PREFACE

Taxation is one of the principal sources of public finance and is an effective tool for the government to utilize the taxation revenues for equality and justice. The need for reforming the existing taxation structure by the states with a view to broadening the tax base, minimizing distortionary effects and increases in cost and at the same time improving the equity of the system has been recognized by the Committee of State Finance Ministers who gave their recommendations to adopt the VAT principle at their meeting in Delhi in August 1995.

Value Added Tax (VAT), as the term means, is a tax on the value added to the commodity at each stage in the production and distribution chain. The production-distribution chain, popularly known as supply chain in the modern system starts from manufacturer producing an item, this item passes through various agencies like distributor, wholesaler and retailer before it reaches the final consumer. The value added at each stage in the supply chain is determined by the difference in the sale price of that entity and purchase value of bought out items of that entity. In contrast to the existing system of taxation of goods and services at single or multiple points, VAT is a tax levied on the commodity or service at each point of value addition.

The present study has been undertaken to assess the reforms in sales tax structure with special reference to VAT in Kerala. The study aimed at enquiring into the reforms in the sales structure and assessing the perception of the manufacturers/traders, consumers and VAT officials on VAT in Kerala. It also aims to study the VAT machinery and to assess the impact of VAT in Kerala. The assessment has been made by collecting the perspectives of manufacturers/traders, consumers and VAT officials. The study covers a period from 2001-02 to 2008-09. Both the primary and secondary data were
used for the study. The primary data were collected from manufacturers/traders, consumers and VAT officials, based on a structured interview schedule. A total of 150 manufacturers/traders, 450 consumers and 30 VAT officials were selected by using a systematic random sampling technique. Secondary data used for the study were collected from books, periodicals, committee reports, official records, government publications and the internet. The data collected were classified in order and suitably analysed by taking the appropriate statistical tools, considering the objectives set for the study.

The study is organized in six chapters. Chapter one gives an introduction which contains review of literature, statement of the problem, significance of the study, objectives of the study, hypotheses, variables used for the study, methodology, period of the study, definition of the terms used in the study and limitations of the study. Chapter two contains an assessment of the reforms in the sales tax structure. Chapter three presents the perception of manufacturers/traders, consumers and VAT officials on VAT in Kerala. Chapter four deals with the working of the VAT machinery in Kerala and also the perception of manufacturers/traders and VAT officials on its working. Chapter five carries an assessment of the impact of VAT on manufacturers/traders, consumers and VAT officials and also on the revenue of the state of Kerala. The last chapter (Chapter six) contains a summary of the findings and recommendations based on the study.

The findings of the study would hopefully be useful to manufacturers/traders, consumers, VAT officials, the government, policy makers, scholars and academics.

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