



*Journal of Advances and  
Scholarly Researches in  
Allied Education*

*Vol. VII, Issue No. XIV,  
April-2014, ISSN 2230-7540*

**A RESEARCH OF THE EFFECT OF VAT ON  
BUSINESS SECTOR AND CONSUMERS IN THE  
REFERENCE OF DELHI**

AN  
INTERNATIONALLY  
INDEXED PEER  
REVIEWED &  
REFEREED JOURNAL

# A Research of the Effect of VAT on Business Sector and Consumers in the Reference of Delhi

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**Abstract – From the expansive perspective Value Added Tax has swaps the recently existing sales tax thus it passed on to the customers without affecting the business forms. The significant concern of the govt. is with respect to the smooth enforcement, collection of the tax & regulation of the tax. But for an enterprise, VAT is not just a replacement of sales tax but an information input for their business which can change the entirety picture of business choices. It is a change in business strategies & affects each stroll of life in business whether it is wholesalers, Retailers, Chartered Accountants, Tax officials or consumers in India.**

**Government regulations constitute a vital element in the external environment of business & business executive or the supervisor can't stand to overlook this vital element. He need to work out the strategies in such a path as to satisfy the govt's. regulations and also business needs. He will need to incorporate this information into their business system. The business forms which were tunes as stated by the old system of sales tax might need to be altered as stated by the new system of VAT. This examination paper is concentrated on the impact of VAT on Business enterprises, Wholesalers, Retailers, Chartered Accountants, Tax officials and Consumers in Delhi and to think of practical & feasible suggestions for better implementation of VAT.**

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## INTRODUCTION

Sales tax was first introduced in 1939 by the Tamil Nadu Government and was subsequently adopted by numerous states. The system of sales tax experienced numerous issues, for example, falling effects, tax avoidance by disguising sales by traders etc.

VAT was the solution to the above issues. It is to be noted that France was the first country to adopt VAT in 1954. Subsequently, about 160 countries including Pakistan, Bangladesh, Sri Lanka and Nepal have introduced VAT. In 1999, the Empowered Committee of State Chief Ministers opened up the subject of VAT. Though VAT was going to be introduced in 2003, certain developments including a watchful study of the issue of CST postponed its introduction. At long last, in January 2005 Mr. P. Chidambaram discharged a White Paper on VAT, documenting a guide to collect uniform state-level tax crosswise over majority of the states from April 1st 2005. India has a generally created tax structure with plainly demarcated authority between Central and State Governments also neighborhood bodies. Central Government demands taxes on wage (except tax on agricultural salary, which the State Governments can require), customs duties, central excise and service tax. Value Added Tax (VAT), stamp duty, land revenue and tax on callings are collected by the State Governments.

Neighborhood bodies are enabled to demand tax on properties and for utilities like water supply, seepage etc. In last 10-15 years, Indian taxation system has experienced tremendous changes. The tax rates have been rationalized and tax laws have been rearranged resulting in better agreeability, simplicity of tax payment and better enforcement. The methodology of rationalization of tax administration is on-going in India.

## GOAL ON THE ANALYZE

1. To break down the perceptions of Business Enterprises, Wholesalers, Retailers, Chartered Accountants, Tax officials and Consumers with respect to the VAT.
2. To identify practical suggestions for better implementation of VAT.

## FACTS SERIES

The study is dependent upon essential data. The essential data is collected from the Business Enterprises, Tax Officials, Chartered Accountants, Wholesalers, Retailers and Consumers with the assistance of Questionnaire. A questionnaire with three sections was created and settled. The first part of the questionnaire embodies demographic factors

with optional questions. The second part contains the general perspective point about Value Added Tax. The last part of the questionnaire consists of the statements relating to perception of Value Added Tax, Areas of Improvement and suggestions to increment the effectiveness of Value Added Tax. In the present study non probability technique is utilized and the Judgemental Sampling method is taken after to gather the data from the respondents.

**Sample Size** - A sample size of 409 respondents is utilized for completion of this project.

**AERA of Sampling** - As it is difficult to analyze the entire universe, the reactions sought from the Business Enterprises, Tax Officials, Chartered Accountants, Wholesalers, Retailers furthermore Consumers located in Delhi.

## LITERATURE REVIEW

Kapoor and Dhaliwal (2009) examined the different procedural changes under VAT in India with uncommon reference to Punjab Value Added Tax Act 2005. It studied the working of value added tax, occurrence of tax, input tax credit mechanism, payment of VAT, recording of returns and discount strategy under VAT. The paper attempted to study furthermore look at the present state value added tax and prior state deal tax on the groundwork of occurrence of tax and other procedural requirements. Under prior sales tax structure, when commodity was transformed, inputs were first taxed and afterward taxed again with input tax stack after commodity was transformed thus bringing on an out of line twofold taxation with falling effects.

Then again, under the VAT, set-off is given for input tax and also tax paid on past buys. Further, there was multiplicity of taxes in a few states like turnover tax, surcharge on sales tax, additional surcharge etc. But with introduction of VAT, these other taxes have been nullified resulting in by and large rationalization of tax trouble. Besides, VAT has swapped the prior system of inspection by a system of built-in self-assessment by the dealers. The study finished up that the present state value added tax system of taxation is more basic and transparent as contrasted with the prior state deal tax system of taxation.

Tripathi et al. (2011) evaluated that Value Added Tax might change the nature of trade in the impending years, but the medium level of trade might confront issues. Thus, little retail dealers might be obliged to maintain more accounts or pay composition cash which cannot be collected from the customers. The present procurement of central sales tax and Value Added Tax cannot go together. After the

abolition of central sales tax the direct marketing concept may make progress and the necessity of having warehouse, go downs etc. in all states may decline or completion.

Value added tax in India has been introduced in changed variants in the course of the last two decades. Nonetheless, Value Added Tax in its unique structure is yet to be introduced in India, at Central or State level. After the negative and positive impact on the Indian consumers, Value Added Tax has been identified as the true objective producer by the Indian government in the nearing years to foster growth and prosperity in the country. The change in the standard of livings has expanded the acquiring force of the high class society but the medium and the poor class society need to buckle down with a specific end goal to attain their living and meet extravagances.

Muthu and Senthil (2013) evaluated the attitude of Pharmaceutical Retailers towards VAT in Tiruchendurtaluk of Tuticorin District. The specialist study was about the concept and structure of VAT, identify the practical issues encountered by under VAT and figure out what are the valuable aspects reveled in by pharmaceutical retailers under VAT. A sample sizes are 55 Pharmaceutical Retailers, utilizing the purposive inspecting techniques. The essential data was gathered utilizing interview plan and investigated by utilization of percentage method, T – Test, Analysis of Variance (ANOVA) and F – Test were utilized within the appropriate spots. The specialist close that Value Added Tax is another tax format for all pharmaceutical retailers with the introduction of VAT, there are some new formalities and shrouded issues for them.

But most of the retailers indicated positive attitude towards VAT implementation. The issues like every day maintenance of opening and closing stock, bill maintenance, self-assessment, computerizing the account ought to be sympathetically seen by the Government for acknowledging the development of the pharmaceutical retailers.

## T-TEST

The respondents communicated their perception about implication of VAT and its impact over the marketing and its business activity. These perceptions are identified through different characteristics effects and optimistic impact on business establishment. The consumers and marketers communicated their perception in likert's five point scale which range from strongly oppose this idea.

## THOUGHTS AND OPINIONS ON EXECUTION OF VAT

The application of t-test exactly ascertains the slant of implementation of VAT on Consumers, Retailers Wholesalers, Chartered accountant and Tax officials. The emulating are the results of the t-test.

	N	Mean	Std. Deviation	Std. Error Mean	T(lower)	Sig (2-tailed)
Tax Evasion	409	3.7115	1.02177	.5052	14.082	.000
Transparency	409	3.5844	.90929	.04496	12.997	.000
Improved Exports	409	3.9511	.78750	.3894	24.425	.000
Government Profits	409	3.7873	1.03760	.05126	15.358	.000
Material Cost	409	4.0416	.89154	.4408	23.627	.000
Response towards VAT	409	4.0342	.84238	.04165	24.830	.000
Difficulties are found in the instruction of VAT system than sales tax	409	3.9584	.73480	.03633	26.379	.000
Inflation	409	3.8411	1.02979	.05092	16.518	.000
Revenue Growth	409	3.1345	1.19804	.05924	2.270	.024
Tax aspects	409	3.3447	1.13801	.5627	6.126	.000
Sales tax	409	3.5012	1.256660	.06213	8.067	.000
Benefits to the customers and Govt.	409	3.3765	1.21673	.6016	6.528	.000
Approach for the wholesalers and retailers	409	3.5452	1.29423	.06400	8.520	.000
Tax revenue to the government increased rapidly	409	3.4621	1.25212	.06191	7.464	.000
Economic situations	409	3.3790	1.11612	.5519	6.867	.000

One-Sample Statistics for Opinion on implementation of VAT From the above table it is found that checking the tax avoidance and transparency have the mean values of 3.71 and 3.58 respectively with significant t-values of 14.082 and 12.997. Therefore it is inferred that the implementation of VAT is of service checking for the tax avoidance and transparency is abundantly found in the implementation VAT system.

VAT enhanced exports and It builds government profits have the mean values of 3.95 and 3.78 respectively with significant t-values of 24.425 and 15.358.

Therefore it is reasoned that the implementation of VAT is convenient is enhanced for the exports and expansions government profits found in the implementation VAT system. It decreases the material cost and Comparing VAT system with erstwhile sales tax gives more ideal reaction towards VAT have the mean values of 4.0416 and 4.0342 respectively with significant t-values of 23.627 and 24.830. Therefore it is closed that the implementation of VAT is decreases material cost and contrasting and the sales tax is abundantly found in the implementation VAT system.

More difficulties are found in the instruction of VAT system than sales tax and Inflation expands because of VAT implementation projects have the mean values of 3.9584 and 3.8411 respectively with significant t-values of 26.379 and 16.518. Therefore it is inferred that the implementation of VAT is more difficulties are found in the instruction of VAT system and increments inflation is abundantly found in the implementation VAT system. VAT implementation enhances the revenue growth furthermore VAT implementation builds the certainty of the customers on their tax aspects have the mean values of 3.1345 and 3.3447 respectively with significant t-values of 2.270 and 6.126. Therefore it is inferred that the implementation of VAT enhances the revenue growth and increments

the trust of the consumers on their tax aspects. It curtails sales tax at different stages and it gives mutual benefits to the customers and government have the mean values of 3.5012 and 3.3765 respectively with significant t-values of 8.067 and 6.258. Therefore it is reasoned that the implementation of VAT is curtails sales tax at different stages and mutual benefits to the consumers and government.

## THOUGHTS AND OPINIONS ON RECOMMENDATIONS FOR USEFUL EXECUTION OF VAT

VAT implementation is a crucial marvel to give mutual benefit to the Consumers, Retailers, Wholesalers, Chartered accountant and Tax officials. The application of t-test exactly ascertains the estimation of suggestions for effective implementation of VAT on Consumers, Retailers Wholesalers, Chartered accountant also Tax officials. The accompanying are the results of the t-test.

	N	Mean	Std. Deviation	Std. Error Mean	T(lower)	Sig (2-tailed)
Uniform product classification	409	3.3374	.89036	.04403	7.664	.000
Input tax credit	409	2.6308	1.46298	.07234	-5.104	.000
Practical approach to VAT	409	2.6308	1.36953	.06772	-5.452	.000
Single Window assessment	409	3.5183	1.03861	.05136	10.093	.000
Complete abolition of CST	409	3.6259	.94683	.04682	13.369	.000

From the above table it is found that Introduction of uniform product classification the nation over have the mean value 3.3374 with significant t-value 7.664.

Therefore it is presumed that the implementation of VAT is uniform product over the country. Extension of input tax credit to central sales taxes additionally has the mean value 2.6308 with significant t-value -5.104. Therefore it is presumed that the implementation of VAT is extends of input tax credit to central sales taxes. Adoption of a practical methodology to VAT audits for assessment has the mean value 2.6308 with significant t-value -5.452. Therefore it is inferred that the implementation of VAT practical methodology to VAT audits for assessment. Introduction of single window assessment process for all taxes have the mean value 3.5183 with significant t-value 10.093. Therefore is inferred that the implementation of VAT is single assessment process for all taxes.

## CONCLUSION

The Value Added Tax makes a sly attempt on perception level and additionally execution level. The study uncovers that the requirement of transparency in VAT is required in all the states of India. It is found that equivalent channel of distribution of VAT is

predominant around Wholesalers, Retailers and Consumers. The tax applicability and e-filing assumes a vital part in the VAT system. It gives mutual benefits to the Consumers what's more Government. Service tax, sales tax and other taxes could be effectively emulated because of its implementation process. But, the transparency is needed at all the level with a specific end goal to obtain effective functioning in the VAT system in all the states of India. The introduction of Uniform Product Classification the nation over is obliged to exhibit the perception process with effective return. The adoption benefits of buyers and venders just as. The single window system and Abolition of CST are imperative to obtain the cent for every cent accomplishment of VAT.

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