, Balanthode
296	Sales Tax Checkpost, Kacherikkadavu

Source: C-DIT, Thiruvananthapuram, www.cdit.org.

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"IMPACT OF VALUE ADDED TAX
WITH REFERENCE TO GOA AND KERALA"-A COMPARATIVE STUDY.
Interview Schedule for Businessman

</div>

1.   Sampling Details
1.1   Sl. No. ☐☐☐
1.2   State: Goa/Kerala
1.3   District: _____ 1.4 Taluk _____
1.5   Ward: _____
2.   Business Profile:
2.1   Name of the concern:
2.2   Year of establishment:
2.3   Form of the business   ☐ Sole proprietorship
                                 ☐ Partnership
                                 ☐ Co-operative society
                                 ☐ Company
                                 ☐ Others (Specify)
2.4   Nature of Business
                                 ☐ Manufacturing
                                 ☐ Whole Sale Trade
                                 ☐ Retail Trade
                                 ☐ Others (Specify)
2.5   Average annual turnover   ☐
                                 ☐ Up to 50 Lakhs
                                 ☐ 50-100 Lakhs
                                 ☐ Above 100 lakhs
2.6   Duration of the business ☐
                                 ☐ Below 10 Years
                                 ☐ 10-20 Years
                                 ☐ 20-30 Years
                                 ☐ Above 30years

3. Awareness about VAT system
  Please indicate your level of awareness about VAT system in your state.

☐ Very High   ☐ High
☐ Moderate   ☐ Low
☐ Very Low

4. Source of Awareness about VAT System
Please indicate your source of awareness about VAT system in your state in the order of importance. [From 1 to 8)1 for the Highest, 8 for the Lowest)]

Source	Rank
Government Publications	
Books and Journals	
Seminars and Workshops	
Tax Officials	
Tax Consultants/ Chartered Accountants	
Websites/Internet	
Friends	
Others(Specify)	

5. Perception about VAT System

Please indicate level of agreement about perception of VAT system in your State.

SA=Strongly Agree   **A=Agree**   **N=Neutral**
DA=Disagree   **SDA=Strongly Disagree**

	Statements	SA	A	N	DA	SDA
5.1	Present System curbs Tax evasion.					
5.2	VAT system brings transparency.					
5.3	VAT Law, rules, forms, procedures are simple and unambiguous.					
5.4	VAT system improves government revenue.					
5.5	Under VAT system product prices decreased due to input tax credit.					
5.6	VAT system is more complicated than earlier sales tax system					
5.7	VAT system fulfills about all the principles of taxation.					
5.8	VAT system is more beneficial to the government.					
5.9	VAT system is more beneficial to the customers.					
5.10	VAT system helps speedy tax collection.					
5.11	VAT adversely affects the cash flow					
5.12	VAT system has controlled unaccounted sales in the market.					
5.13	CST should be eliminated for smooth functioning of VAT.					

6. Practices of VAT System

6.1   Are you / Accounts staff able to file the returns and other forms?
   ☐ Yes   ☐ No

6.2   (If no) how do you file the returns and other forms?
   ☐ Tax consultants
   ☐ Chartered accountants
   ☐ With the help of Tax officials
   ☐ Friends
   ☐ Others (specify)

6.3   Do you file the return on due date?
   ☐ Yes   ☐ No

6.4   Do you think VAT is more beneficial to you than sales tax?
   ☐ Yes   ☐ No

6.5   Have you seen Government or any official publicity about VAT in the media?

6.6   What is your perception about present VAT rates?
   ☐ Very high
   ☐ High
   ☐ Normal
   ☐ Low
   ☐ Very Low

6.7   Do you find any positives in the VAT system?
   ☐ Yes   ☐ No

6.8   According to you, who benefits the most from the current VAT system?
       (Rank in the order of importance)
       [From 1 to 5 (1 for the Highest, 5 for the Lowest)]

- [ ] Government
- [ ] Dealers
- [ ] Tax officials
- [ ] Consumers
- [ ] Other (Specify)

6.9 How do you rate the present VAT SYSTEM?
    [From 1 to 5 (1 for the Highest, 5 for the Lowest)]

- [ ] Very Good
- [ ] Good
- [ ] Neutral
- [ ] Poor
- [ ] Very Poor

7 Administrative Machinery for VAT

Please indicate your level of agreement about administrative machinery for VAT in your state.

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Statements	SA	A	N	DA	SDA
7.1	Officers and staff are friendly with the assessee.					
7.2	Officers and staff are punctual in duties.					
7.3	Officers and staff find time to give assistance.					
7.4	Officers and staff are colluding with tax evaders.					
7.5	Getting renewal of Registration certificates in time.					
7.6	Getting refunds in time.					
7.7	No delay in the assessment.					
7.8	There is sufficient time to reply for notices.					
7.9	Penalties are not heavy.					
7.10	Do not deny input tax credit on minor grounds.					

8. Satisfaction about VAT system

Please indicate your level of satisfaction about VAT system in your state.

- [ ] Very High
- [ ] High
- [ ] Moderate
- [ ] Low
- [ ] Very Low

9. Perceptions about E-Governance

Please indicate your level of agreement about e-governance under the VAT system

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Statements	SA	A	N	DA	SDA
9.1	The volume of paper work is reduced.					
9.2	Time spent for filing the return is less.					
9.3	E-Governance is user friendly/ easy to understand					
9.4	Financial cost of filing returns is reduced.					
9.5	Getting the various forms are easier than the manual system.					
9.6	It is more complicated than earlier sales tax system					
9.7	Number of visits to commercial tax office are reduced.					
9.8	It is more beneficial to the officials.					
9.9	It is more beneficial to the dealers.					
9.10	It is easy to maintain the records in the form of soft copy					

10. Issues in VAT System

Please indicate your level of agreement about issues in VAT system as experienced by you

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Issues	SA	A	N	DA	SDA
10.1	Lack of clarity and transparency in the system					
10.2	More number of records to be maintained					
10.3	Lack of uniformity in the system					
10.4	Many Amendments					
10.5	Number of taxes imposed by the Government					
10.6	Lack of accurate Information about VAT system					

11. Please give your suggestions for improving VAT system in your state.

"IMPACT OF VALUE ADDED TAX
WITH REFERENCE TO GOA AND KERALA"-A COMPARATIVE STUDY.

Interview Schedule for VAT Officials

1.   Sampling Details

1.1   Sl. No. ☐☐☐

1.2   State   Goa ☐   Kerala ☐

2.   Personal Profile

2.1   Name _____

2.2   Age   20-30 ☐   31-40 ☐   41-50 ☐   51-60 ☐

2.3   Sex   ☐ Male   ☐ Female

2.4   Education   ☐ Graduate   ☐ Postgraduate

                              ☐ Professional

                              ☐ Others (Specify)

3.   Perception on VAT

3.1   Do you find difficulty in understanding VAT system?

          ☐   Yes   ☐ No

3.2   **Source of Awareness about VAT System**

Please indicate your source of awareness about VAT system in your state in the order of importance.[From 1 to 07.)1 for the Highest, 07 for the Lowest)]

Source	Rank
Government Publications	
Books and/Journals	
Seminars and Workshops	
Higher Officials	
Friends	
Websites/internet	
Others(Specify)	

3.3   According to you, whom does the present VAT system favour?
          ☐   Government   ☐ Businessmen   ☐ Consumers
          ☐   Tax Department   ☐ Others (Specify)

4. Perception about VAT System

4.1 Please indicate level of agreement about perception of VAT system in your State.

SA=Strongly Agree **A=Agree** **N=Neutral**

DA=Disagree **SDA=Strongly Disagree**

	Particulars	SA	A	N	DA	SDA
4.1.1	Present system is enough to curb tax evasion.					
4.1.2	VAT system brings transparency.					
4.1.3	VAT Law, rules, forms, procedures are simple and unambiguous.					
4.1.4	VAT system rapidly increased the government revenue.					
4.1.5	Under VAT system product prices decreased due to input tax credit.					
4.1.6	VAT system is more complicated than earlier sales tax system					
4.1.7	VAT system fulfills about all the principles of taxation.					
4.1.8	VAT system is more beneficial to the government.					
4.1.9	VAT system is more beneficial to the customers.					
4.1.10	VAT system helps speedy tax collection.					
4.1.11	VAT system has controlled unaccounted sales in the market..					
4.1.12	CST should be eliminated for smooth functioning of VAT.					

4.2 How do you rate the dealers' compliance with VAT system?

☐ Very high ☐ High ☐ Moderate

☐ Low ☐ Very low

4.3 How do you rate the present VAT system with the earlier system of levy under Sales Tax?

☐ Highly Effective ☐ Effective ☐ Moderately Effective

☐ Somewhat effective ☐ Not effective

4.4 Do you want the Govt. to go to GST?

☐ Yes ☐ No

4.5 If you are not satisfied with the present VAT system what change do you suggest for its improvement?

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5.   Performance of Administrative Machinery under VAT system

5.1 Please indicate your level of agreement about administration set up under VAT system.

SA=Strongly Agree   **A=Agree**   **N=Neutral**

DA=Disagree   **SDA=Strongly Disagree**

	Particulars	SA	A	N	DA	SDA
5.1.1	Work is increased under VAT system as compared to earlier Sales Tax					
5.1.2	Officers find time to give advisory services to dealers					
5.1.3	Commercial tax department administration is very efficient					
5.1.4	Commercial tax administration is tax payer friendly					
5.1.5	Giving refunds due in time .					
5.1.6	Assessments are completed within stipulated time					
5.1.7	Do not deny input tax credit on minor grounds					
5.1.8	Under VAT no much notices to the dealers					
5.1.9	Dealers reply in time for notices					
5.1.10	Time spent for assessments less as compare to sales tax system					
5.1.11	Website of commercial tax department is updated regularly					
5.1.12	Manpower is overburdened in commercial tax department					
5.1.13	Tax administration has not been geared up after implementing VAT					
5.1.14	Commercial tax department conducts seminars and workshops for officials					
5.1.15	Commercial tax officials are efficient in solving grievances					

6 Perceptions about E-Governance.

Please indicate your level of agreement about e-governance under the VAT

SA=Strongly Agree　　　　**A=Agree**　　　　**N=Neutral**
DA=Disagree　　　　**SDA=Strongly Disagree**

	Statements	**SA**	**A**	**N**	**DA**	**SDA**
6.1	Report generation is easy.					
6.2	The volume of paper work is reduced					
6.3	Time required/spent for assessment is less.					
6.4	E-Governance is user friendly/ easy to understand					
6.5	Work morale is increased					
6.6	Giving the various forms are easier than the manual system.					
6.7	Number of visits of dealers and practitioners to the commercial tax office are reduced.					
6.8	It is more beneficial to the officials.					
6.9	It is more beneficial to the dealers.					
6.10	Number of subordinates required less.					

7. Issues in VAT System.

Please indicate your level of agreement about issues in VAT system as experienced by you.

SA=Strongly Agree　　　　**A=Agree**　　　　**N=Neutral**
DA=Disagree　　　　**SDA=Strongly Disagree**

	Issues	**SA**	**A**	**N**	**DA**	**SDA**
7.1	VAT provisions are not transparent					
7.2	No clarity or lack of clarity in the system					
7.3	Assessments more complicated than earlier sales tax system					
7.4	Lack of training to officials					
7.5	So many amendments					
7.6	More number of taxes imposed by the Government					
7.7	There is no uniform tax rates across the country					
7.8	Lack of infrastructure facilities in the department.					
7.9	Lack of Uniform classification across the country.					

8 . Please give your suggestions for improving VAT system in your state.

"IMPACT OF VALUE ADDED TAX

WITH REFERENCE TO GOA AND KERALA"-A COMPARATIVE STUDY.

Interview Schedule for VAT   Practitioners

1.   Sampling Details

1.1   Sl. No.   ☐ ☐ ☐

1.2   State   Goa   ☐   Kerala   ☐

2.   Personal Profile

2.1   Name _____

2.2   Age   20-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ Above 60 ☐

2.3   Sex   ☐ Male   ☐ Female

2.4   Education   ☐ Graduate   ☐ Postgraduate

                      ☐ Professional   ☐ Others (Specify)

3.   Awareness of VAT system

3.1   Do you find difficulty in understanding VAT system?

       ☐   Yes   ☐   No

3.2   **Source of Awareness about VAT System**

Please indicate your source of awareness about VAT system in your state in the order of importance.[From 1 to 07.)1 for the Highest, 07 for the Lowest)]

Source	Rank
Government Publications	
Books and/Journals	
Seminars and Workshops	
Tax Officials	
Friends	
Websites/internet	
Others(Specify)	

3.3   According to you, whom does the present VAT system favour?
       ☐ Consumers   ☐ Businessmen   ☐ Government
       ☐ Tax Officials

4. Perception about VAT System

Please indicate level of agreement about perception of VAT system in your State.

SA=Strongly Agree   **A=Agree**   **N=Neutral**

DA=Disagree   **SDA=Strongly Disagree**

	Particulars	**SA**	**A**	**N**	**DA**	**SDA**
4.1.1	Present System curbs tax evasion.					
4.1.2	VAT system brings transparency.					
4.1.3	VAT Law, rules, forms, procedures are simple and unambiguous.					
4.1.4	VAT system improves government revenue.					
4.1.5	Under VAT system product prices decreased due to input tax credit.					
4.1.6	VAT system is more complicated than earlier sales tax system.					
4.1.7	VAT system fulfills about all the principles of taxation.					
4.1.8	VAT system is more beneficial to the government.					
4.1.9	VAT system is more beneficial to the customers.					
4.1.10	VAT system helps speedy tax collection.					
4.1.11	VAT adversely affects the cash flow.					
4.1.12	VAT system has controlled unaccounted sales in the market.					
4.1.13	CST should be eliminated for smooth functioning of VAT.					

4.2   Do you find any positives in the VAT system?

         ☐   Yes   ☐   No

4.3   How do you rate the dealers' compliance with VAT system?

         ☐   Very high   ☐   High   ☐   Moderate

         ☐   Low

4.4   How do you rate the present VAT system with the earlier system of sales tax?

         ☐   Highly Effective   ☐   Effective   ☐   Moderately Effective

         ☐   Somewhat effective   ☐   Not effective

4.5   If you are not satisfied with the present VAT system what change do you suggest for its improvement? (Give in the order of relative importance)

----

5.   Performance of Administrative Machinery under VAT system

5.1   Please indicate your level of agreement about administration set up under VAT system.

SA=Strongly Agree   A=Agree   N=Neutral   DA=Disagree

SDA=Strongly Disagree

	Particulars	SA	A	N	DA	SDA
5.1.1	Commercial tax department staff is available in the office					
5.1.2	Officers find time to give assistance					
5.1.3	Commercial tax department administration is very efficient					
5.1.4	Commercial tax administration is tax payer friendly					
5.1.5	Getting refunds due in time is easy					
5.1.6	No delay in the assessment					
5.1.7	Penalties are not heavy					
5.1.8	Do no deny input tax credit on minor grounds					
5.1.9	Under VAT no much notices to the dealers					
5.1.10	There is sufficient time to reply for notices					
5.1.11	Time spent for assessments less as compare to sales tax system					
5.1.12	Website of commercial tax department is updated regularly					
5.1.13	Manpower is overburdened in commercial tax department					
5.1.14	Tax administration has not been geared up after implementing VAT.					
5.1.15	Commercial tax department staff is updating their knowledge on VAT.					
5.1.16	Commercial tax officials are giving advisory services.					
5.1.17	Commercial tax officials are efficient in solving grievances.					

5.2   Please give your suggestions for improving the working of the machinery.

----

6. Perceptions about E-Governance.
Please indicate your level of agreement about e-governance under the VAT system

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Statements	SA	A	N	DA	SDA
6.1	The volume of paper work is reduced					
6.2	Time spent for filing the return is less.					
6.3	E-Governance is user friendly/ easy to understand					
6.4	Financial cost of filing returns is reduced.					
6.5	Getting the various forms are easier than the manual system.					
6.6	It is more complicated than earlier sales tax system					
6.7	Number of visits to commercial tax office are reduced.					
6.8	It is more beneficial to the officials.					
6.9	It is more beneficial to the dealers.					
6.10	It is easy to maintain the records in the form of soft copy					

7. Issues in VAT System

Please indicate your level of agreement about issues in VAT system as experienced by you.

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Issues	SA	A	N	DA	SDA
7.1	Lack of Transparency in the system.					
7.2	No Clarity or Lack of Clarity in the system.					
7.3	Assessments more complicated.					
7.4	Lack of Uniformity in system.					
7.5	So many amendments.					
7.6	More Number of Taxes Imposed by the Government.					
7.7	Lack of accurate Information about VAT System to the practitioners.					
7.8	Lack of infrastructure facilities in the department					
7.9	Dealing of Variety of Goods requires separate invoices					
7.10	Changes in VAT Rates difficult to maintain the accounts.					
7.11	Many times VAT officials disagree for small issues.					

8. Please give your suggestions for improving VAT system in your state.

"IMPACT OF VALUE ADDED TAX
WITH REFERENCE TO GOA AND KERALA" -A COMPARATIVE STUDY.

Interview Schedule for Consumers

1.   Sampling Details

1.1   Sl. No.   ☐☐☐

1.2   State   ☐ Goa   ☐ Kerala

2.   Personal Profile

2.1   Name (Optional): --

2.2   Gender   ☐ Male   ☐ Female

2.3   In Which category below includes your age?

*Age G*roup: Less than30 ☐   31-40 ☐   41-50 ☐   above 50 ☐

2.4   Education   ☐ Secondary and Below   ☐ Higher Secondary
                    ☐ Graduation   ☐ Post Graduation
                    ☐ Professional

2.5   Employment   ☐ Public Private ☐   Agriculture ☐
                     ☐ Business / Professional ☐   House wife

2.6   Monthly Income

                    ☐ Less than 30,000   ☐ 30,001-50,000
                    ☐ 50,001-100,000   ☐ Above 1,00,000

3. Awareness about Value Added Tax
Please indicate your level of awareness about Value Added Tax

                    ☐ Very High   ☐ High
                    ☐ Moderate   ☐ Low
                    ☐ Very Low

4. Perception about Value Added Tax

Please indicate your level of agreement about perception about Value Added Tax

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Statements	SA	A	N	DA	SDA
4.1	The sales tax is replaced by the VAT					
4.2	There are different rates of VAT for different goods.					
4.3	The VAT rates are changed after implementation of VAT system					
4.4	The VAT system in the state is very good.					
4.5	The price of the goods are inclusive of VAT.					
4.6	The registered dealers have to issue bills under VAT system.					
4.7	There are few exempted goods on which dealers cannot collect VAT					
4.8	Not asking bills from dealer leads to evasion of tax and loss to government revenue.					
4.9	The VAT system is more complex than sales tax system.					

5. Issues in Value Added Tax

Please indicate your level of agreement about issues about Value Added Tax

SA=Strongly Agree   A=Agree   N=Neutral
DA=Disagree   SDA=Strongly Disagree

	Issues	SA	A	N	DA	SDA
5.1	Lack of Transparency in VAT System.					
5.2	Lack of Clarity in VAT System.					
5.3	No Uniform rates in all states across the country.					
5.4	Lack of accurate Information about VAT System.					
5.5	Changes in VAT Rates.					

6. Please give your suggestions for improving VAT system in your state.

Forms under the Kerala VAT Act

Form No.	Description
1	Application Form for Online Registration
lA	Certificate of Registration
IB	On-Line Application For Salesman Permit / Exhibition Or Exchange Mela / Compounding / Liability Certificate / Registration Renewal
lC	Sales-man Permit
1D	Permission for Conducting Exhibition/Exchange Mela
IE	Permission to Pay Tax under the Compounding Scheme Category- Works Contract/Gold! Cooked Food! Bar Hotels-Cooked Food/Bar Hotel Liquor/Metal Crushers/CD Libraries/ Medicine
lEE	Liability Certificate
IF	Application for Permission to Collect and Pay Tax for Dealers Whose Total Turnover Is Below the Limit
2	Form of Declaration to be Filed by Partners
2A	Form for Furnishing Details of Authorized Signatories
3	Form of Declaration to be Filed by the Retiring Partner
5B	De-registration
6	Security Bond
6A	Security Bond for Stay of Collection of Tax, Fee, etc.
6B	Indemnity Bond
6C	Bank Guarantee
6D	Notice for Demanding Security for Registration
7A	Salesman's Permit
7AA	Authorization for Travelling Salesman
7B	Transit Pass
7C	Permit for Transport of Notified Goods
8	Tax Invoice to VAT Dealers
8B	Retail Invoice for Customers
8C	Invoice for Works Contract
8CA	Invoice for Works Contract [for the Compounded Category]
8D	Sales bill for Presumptive Taxpayers
8E	Purchase Bill
8F	Declaration
8FA	Declaration of Goods Brought through Coastal Cargo/Railways/ Airports
8G	Challan Form
8H	Invoice for Medicine Dealers Who Have Opted for the Compounding Scheme
8J	Invoice for Jewellers
9	Debit Note/Credit Note
10	Return for Value Added Tax Dealers
10A	Return for Presumptive Dealers

Form No.	Description
10B	Return for Works Contractors ~
10C	Return to be Filed by Awarders
10D	Return for Compounded Taxpayers
10E	Return for Casual Traders
10F	Return for government/Local Bodies/Autonomous Institutions
10G	Defect Notice
10H	Notice for Dishonouring Cheque
10 J	Acknowledgement of the Return Sent through Electronic Means
10K	Acknowledgement for Receipt of Return
11	Acknowledgement for Receipt of Return
11A	Return for Clearing, Forwarding, Transporting, Shipping, Courier Agencies
11B	Return for Bank
12	Notice of Demand
12A	Arrear Notice
13	Certificate of Audit
13A	Audited Statement of Accounts
14	Daily Production Accounts
14A	Daily Stock Statement of Ornaments
15	Delivery Note
16	Certifi cate of Ownership
17	Notice for Production of Accounts
17A	Notice to be Issued for Detaining Goods in Transit
18	Authorization for Audit Visit
18A	Notice for Audit Visit
18B	Certificate of Audit
19	Authorization for Inspection/Search! Seizure
20	Declaration to be Filed by a Contractor before the Awarder
20A	Clearance Certificate
20B	Liability Certificate
20C	Statement to be Filed by Awarder
20E	Certificate for Payment of Contract Amount without Deduction
20F	Certificate Issued by the Awarder to the Contractor
20G	Certificate to be Issued by the Contractor to the Awarder
20H	Certificate to be Issued by the Sub-contractor to the Principal Contractor
21A	Refund Adjustment Order
21B	Application for Refund of Input [Inter-state Sale or Inter-state Stock Transfer]
21C	Application for Refund of Input Tax [Export]
21CC	Application for Claiming Refund of Input Tax Remaining Unadjusted at the End of the Year
2ID	Application for Reimbursement of Tax Illegally Collected Year
21E	Application for Reimbursement of Tax to UN Agencies

Form No.	Description
21H	Application to Pay Arrears of Tax in Installments
211	Declaration of a Dealer Effecting Sale To A Dealer Claiming Refund
21K	Refund Order
22	Summons for Personal Appearance/Production of Books
23	Requisition for Revenue Recovery
23A	Warrant Issued by Magistrate to Recover Dues
23B	Notice for Attachment of Money
24	Application for Clarification Issued by the Commissioner
25	Application for Input Tax Credit on Capital Goods
25A	Application for Input Tax Credit on Opening Stock
25B	Certificate for Granting Input Tax Credit on Capital Goods
25C	Application for Duplicate ID Card
25D	Declaration to be Furnished by Principal When Input Tax Credit is Claimed by the Agent
25E	Certificate to be Furnished by Agent to Principal While Claiming Input Tax Credit/Special Rebate/Refund on Behalf of the Principal
25F	Declaration of Payment of Tax by the Agent/Principal
26	Register of Declaration Forms/Delivery Notes
27	Authorization to Appear before Commercial Tax Authorities
28	Application for Enrolment as a Sales Tax Practitioner
28A	List of Qualified Sales Tax Practitioners
29	Appeal/Revision before the Deputy Commissioner/Commissioner
30	Interlocutory Application before the Deputy Commissioner/Commissioner
31	Appeal Memorandum to the Appellate Tribunal
32	Review Application to the Appellate Tribunal
33	Memorandum of Cross-objections to the Appellate Tribunal
34	Notice Issued by the Appellate Tribunal
35	Impleading Application in Appeal/Revision
35A	Application for Restoration/Setting Aside Abatement
36	Application for Settlement of Cases
37	Appeal before the High Court of Kerala
38	Revision Petition before the High Court of

Form No.	Description
	Kerala
39	Review Petition before the High Court ofKerala
40	Requisition for Police Assistance
41	Declaration for Concessional Rate on the Purchase of Petroleum Products by KSEB/ NTPCETC ,.
42	Application for Concessional Rate on Sales Out of Lakshadweep/Laccadive Co-Operative Marketing Federation
43	Declaration for Claiming Exemption on the Sale of Certain Goods to Industrial Units in Sez
44	Declaration Enabling the Consignor to Claim Refund of Input Tax in Case of Inter- state
	Purchase/Stock Transfer
45	Declaration for Concessional Rate of Tax on Sale To the Military, Naval Canteen, etc.
46	Application for Green Card
47	Declaration for Concessional Rate of Tax on the Sale of Fuel and Vessels Lubricants to Foreign-going
48	Declaration for Concessional Rate of Tax on the Sale of Goods to the Railways
49	Declaration to be Filed along with Returns by ContractorslPromoterslDevelopers
50	Application for Certificate of Payment
51	Certificate of Payments
52	Format of Purchase/Sales Statement
53	Format of Closing Stock Inventory
54	Format of Closing Stock Inventory in Respect of VAT Suffered Goods Claiming Refund vide
	Form 21 CC

Forms under the Goa VAT Act

Form No.	Description
VAT I	Application for the Grant of Registration under Section 18 of the Goa VAT Act, 2005 (Act 9 of 2005)
VAT II	Registration Certificate under Section 18 of the Goa Value Added Tax Act, 2005
	(Act 9 of 2005)
VAT III	Return of Sales and of Tax Payables
VAT IV	Return of Sales and Composition Tax Payables by Dealer Opting for the Composition
	for the Quarter Ended
VAT V	VAT Payment *Challan*
VAT VI	Demand Notice For Tax Not Paid/Short Paid with Return
VAT VII	Certificate of Tax Deduction at Source
VAT VIII	Notice under Section 29/30/32 of the Goa Value Added Tax Act, 2005 (Act 9 of 2005)
VAT IX	Notice of Re-assessment under Section 31 of the Goa Value Added Tax Act, 2005
	(Act 9 of 2005).
VAT X	Order of Assessment/Provisional Assessment/ Re-assessment under Section 29/30/31/31
	of the Goa Value Added Tax Act, 2005
VAT XI	Demand Notice
VAT XII	Refund Voucher
VAT XIII	Application for Opting for Composition of Tax Payable by the Dealer under Section 7 of
	the Goa Value Added Tax Act, 2005 (Act 9 of 2005)
VAT XIV	Certificate of Composition of Tax under section 7 of the Goa Value Added Tax Act, 2005
VAT XV	Audited Report on Accounts as Required under Sub-section (1) of Section 70
VAT XVI	Refund Adjustment Order
VAT XVII	Memorandum of Appeal to the Appellate Authority/Tribunal under Section 35/36 of the
	Goa Value Added Tax Act, 2005
VAT XVIII	*Challan* for Remittance of Tax Deducted at Source under Section 28(2) of the Goa Value
	Added Tax Act, 2005 (Original)
VAT XIX	Notice of Rectification of Clerical or Arithmetical Mistake
VAT XX	Declaration for Transport of Goods beyond a Check Post
VAT XXI	Application for Enrolment as a Sales Tax Practitioner
VAT XXII	Certificate of Registration
VATXXIll	Certificate of Recovery of Arrears
VAT XXIV	Application by an Employer for the Grant of Registration under Section 28(1)
VAT XXV	Registration Certificate for an Employer
VAT XXVI	Application for Recovery of Tax under Section 34(1) of the Goa Value 2005 Added Tax Act,
VAT XXVII	Quarterly Statement of Tax Deducted at Source
VAT-XXVIII	Register for Tax Deduction at Source Made under Section 28
VAT XXIX	Application for Claim of Reimbursement of Tax Paid on Purchases Made

Form No.	Description
	by Specialized
VAT XXX	Agencies of the UNO, etc., under Sub-section (I) of Section 6 of the Goa Value Added Tax Act, 2005
	Declaration for Purchase of Capital Goods
VAT XXXI	Application for Raising Objection as to the Jurisdiction of Any Officer or Person
VAT XXXII	Letter of Authority
VAT-XXXIII	Declaration for Purchase of Industrial Inputs/Packing Materials
VAT-XXXIV	Declaration for Sale of Industrial Inputs