

Problem of the Implementation of Value Added Tax and Its Impact

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ABSTRACT

Economics is a rule the more the productive capital grows, equally labour division and the use of machines increases. The greater the use of labour division and the use of machines the competition between workers increases as much their wages decrease. The way the culture of a country changes so the social customs of the country also change similarly in the era globalization and liberalization, the change of economy of any one therefore due to the system of multiplication in Indian economy many problems arise in this. Therefore from time to time efforts are being made to improve the expert committees but a good tax system could not be Established. So, Firstly in 1976, the LKJ group came out to implement the tax system in different countries and suggested that in the Indian economy a tax system VAT should be levied in place of the multistage tax system. According to the high micro theory of economics there was no difference between VAT and MAT because when all done together at one level, they are employed in different levels of productions. So in the eyes of the finance minister he makes VAT for MAT. Where 130 Countries of the world have adopted VAT arrangements, America is the only country in the capitalist and developed countries but for the first time America is the first to introduces VAT. Due to not being the correct format of the VAT act, Answer due to problems and problems was faced heavy opposition in Uttar Pradesh, The VAT was applied in Delhi on 1st April 2005. In the white paper presented in the road map of nationwide implementation of the VAT from 1st April 2005 by the central Finance Minister P. Chidambaram in the white paper more than 550 commodities were brought under two levels VAT 4% and 12.5%. In the History of the country the year 1991 is known as economic reforms. No reduction in VAT rates in year 2005 and about the co.'s 2011-12 amount 5, 39, 552 Crore given concession which is double the amount of subsidy given to the common man. VAT dues have been expanded by tax. Key logic reduces tax evasion by VAT. Each co. tries to keep a complete description of the product, the effects of sales tax in the VAT can be controlled and resolve measures to protect the company & traders from exploitation by the VAT offer. The delivery study is based on this hypothesis after applying VAT in the Indian economy in 25 states. The States ruled by them are not equal in terms of revenue. In most states where VAT revenue are higher than sales tax, the same 8 states have suffered heavy losses the central govt. did not compensate the 100% of this loss to them. Due to VAT same state benefits, earn more profit from VAT in Delhi state but Gujrat continued to bear down because the fear of the new tax system is high, attempts to remove fear were not made in a meaningful way. VAT machinery needs to be adjusted.

Keyword: Benefits, expert committees, revenue, subsidy, vat, white paper.

I. INTRODUCTION

VAT has become a major tax instrument in over 50 countries and an important element in tax policy advice to developing countries but few studies have empirically tested some basic hypothesis about the performances and key feature of VAT as a revenue raising instruments. We examine the main determinates of VAT revenue in a simple cross country frame work using data from 34 countries to answers certain key question some empirical relationship emerges from existing data of VAT. Unlike present sale tax law was a multipoint sales tax system. Tax charge every step of distribution chain of goods in a particular state with the mechanism of input tax credit. Thus, obviating the cascading effect. The final burden of tax is no doubt is borne by the ultimate consumer of goods. This system has been considered world wide, a more sophisticated alternate mechanism of collection of tax. Indirectly it may be called a multi stage sales tax charged on the last point of the goods. Neither rain nor hail could stop the govt. from introducing VAT W.e.f. 1st day of April 2005 in almost entire country except five B.J.P. ruled states Rajasthan, Gujrat, M.P., Jharkhand, Utranchal and U.P. and Tamilnadu. Seminars and conferences stormed various cities in the midst of fears, concerns, doubts, impacts, clarifications and recommendations the law has become reality in about 21 states in the countries and with the passage of little more time of about 2 years it has become a reality in the whole country. Two years getting

state VAT will be vetted through the govt. of India, but now most of the states have joined VAT implementation and India entered into an era of the most significant tax reforms in indirect taxation.

II. METHODOLOGY

VAT liability can be computed by the following three methods.

1. Addition method is similar with the income method of calculating national income that is by aggregating all the elements of VAT into the product like wages profit and interest etc.
2. Subtraction method value addition is calculated by means of difference between total output and total input.
3. Tax credit method is also known as tax invoice method this method is prevalent in most of the countries. U.P. and Delhi has also adopted tax credit method for calculation of tax liability by its dealers.

The study method of the research topic presented in analytical which is based on second hand sources hence the dependency more on relevant literatures, magazines, newspapers, seminar to analyse the samples received use the mean, ratio, percentage, linear diagram. Our study is primarily of secondary data. The nature of study is of broader level. Research work on this topic was very low the aggregation of data is done under its limits.

III. RESULTS AND DISCUSSIONS

In this study the midst of fears, concerns, doubts, impacts, clarifications and recommendations the law has become realities and its resulted in excessive tax hikes –

Comparative study by the yearly table of U.P. and Delhi VAT (Rs. in Crore)

S.No.	Year	U.P. VAT and Trade Tax	Percentage	Delhi VAT	Percentage
1	2004-05	8838	15.67	5260	11.00
2	2005-06	11235	26.96	6499	23.60
3	2006-07	13279	17.67	7365	11.74
4	2007-08	15023	13.14	8493	14.93
5	2008-09	17482	16.37	9669	13.78
6	2009-10	20825	19.12	10126	4.14
7	2010-11	24836	19.26	12068	20.00
8	2011-12	30000	Budgeted	14500	20.00

As claimed in the white paper that the proposed VAT would simplify meters and obviate evasion may be a flux in the context of that the present form of VAT is requiring a flood of documents generated involving correlation, set off various accounting procedures, filing return and satisfying the official about the bona fides of transacting them would be much scope of or arbitrariness, collusion harassment, corruption and evasion. The VAT its present form like CENVAT would be revealing and suggestive of what is in store of a dealer. While CENVAT limits its self to the organized manufacturing sector, the present VAT is to cover not only the Mfg. activities but also all the trading activities till the product reaches the ultimate consumer. The problems and aberrations involving large scale corruption, harassment, Collusion and arbitrary interpretation experienced in respect of the central scheme would therefore be more pronounced in the present VAT.

CONCLUSION

No doubt that our tax collection after delay of new tax system (VAT) have risen between 20% and 30% since the introduction of VAT. But the main questions that arises is as to whether We have achieved the setout objectives during these initial 12 years. In the midst of political interferences this path breacking state level VAT in spite of its problem while replacing much maligned sales tax systems multiplicity of tax rates, classifications of commodities, reducing cascading effect, reducing unhealthy competition i.e. rate war amongst states, reducing large number of tax laws and large number of tax exemptions, in spite of lack of professionalism and poor exercised of the state administrators have evolved as a solid measure for picrcing the way for the much awailed tax implementation of G.S.T. as a dream reform for a economy full of adverse political factors where leaders intend for vote bank like India.

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