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GST OVER VAT IN INDIA: A TRADER'S ATTITUDINAL PERSPECTIVE

- **Dr. Poonam Sharma,** Assistant Professor, P.G. Department of Commerce & Business Administration, Khalsa College, Amritsar, Punjab.
- **Dr. Jaspal Singh,** Professor, Department of Commerce, Guru Nanak Dev University, Amritsar Punjab.

Abstract

Purpose: The purpose of this paper is to assess the awareness level of traders regarding Value Added Tax (VAT) in India besides examining the implications of the respondent's attitude for the policy-makers especially in context of Goods and services tax.

Design/methodology/approach: For assessing the attitude of respondents towards the VAT system, primary data has been collected from a sample of 214 respondents using well-structured and pre-tested questionnaire which was drafted on the basis of relevant literature.

Findings: The paper finds that in India the main concern of the respondents is for the trader friendly environment along with factors like impact on tax rates and prices, implementation issues and administration costs. Further, the complexity of tax procedure has emerged as an important issue. Computation of VAT liability has also been identified as a major factor by the respondents.

Research limitations/implications: Major limitation is that study is based on the attitude of respondents from Amritsar city of Punjab State in India and hence the findings may not be generalized for the country as a whole.

Practical implications: The present paper brings into light the fact that though the majority of the states in India have adopted Value Added Tax (VAT), but it cannot be regarded as an ideal tax in its present form due to multiplicity of rates besides co-existence of indirect taxes like central sales tax, central excise etc. Hence, traders in India are in a state of efflux due to the presence of layers of taxes. Hopefully, the Goods and Services Tax (GST) proposed to be implemented by government of India as a replacement for VAT and other taxes may provide solution to such problems. 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 producer's point to the retailers point than what was possible under the prevailing CENVAT and VAT regime..

Keywords *- VAT, Traders, Central sales tax, Complexity, Tax-rates, CGST, SGST*

GST OVER VAT IN INDIA: A TRADER'S ATTITUDINAL PERSPECTIVE

Introduction

The system of indirect taxation in India is urgently in need of reforms is hardly disputed. Expansion of the tax base, reduction in evasion, simplification of rules to bring about transparency and efficiency should obviously be the objectives of any tax reform policy. However, the achievement of these objectives is more or less independent of the mode of tax collection or the base on which tax obligations are calculated. This is so for two reasons. First, the factors which have resulted in unending legal disputes, inefficient enforcement, large-scale evasion, etc, are not due simply to the mode of taxation. This being the case, the view that a switch over to the value added taxation (VAT) is the panacea for all aforesaid problems is clearly untenable. Secondly, expansion of tax base by bringing services within the purview of taxation, simplification of rules, efforts at bringing about greater harmonization of tax rates across states and other similar reforms need not be and are not tied to a switch over to VAT (Sundaram, Pandit and Mukherji, 1995).

It is generally perceived that the introduction of VAT would bring in the elements of simplification of tax rates besides other advantages like transparency, fair and equitable basis, increased revenue and wider scope. Gurumurthi (1993) discussed the issue of introduction of VAT with a view to suggesting a possible approach to moving towards VAT in a large federal economy such as India. It was stated that apart from the advantages of eliminating cascading effect associated with sales tax regime, VAT also holds out great potentials of raising additional resources by bringing within its purview the services sector like medical, computer, consultancy and automobile services and even a sector like housing.

Therefore, a country like India which experiences the phenomenon of a large fiscal deficit might stand to gain by opting for VAT in the not-too distant a future. Bagchi (1994) observed that revenue neutrality could not be achieved with the reforms that have taken place so far until real progress is made in introducing a comprehensive tax on domestic consumption for which the only efficient instruments are a retail sales tax or tax on value added basis. If taxation of retail sales which offers efficient way of taxing domestic consumption is ruled out for administrative reasons, then the only alternative is the destination-based value added tax. The aim should be to move towards a destination-based value added tax at the state level on the pattern obtained from the European Union, replacing the existing sales taxes. Here, as elsewhere, the urge for reform has to come from below - from the people and the economic agents who arc affected the most. In the absence of general awareness of the urgency and a consensus on what is desirable, prospects for radical reform of domestic trade taxes and introduction of a truly harmonized value added tax seem distant. Murty (1995) in his study covering the commodity tax reforms in India stated that comprehensive VAT with consumption base covering the full chain of business activities from manufacturing to retailing is identical to a tax on retail sales. Given a choice between a VAT and a tax on retail sales, a developing country has to opt for VAT, because retail sales departments are small, unstable and informal in those countries. A comprehensive VAT with the consumption base, the tax credit method,

and the destination principle to determine VAT on international and inter-state trade flows can form an ideal commodity tax structure for India. In a federal country like India, it may be ideal to have state and central VATs substituting the current state and central taxes on goods and services respectively.

Sundaram, Pandit and Mukherji (1995) examined the central issue of revenue neutrality and relative prices under alternative tax systems. It was stated that in considering a switch over to value added taxation or any of its variants, what is of fundamental importance is the effect on resource allocation in the economy and resource transfer to the government. This implies that what needs to be considered is the revenue that is generated under alternative systems and the structure of absolute and relative prices associated with each. A key argument widely advanced in favour of a switchover to VAT is the need to free inputs from taxation so that input choices are made efficiently without being distorted by input-taxation. Analysis reveled that, under an invoice-based VAT with non- uniform tax rates across sectors, inputs are, in general, not free from taxes (positive or negative). Further, rebates would also pose a problem for anyone who has had to deal with government bureaucracy.

Pricewaterhousecoopers' Survey (2006) on VAT implementation covering more than 100 companies with all India operations revealed that VAT was largely price-neutral on an overall basis. As many as 57 per cent of the respondents did not perceive any change in prices due to VAT. FICCI Survey (2006) on problems of corporate and traders with regard to the procedural and administrative hassles in VAT regime revealed several key areas of concern like non-availability of 'Form C', refund of input tax credit in excess of output tax, maintenance of books of accounts and reconciliation thereof etc.

Another survey by The Associated Chambers of Commerce and Industry of India (2007) revealed that the major reason behind the increase in transaction costs during the VAT regime may be attributed to money incurred to get the VAT refund and increased paper work, record keeping and employment of separate staff for the purpose.

The above given studies reveal that though enough literature is available on taxpayer's attitude around the globe, but, to the best knowledge of researcher, there is a dearth of same as regards indirect taxation in India. Thus, the present study is an attempt to:

- Examine the implications of the respondent's attitude as regards Value Added Tax in India.
- To study the structure of proposed Goods and Services Tax in India and to make suggestions to the policy-makers for improving goods and services tax system in India.

RESEARCH DESIGN

Sample and Questionnaire

For assessing the attitude of respondents towards the VAT system, primary data has been collected using well-structured and pre-tested questionnaire which was drafted on the basis of relevant literature. A pool of 19 statements (Table I) was developed on a five-point Likert scale ranging from 'strongly agree' (5) to 'strongly disagree' (1). Items were finalised after consulting relevant literature (Ebrill et al. 2001; Ahuja,

2004; ICRA, 2005, Kumar, 2005; The FICCI survey, 2006; Khatik, 2006; Pricewaterhousecoopers' Survey, 2006; ASSOCHAM, 2007).

The questionnaires were distributed to a sample of 250 respondents (Traders from the Trading Firms as well as Manufacturing Firms) in Amritsar city of Punjab in India. As no published list of taxpayers was available, therefore, the sample has been collected on the basis of convenience-cum-judgement sampling. In all, 227 responses were received out of which 214 responses (94.27 per cent) were found to be valid for the purpose of the present study.

Statistical Techniques

Factor analysis has been applied for identifying the factors influencing the attitude of respondents as regards VAT system in India. Before applying the factor analysis, *Reliability* of the scale was checked with the help of *Cronbach's alpha* to assess the internal consistency of the entire scale. Besides the exploratory factor analysis, mean and standard deviation for the 19 variables have also been computed and analyzed. SPSS (11.5) was used for the analysis.

DATA ANALYSIS

Scale Construction, Reliability and Validation

Scale Construction

As already explained, a set of 19 statements was formulated to measure the attitude of respondents by consulting the relevant literature. The respondents were asked to indicate their level of agreement with each statement on a five point likert scale ranging from 'Strongly Agree' to 'Strongly Disagree'.

Reliability and Validity Analysis

By using reliability analysis, one can determine the extent to which items in the questionnaire are related to each other besides getting an overall index of the repeatability or internal consistency of the scale as a whole. The most widely used measure for diagnosing the reliability of the entire scale is the Cronbach's alpha. The generally agreed upon lower limit for Cronbach's alpha is 0.70, although it may decrease to 0.60 in exploratory research (Hair et al., 2005, p. 118). The overall Cronbach alpha for the 19-item scale has been estimated as 0.7464, which could be regarded as an adequate keeping in view the exploratory nature of the research. Validity is the extent to which a scale or set of measures accurately represents the concept of interest (Hair et al. 2005). Face validity is the mere appearance that a measure is valid (Kaplan and Sacuzzo, 1993).

The instrument for the present study ensures face and content validity due to its being based on relevant conceptual and empirical literature.

To sum up, the 19-item scale has reflected strong evidence of reliability, face and content validity.

Table I

19-item Attitude Scale
(Descriptive Statistics)

Label	Statements	Mean Score	Standard
S 1	The government did enough to make the traders aware about VAT.	2.9673	1.24616
S 2	Registration for VAT is tough.	3.3972	.96716
S 3	VAT is trader friendly.	3.1355	1.13640
S 4	The transition from sales tax to VAT has been smooth.	3.2523	1.08851
S 5	The proposed GST will lead to uniformity of tax rates.	2.9019	1.19258
S 6	VAT rates are higher than PST rates.	2.9439	1.11188
S 7	VAT has lead to increase in prices.	3.3879	1.06768
S 8	VAT has increased profit margins.	2.6402	1.05103
S 9	Due to VAT, working capital requirements have increased.	3.9626	.80986
S 10	Administrative costs for business have increased due to VAT.	4.1963	.73080
S 11	Accounting requirements have gone simple on account of VAT.	2.7336	1.15026
S 12	The sales department is fully prepared with respect to technology and effective implementation.	2.6028	1.13261
S 13	As against VAT, GST will curb sales tax evasion better.	2.9393	1.11374
S 14	Penalties under VAT are reasonable.	2.3271	1.20075
S 15	Format of the VAT form is simple.	3.1215	1.25754
S 16	Filing of VAT return is time consuming.	3.8598	1.03415
S 17	Filing requires unnecessary details.	4.0047	.82506
S 18	Filing quarterly return is better than annual return.	3.2336	1.20702
S 19	Form makes computation of VAT liability easy.	3.3832	.99901

As a five-point likert scale was used for measuring the attitudes of taxpayers, the maximum score to be received is 95 (i.e. if all 19 statements in the scale receive a score of five). As per Table I, the mean score of the respondents is 61, i.e., 34 per cent below the maximum. This score, in general terms, reveals a positive attitude of the respondents as regards issues of VAT in India.

Exploratory Factor Analysis

The 19-item scale was subject to Exploratory Factor Analysis to summarize the data into fewer and more understandable factors. In Principal Component Analysis, the total variance in the data is considered. It is recommended when the primary concern is to determine the minimum number of factors that will account for maximum variance in the data for use in subsequent multivariate analysis. The factors are called principal components (Malhotra, 2005, p.564). The rotation is called Orthogonal Rotation, if the axes are maintained at right angles. The most commonly used method for rotation is the Varimax procedure. This is an orthogonal method of rotation that minimizes the number of variables with high loadings on a factor, thereby enhancing the interpretability of the factors (Malhotra, 2005, p.568).

The appropriateness of factor analysis has been determined by computing the Correlation matrix, Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy and Bartlett test of Sphericity. The results for these measures are as follows:

- Correlation Matrix: A correlation matrix is a lower triangle matrix showing the simple correlations, r, between all possible pairs of variables included in the analysis. The correlation matrix (Table II) revealed substantial correlation among the variables.
- Kaiser-Meyer-Olkin Measure of Sampling Adequacy: Another measure to quantify the degree of inter-correlations among the variables and the appropriateness of factor analysis is the measure of sampling adequacy. This index ranges from 0 to 1, reaching 1 when each variable is perfectly predicted without error by other variables. The measure can be interpreted with the following guidelines: 0.80 or above, meritorious; 0.70 or above, middling; 0.60 or above, mediocre; 0.50 or above, miserable; and below 0.50, unacceptable (Hair et al., 2005, p.99). The value of KMO measure of sampling adequacy is 0.742 (Table III), which also shows that the factor analysis is an appropriate technique for analyzing the data.

TABLE II: CORRELATION MATRIX OF THE RESPONDENTS SCALE

	S1	S2	S3	S4	S5	S6	S7	S8	S9	S10	S11	S12	S13	S14	S15	S16	S17	S 18	S 19
S1	1																		
S2	.517(**)	1																	
S3	.544(**)	.553(**)	1																
S4	.390(**)	.390(**)	.561(**)	1															
S5	.134	.095	.121	.037	1														
S6	-.076	-.141(*)	-.239(**)	-.202(**)	.230(**)	1													
S7	-.220(**)	-.118	-.163(*)	-.178(**)	.310(**)	.430(**)	1												
S8	.310(**)	.317(**)	.548(**)	.289(**)	.324(**)	-.021	.004	1											
S9	.036	.103	.011	.123	-.223(**)	-.008	-.108	-.176(**)	1										
S10	-.096	.069	.007	.067	-.193(**)	.002	.155(*)	-.293(**)	.473(**)	1									
S11	.272(**)	.412(**)	.545(**)	.425(**)	-.026	-.199(**)	-.298(**)	.472(**)	-.061	-.105	1								
S12	.303(**)	.432(**)	.389(**)	.291(**)	.159(*)	-.122	-.190(**)	.199(**)	-.073	-.104	.563(**)	1							
S13	.249(**)	.284(**)	.307(**)	.082	.310(**)	-.029	-.059	.274(**)	-.190(**)	-.251(**)	.200(**)	.461(**)	1						
S14	.139(*)	.130	.067	.034	.501(**)	.401(**)	.227(**)	.276(**)	-.253(**)	-.298(**)	.060	.269(**)	.475(**)	1					
S15	.494(**)	.501(**)	.576(**)	.588(**)	-.051	-.096	-.221(**)	.328(**)	.147(*)	-.006	.522(**)	.426(**)	.159(*)	.020	1				
S16	.088	.323(**)	.144(*)	.098	-.099	.083	.071	-.051	.313(**)	.447(**)	.114	.040	-.020	.030	.183(**)	1			
S17	.078	.168(*)	.014	.014	-.219(**)	-.076	-.066	-.058	.211(**)	.131	.130	.097	-.122	-.111	.036	.479(**)	1		
S 18	-.039	.097	.110	.009	.411(**)	.199(**)	.079	.300(**)	-.140(*)	-.254(**)	.130	.109	.360(**)	.378(**)	.025	-.271(**)	-.341(**)	1	
S 19	.138(*)	.294(**)	.264(**)	.101	.154(*)	-.002	.155(*)	.271(**)	-.238(**)	-.078	.253(**)	.168(*)	.245(**)	.165(*)	.161(*)	-.039	.004	.323(**)	1

*Correlation is significant at 0.05 level
** Correlation is significant at 0.01level

- **Bartlett Test of Sphericity**: The Bartlett test of sphericity provides the statistical probability that the correlation matrix has significant correlations among at least some of the variables. Table 6 shows that the value of Chi-Square = 1597.900 df =171 is significant ($p < 0.001$) which further shows the appropriateness of data for factor analysis.

The item scale was subject to factor analysis using ***Principle Component method*** with ***Varimax rotation.*** The principle component analysis was conducted using the SPSS 11.5 statistical package. The commonly used procedure of Varimax orthogonal rotation for factors whose ***eigen values*** were greater than 1.0 was employed in the analysis. The rationale for the latent root criterion/eigen value is that any individual factor should account for the variance of at least a single variable if it is to be retained for interpretation. Each variable contributes a value of 1 to the total eigen-value. Thus, only the factors having latent roots or eigen-values greater than 1 are considered significant; while all factors with latent roots less than 1 are considered insignificant.

Items were retained that had loadings of 0.45 or greater and loaded clearly on only one factor. A five factor solution was extracted, accounting for 63.13 per cent of the total variance. The rotated factor matrix, eigen values and per cent of variance along with communalities (h^2) are presented in Table III.

Naming the Factors

F1: Trader friendly

F2: Impact of tax rates on prices

F3: Implementation issues and administration costs

F4: Complexity of VAT return forms

F5: VAT liability computation

TABLE III : ROTATED FACTOR MATRIX

	F1	F2	F3	F4	F5	h^2
S1	.664					.492
S2	.696					.617
S3	.830					.741
S4	.762					.610
S5		.660				.578
S6		.716				.569
S7		.645				.694
S8	.517					.551
S9					-.531	.604
S10			-.652			.640
S11	.627					.620
S12			.573			.609
S13			.655			.592
S14		.682				.758
S15	.808					.661
S16				.796		.744
S17				.810		.709
S 18						.519
S 19					.788	.687
Eigen Value	**4.643**	**3.160**	**1.883**	**1.222**	**1.086**	**11.995**
Cumulative Var. (per cent)	**21.699**	**33.808**	**44.763**	**55.146**	**63.130**	

Overall Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) value = 0.742

Bartlett's test of Sphericity: Approx. Chi-Square=1597.900 df=171 Sig. = 0. 000

F 1: Trader friendly

This factor is the most important factor as it accounts for 21.699 per cent of the total variance. Table IV gives the composition of this factor along with the factor labels and loadings. In total, seven variables have loaded on this factor.

TABLE IV: TRADER FRIENDLY

Labels	Variables	Loadings
S3	VAT is trader friendly.	0.830
S15	Format of the VAT form is simple.	0.808
S4	The transition from sales tax to VAT has been smooth.	0.762
S2	Registration for VAT is tough.	0.696
S1	The government did enough to make the traders aware about VAT.	0.664
S11	Accounting requirements have gone simple on account of VAT.	0.627
S8	VAT has increased profit margins.	0.517

It is clear from table IV that the variable S 3 'VAT is trader friendly' has got the highest loading of 0.830 followed by the other variables i.e. S 15 (0.808), S 4 (0.762), S 2 (0.696), S 1 (0.664), S 11 (0.627), and S 8 (0.517). The successful implementation of any tax depends on the easy understanding by the taxpayers besides effective use of administrative machinery.

F2: Impact of tax rates on prices

The second most important factor is the 'Impact of tax rates on prices' and it accounts for 12.108 per cent of variance. In total, four variables have been loaded on this factor. Table V gives a description of these variables along with factor loadings.

TABLE V: IMPACT OF TAX RATES ON PRICES

Labels	Variables	Loadings
S6	VAT rates are higher than PST rates.	0.716
S14	Penalties under VAT are reasonable.	0.682
S5	The proposed GST will lead to uniformity of tax rates.	0.660
S7	VAT has lead to increase in prices.	0.645

It is clear from table V that the variable S 6 'VAT rates are higher than PST rates', has got the highest loading of 0.716 followed by the other variables i.e. S 14 (0.682), S 5 (0.660), and S 7 (0.645). In India, though VAT has been implemented in different states, yet due to lack of uniformity in tax-rates along with existence of other indirect taxes like CST, central excise tax; taxpayers are over-burdened with cascading effect.

F3: Implementation issues and administration costs

The third factor that has emerged from the analysis is the 'Implementation issues and administration costs' and it accounts for 10.955 per cent of the total variance. It is clear from table VI that three variables have loaded on this factor namely; S 13 (0.655), S12 (0.573), and S 10 (-0.652) respectively in that order.

TABLE VI: WORKING CAPITAL AND ADMINISTRATION COSTS

Labels	Variables	Loadings
S 13	As against VAT, GST will help curb sales tax evasion better	0.655
S12	The sales department is fully prepared with respect to technology and effective implementation.	0.573
S10	Administrative costs for business have increased due to VAT	-0.652

As per this factor, though GST implementation could help in curbing sales tax evasion but for ensuring it, technology savvy staff would be pre-requisite. Moreover, negative loading of S 10 indicates that VAT also has an impact (i.e. adverse impact) on the administrative costs of business in India.

F4: Complexity of VAT Return Forms

The fourth factor that has emerged from the analysis is the 'Complexity of VAT return forms' and it accounts for 10.383 per cent of the total variance. Table VII gives the composition of this factor along with loadings.

TABLE VII: COMPLEXITY OF VAT RETURN FORMS

Labels	Variables	Loadings
S17	Filing requires unnecessary details.	0.810
S16	Filing of VAT return is time consuming.	0.796

The two variables that got loaded on this factor are S 17 'Filing requires unnecessary details' (0.810) and S 16 'Filing of VAT return is time consuming' (0.796). The existence of multi-layer taxes along with cumbersome filing procedure defeats the very purpose of introducing any new initiative to increase the revenue of the exchequer.

5: VAT liability computation

This is the last factor and it accounts for 7.006 per cent of the total variance. Only two variables i.e. S19 (0.788) and S 9 (-0.531) got loaded on this factor. Table VIII gives the composition of this factor along with loading.

TABLE VIII: VAT LIABILITY COMPUTATION

Labels	Variables	Loadings
S19	Form makes computation of VAT liability easy.	0.788
S9	Due to VAT, working capital requirements have increased.	-0.531

The computation of VAT liability depends not only on the pattern of form but also on the billing systems that at present is subject to extreme variations in different states. Negative loading of S9 indicates a negative relationship between S19 and S9 variables i.e. working capital requirements move in opposite direction to an attempt to make computation of VAT liability easy (it increases with every type of VAT Form). So, there is a need to ensure transparency in the billing procedures followed by traders and manufacturers in India across states.

Goods and Services Tax – The Unified Taxation of Goods and Services

As stated in The Tribune dated August 4, 2016 Rajya Sabha unanimously passed the Constitution (122nd Amendment) Bill,2014, with 203 votes in favour. Bill as passed by RS will first go to Lok Sabha again, since it underwent amendments after being first passed by LS on May 6, 2015. Being a constitutional amendment that involves the states, at least 50 per cent have to ratify it. The necessary IT infrastructure also has to be set up. The GST bill gives concurrent taxation powers to both centres and states. The centre will levy a central GST, while states will levy a state GST.

"Goods and Services Tax" would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India and would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they pay on purchase of goods or services as part of their normal commercial activity. If GST is implemented there is likely to be short-term lift to price pressures, especially as service taxes are raised from the current 15% to 17-18%. Consumers will have to pay more for services such as mobile bills, financial services and eating out that account for 57 per cent of the GDP. Further, it will shift trade from the unorganized to the organized segment and improve efficiency.

Tax-Rate under the proposed GST

The tax-rate under the proposed GST would fall, but the number of assesses would increase by 5-6 times. Although rates would come down, tax collection would go up due to increased buoyancy. The government is working on a special IT platform for smooth implementation of the proposed Goods and Services Tax (GST). The IT special purpose vehicle (SPV) christened as GST N (Network) will be owned by three stakeholders—the centre, the states and the technology partner NSDL.

Structure of GST

The following points briefly highlight the structure of GST in India:

- The power to make laws in respect of supplies in the course of inter-State trade or commerce will be vested only in the Union government. States will have the right to levy GST on intra-State transactions including on services.
- Centre will levy IGST on inter-State supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- GST defined as any tax on supply of goods and services other than on alcohol for human consumption.
- Central taxes like, Central Excise duty, Additional Excise duty, Service tax, Additional Custom duty and Special Additional duty and State level taxes like, VAT or sales tax, Central Sales tax, Entertainment tax, Entry tax, Purchase tax, Luxury tax and Octroi will subsume in GST.
- Petroleum and petroleum products i.e. crude, high speed diesel, motor spirit, aviation turbine fuel and natural gas shall be subject to the GST on a date to be notified by the GST Council.

- 1% origin based additional tax to be levied on inter-State supply of goods will be non-creditable in GST chain. The revenue from this tax is to be assigned to the Origin State. This tax is proposed to be levied for initial two years or such period as recommended by the GST Council.
- Provision for removing imposition of entry tax / Octroi across India.
- Entertainment tax, imposed by States on movie, theatre, etc will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level to continue.
- GST may be levied on the sale of newspapers and advertisements and this would give the government's access to substantial incremental revenues.
- Stamp duties, typically imposed on legal agreements by the state, will continue to be levied by the States.
- Administration of GST will be the responsibility of the GST Council, which will be the apex policy making body for GST. Members of GST Council comprised of the Central and State ministers in charge of the finance portfolio.

Justification of GST

- In the present state-level VAT scheme, CENVAT load on the goods has not yet been removed and the cascading effect of that part of tax burden has remained unrelieved. Further, several taxes in the states, such as Luxury tax, Entertainment tax, etc. have still not been subsumed in the VAT. There has also not been any integration of VAT on goods with tax on services at the State level with removal of cascading effect of service tax. Thus, GST is not simply VAT plus service tax but a major improvement over the previous system of VAT and disjointed services tax.
- 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 producer's point to the retailers point than what was possible under the prevailing CENVAT and VAT regime. The uniformity in tax rates and procedures across country will go a long way in reducing the compliance cost. This would help in better tax compliance and a lowering of tax burden on an average dealer in industry, trade and agriculture.
- The subsuming of major central and state taxes in GST, complete and comprehensive set off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will help in improving the competitiveness of Indian goods and services in the international market and give boost to Indian exports.

- GST would also benefit the consumers as they would have to bear a lower burden of taxes on goods due to the removal of cascading effects of CENVAT, service tax, CST etc.·
- India is a federal country where both the Centre and States have been assigned the powers to levy and collect taxes throughout appropriate legislation. Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. A dual GST, therefore, is as per the Constitutional requirement of fiscal federalism.

Structural Defects that Needs Attention by the Policy-Makers vis-a-vis Survey Results

In the light of above given discussion, GST structure in its present form has certain shortcomings that needs to be addressed before they are implemented. These are:

- GST involves a highly complicated system for inter-state credit of input tax and finally with no certainty that states will always abide by the fixed rates of tax. The third factor that has emerged from the analysis of the present study i.e. "Implementation issues and administration costs" also supports this issue. According to this factor, technology savvy staff would be a pre-requisite for ensuring effective implementation of any new tax system in India.
- An extremely important point is that on the common base of tax, there will be two collectors, one the centre and other the states. In no other model of GST in any other country such a situation exists. In Canada (whose indirect tax structure is most comparable to India) the tax base is common (i.e. combination of central taxes and state sales tax). But if once taxed, the other authority does not charge on the same tax base.
- GST on imports will result in increased cost. Sectors like construction, railways etc. which do not pay duty will get no credit but will have to bear the extra burden of tax. In the present study, 'Impact of tax rates on prices' is one of the factors that highlight the problem of cascading effect.
- GST would also increase complexity as there will be millions of transactions relating to payment of tax to the State, transfer of tax from the selling State to the Centre, again transfer from Centre to the buying State by book adjustment through computer system involving auditing procedures also. The findings of the present study also support this issue. VAT liability computation has emerged as one of the factors which indicate that the computation of VAT liability depends not only on the pattern of form but also on the billing systems that at present is subject to extreme variations in different states.

Conclusion and Suggestions

The present paper brings into light the fact that though majority of the states have adopted VAT, but it cannot be regarded as an ideal tax in its present form due to the existence of multiple rates besides other indirect taxes like central sales tax, central excise tax etc. So, at present, traders in India are facing cascading effect of taxes due to the presence of layers of taxes. Overall, it could be stated that in India the main concern of the respondents is for the trader friendly environment besides factors like impact on tax rates and prices, implementation issues and administration costs, complexity of VAT return and VAT liability computation. These results reflect the vote and support of respondents for a simple and transparent tax structure. The following suggestions could be considered in this regard:

- Limits of turnover for composite scheme should be increased so that small and medium traders are not overburdened with tax liability.
- Tax-evasion acts as a major barrier for the successful implementation of any tax law. Enforcement activities must be used in an effective manner to curb evasion of taxes in different states.
- Regular training programs must be organised for the concerned officers as well as traders so as to enhance and update their knowledge about the different aspects of law relating to taxation of goods and services.
- As prevalent under VAT regime, the states charge different rates on goods and services in accordance to their economic standing. Therefore, under GST, the formulae of share between the originating state and the recipient state in case of stock transfer should consider such factors.
- Transparency should also be ensured with regard to refund of taxes.
- There should be a common appellate body for all GST disputes across India.
- Electronic connectivity (of all taxpayers) should also be ensured as this would bring in more efficiency.

Research limitations and Scope for future research

Major limitation is that study is based on the attitude of respondents from Amritsar city of Punjab State in India and hence the findings may not be generalized for the country as a whole. The future research can thus overcome this limitation by enhancing the sample size and area.

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