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Chapter VII
FINDINGS, SUGGESTIONS AND CONCLUSIONS

MODVAT was implemented in India with effect from 01-03-1986 on selective goods and gradually it had been extended to all commodities in the name of CENVAT from April 2002. Services were also included with CENVAT from 2004-05. By replacing sales tax, VAT was introduced in the States from 01-04-2005 (Haryana 01-04-2005). A value added tax or value-added tax (VAT) is a form of consumption tax. From the perspective of the buyer, it is a tax on the purchase price. From that of the seller, it is a tax only on the "value added" to a product, material or service. The manufacturer remits to the government the difference between these two amounts, and retains the rest for themselves to offset the taxes they had previously paid on the inputs. Almost all the States in India has implemented VAT and encountered with administrative difficulties in implementing VAT. The implementation of any levy in any country for that matter requires careful study of the existing financial system. Likewise, at the time of introducing VAT in India faced lot of hurdles, implementation bottlenecks, pitfalls in collection and so forth.

The generation of VAT revenue signifies sizeable portion to the nation exchequer. This augmentation is from the sectors of services, goods, consumables, components and raw materials.

A midst this background the present research work is carried out to have an inquisitive look into the following matters namely, implementation hurdles as faced by traders regarding the VAT, system and implementation and elicitation of opinion from the general public regarding the system of VAT and administration of Puducherry.

The present study is carried out with the following objectives:

- To study various aspects of VAT system in India and to analyze the aspects of VAT system in developed countries.

To examine responses from the experts regarding implementation and administration of VAT in Puducherry State.
• To elicit the opinion of traders (business men) relating to their perception about VAT in Puducherry State.
• To evaluate the opinion of General Public regarding the VAT in Puducherry State.
• To analyze the current Sales tax form and its impact in the administration of VAT.
• To study the problems and prospects of administration of the proposed Goods and Services Tax in the years to come.
• To suggest suitable measures for better administration and recovery of service tax in India and in particular the State of Puducherry.

This study is intended to identify the present status of VAT, and the main reasons for switching over to GST. The study is descriptive in nature, based on simple random survey method. The primary data collected from the respondents (Traders General public and Experts) about perception of the present VAT system and their expectations in forth coming GST. Interview schedule has been formulated and administered accordingly. The Secondary data were collected through Journals, Newspapers, and Books, websites, published and unpublished records of the Commercial Taxes Department of Puducherry. This study brings out suggestions and inferences drawn from the analysis of both primary and secondary data.

HYPOTHESES

• There is no significant difference between trade registration and trader characteristics (H01).
• There is no significant difference between regular filing of tax returns and trader characteristics (H02).
• There is no significant difference in the problem faced in the present VAT system between regulated and unregulated traders (H03).
• There is no significant difference in the problem faced in the present VAT system between proprietorship and partnership trading concerns (H04).
• There is no significant difference between problem faced in the present VAT system and experience of the trader (H05).
• There is no significant difference between problem faced in the present VAT system and business turnover (H06).
• There is no significant difference between problem faced in the present VAT system among wholesaler, retailers and manufacturers (H_{07}).

• There is no significant difference between problem faced in the present VAT system and method of taxing (H_{08}).

The findings emerged out from the inferences of the results of the analysis of opinion of administrators, professionals; traders and general public are summarized in this chapter as follows.

### 7.1 FINDINGS RELATING TO “DATA ANALYSIS –I: OPINION OF EXPERTS”

The followings are the findings from the empirical analysis of the respondents’ opinion relating to “Data Analysis –I Opinion of Experts” out of the respondents of 55 samples 36 are professionals and the balance 19 are administrators.

• The major complications in, dealing with traders were carrying out transactions without invoicing(Mean score3.96) and improper submission of accounts.(3.80)

• When the professionals and administrators are compared based on their opinion with complications in dealing with traders in ‘carrying out transactions without invoicing’ is high for both of them. Opinion on Improper submission of accounts differs significantly where administrators perceive it to be moderate where the professionals perceive it to be high.

• Friedman ANOVA and Kendall coefficient of concordance are used to test for ranking data to identify the similarities among the respondent group in ranking the items between the professionals and administrators. The statistical significance is ascertained using Friedman ANOVA chi-square value. The major problem faced by authorities in implementation of VAT is agitation from traders with a low rank (2.11) being highly preferred.

• When the same test is applied to identify the opinion between the professionals and administrators on the major problems faced by them in the implementation of VAT. The professionals have perceived the agitation from traders as the major problem whereas administrators found it to be educating the traders.
• Regarding the working of VAT, it is found that it really works out as a self-regulatory mechanism, which checks tax evasion and in respect of rules for defining the place of origin/destination of inter-state supplies of goods create problem of taxation has been good as per professionals whereas working of VAT system in increasing Puducherry’s tax revenue and moving the traders registered under PGST to VAT is perceived to be better by administrators.

• With respect to precautionary measures taken by authorities to ensure prompt payment of tax based on yes opinion are more than fifty per cent and of the traders responded that inspecting the trader’s accounts, followed by sending circular to all defaulting traders.

• It is found that out of two GST models, the dual model (58.2%) has been judged as the best preferred model by both experts.

• On comparison of opinion between professionals and administrators, it is opined that the proportion of administrators (68.4) with dual method is more than that of professionals (52.8).

• On comparison of opinion between professionals and administrators on the number of experiences, their opinion varies. Experts with field experience of 11-15 years and upto 10 years expect dual GST method.

• Out of the three methods under VAT for valuation of goods Invoice method, the remarkable per cent (78.2) is judged as the best method, followed by addition method.

• Based on the average rank scores, it is found that self policing mechanism which checks tax-evasion and ‘self- auditing and self-submission leads to proper maintenance of accounts’ are the best mechanism in the present working of VAT.

• Professionals have ranked that ‘self policing mechanism which checks tax-evasion’ and ‘self- auditing and self-submission leads to proper maintenance of accounts’.

• The primary purpose of traders/administrators to contact authorities is ‘queries or revision’ followed by ‘remission of tax’.
• With regard to administrative difficulties due to implementation of GST systems, the sizeable majority 55.6 per cent of the professionals perceived as moderate whereas 68.4 per cent of the administrators have observed it as high and both groups differ significantly in this regard.

• Also, it is found from the entire results that most of outcomes in India while implementing GST system except ‘administrative difficulties’ and ‘more tax compliance’ is in between low and moderate. The outcomes from implementation of GST system namely ‘administrative difficulties’ and ‘more tax compliance’ is high according to most of the administrators.

• It is observed from the study that meeting tax authorities by traders / business men directly as well as through representative is very rare.

• It is also found that both the experts, professionals and administrations do agree with the reasons for implementation of VAT.

• Based on the study, the expected registration threshold should not be more than Rs. 25 lakhs.

• The major revision in present move towards GST is to have uniform floor base rate for all States.

• The researcher identified that the reason perceived as major revision for the move towards GST ranks in similar order between both the professionals and administrators.

• It is concluded that the problem faced by the traders after implementation of VAT is mainly related to maintaining invoices and vouchers followed by auditing of accounts.

• It is observed that the professionals perceive maintaining of invoices and vouchers as the main problem under VAT after implementation while administrators view auditing of accounts as the main problem faced by the traders after the implementation of VAT.

• It is found that the overwhelming majority said that interest (98.2) fine and penal action are the major set of disciplinary action taken by tax authorities against traders in India.
• It is identified that the major problems likely to be faced by Central Government in bringing GST is related to preparedness of the States for GST (rank-I).

• Educating the traders/manufacturers/consumers is the main problem likely to be faced by the professionals in bringing out GST by the Central Government. As far as the experts are concerned, the main problem would be preparedness of States.

• Experts view that the major concern for the manufacturers is pertaining to Parity on input tax and output tax rates” (Average rank score=1.42, Rank=1) There is similarity of opinion in this regard between the professional and administrators.

• The findings reveal that “having uniform taxation throughout the country” is the major suggestion for implementing VAT according to both professionals and administrators.

• The main finding for phasing out of VAT is to make The centre alone to fix up tax rates and implemented by States” (Average rank score=2.02, Rank=1) is considered first and “Single point tax system to be abolished” (2.18), as second major suggestions on phasing out VAT.

7.2 FINDINGS RELATING TO “DATA ANALYSIS –II: OPINION OF TRADERS”

The date for this analysis was collected randomly from selected respondents from the population of both regulated and unregulated traders.

• It was significant out of the sample size trader of 195 (125 regulated and 70 unregulated) traders, segregation based on ownership (75.9%) constitutes the proprietorship and the balance (24.1%) constitutes partnership 63.6% of traders deal in consumer goods.

• It is observed that (54.9%) of the traders are of opinion that VAT tend to increase their revenue to a moderate level. 83.1% of traders file their tax returns regularly and 6.2% with some extent opinion.

• The findings reveal that (96.8%) of regulated traders are registered traders and (62.9%) are unregulated traders. Urban traders are more registered traders
than semi-urban or rural traders. Traders with more experience have gone for registration (88.9%). This is a significant relationship between trade registration and trader characteristics ($H_{01}$).

- The revival of trader registration is more among partnership (97.9%). Similarly urban traders are higher than that of rural/semi-urban traders. There is an existence of relationship between trader characteristics and revival of registration.

- It is evident from the inference that the making transactions with bills/invoices are significant and strongly associated with the type of ownership and turnover.

- To know the level of satisfaction with the present VAT systems comparison is made with regulated and unregulated traders, urban and rural/semi-urban areas. It is observed that (59.1%) of regulated traders are comfortable with the present system partnership traders and urban traders are satisfied with the present VAT system.

- From the inferences there is an increase in the turnover of traders after the implementation of VAT. It purely depends on the ownership of business and independent of the trader type.

- Regular filing of tax is more among the regulated traders (96%) and more with partnership (97.9%). The urban traders file their tax returns promptly. There is a significant difference between regular filing of tax returns and trader characteristics ($H_{02}$).

- The problem faced by traders under this present system is analyzed through 5 point scale. The monthly filing of returns, maintaining book of accounts and transparency of business are the major problems.

- It is revealed from the findings that regulated traders problems are more as their score (mean 4.36) is higher than that of unregulated traders (mean 3.70) relevant to maintaining of books of accounts; monthly filing of returns and transparency in business. So, there is a significant difference between regulated and unregulated trader related to problems faced in the present VAT system ($H_{03}$).
• The problems in maintaining books of accounts, monthly filing of returns, transparency of business, pricing of goods and claiming of tax credit is more among the partnership business. The type of ownership of business has significant difference on the problems faced in the present VAT system (H04).

• The extent of problems faced in the present VAT systems among traders is independent on the location of business. So, both urban and rural/semi-urban traders face similar type of problems.

• It is found that the extent of problems faced in the present VAT system is due to the maintaining of books (F value = 5.63), monthly filing of returns (5.52), pricing of goods (9.06), claiming tax credit (3.14) and high cost of compliance (7.17) depends upon the business experience the trader possess. So, there is a significant relationship between problem faced in the present VAT system and experience of the trader (H05).

• It is observed that problems faced in the present VAT system is higher for the trader groups with high turnover in respect of maintaining books of accounts, monthly filing of returns, pricing of goods and claiming tax credit . There is a significant relationship between problem faced in the present VAT system and business turnover (H06).

• It is evident from the study that the problem faced by the retailers (Mean = 3.39) and manufacturers (Mean = 3.32) from claiming tax credit is notably less than that of wholesalers (Mean = 4.06) (F value = 6.48, p < 0.01). The problems faced by the traders due to filing of tax returns, transparency of business and high cost of compliance is similar to all class of traders. But it is significantly different regard to claiming of tax. So, there is no significant relationship between problem faced in the present Vat among the wholesaler, retailers and manufacturer (H07).

• From the findings it is noted that the maintaining books of accounts is less for traders with zero rates when compared to traders who practice compound rate and input tax credit method. Same way the problems of filing monthly returns is remarkably more for all trader groups except those without VAT method of taxing (F value = 2.82, p < 0.01). The problems though transparency of business is less for traders with zero rate taxation (F value = 3.06, p < 0.01)
while the problems due to pricing of goods is less for traders without VAT (F value = 7.64, p < 0.01). Also, the problems from claiming tax credit is significantly less for trader groups with zero rate and without VAT (F value = 5.66, p < 0.01). The problem of high cost of compliance is same for all traders irrespective of method of taxing. So, there is a significant difference between the problem faced in the present VAT system and method of taxing (H08).

- It is also found that the problem faced by the traders maintaining books of accounts for essential goods is less compared to other class of traders. The trader with consumer goods faces the problem of pricing of goods less frequently than other traders. In the same way, the traders with Industrial goods face more problems related to claiming tax credit. The problem of monthly filing of returns, transparency of business, and high cost of compliance is similar to all type of traders.

- Among the different taxes/allowances, the traders are more aware of Income tax (86.15%) followed by Sales tax (81.54%), 60 per cent of the respondents) are aware of Input tax credit (67.69%), CENVAT credit (62.56%) and Service tax (60.51%) while some are aware of wealth tax. Regarding education cess, excise duty, customs and gift tax, the level of awareness is significantly low.

- When the level of awareness of taxes/allowances is compared between the regulated and unregulated traders, it is evident that the awareness about excise duty, customs and education cess is less and does not differ between regulated and unregulated traders. Both the traders are highly aware of input tax credit and service tax and their level of awareness do not differ in this regard. The opinion with CENVAT, Sales tax, Wealth tax and wealth tax differ between the regulated and unregulated traders.

- From the response of the traders belonging to rural/semi-urban and urban areas relating to the awareness about taxes/allowances., it is understood that their understanding do not differ relating to Excise duty, CENVAT credit, Input tax credit, Sales tax, Educational cess, Wealth tax and Gift tax. It is further understood that the awareness is high with traders from rural/semi
urban areas about customs (48.2%) and service tax (75.9%) The awareness about customs differs significantly between trader groups. The idea of Income tax is high with urban traders (90.1%)

- It is clear that the wholesalers are highly aware of excise duty (64.7%), customs (47.1%), education cess (55.9%), sales tax (79.4%) and income tax (97.1%). Manufacturers are more aware of CENVAT credit (78.4%), Sales tax (73.0%), Income tax (89.2%) and wealth tax (64.9%) and the retailers are aware of CENVAT credit (60.5%), input tax credit (70.2%), Sales tax (84.7%), income tax (82.3%), service tax (62.9%) and wealth tax (58.9%). The awareness about excise duty, CENVAT credit, Input tax credit and Income tax is significantly differs among wholesalers, retailers and manufacturers.

- “PAN and TAN” is mandatory for registered dealer and manufacturer under VAT” (Mean = 4.37), “India should reduce GST as most of the countries have done so” (Mean = 3.53), and “Self-assessment procedure under VAT is simple in Puducherry” (Mean = 3.85) are the factors which the entire sample has agreed upon. “VAT system penalizes the highly efficient and profitable firms” and “The traders are forced by the tax officials in the tax department” is neither agreeable nor disagreed.

- It is identified that the major sort of help offered by trade associations to traders is “helping traders technically to sort out the problem,” “educating the members” and “agitate and publicize the issue”. There is a similarity in ranking of items by the respondents. As there is similarity in ranking the conclusion is made based on average rank scores. The sort of help is little regarding lobbying with Government/tax department and offering suggestions with tax changes by trade association.

- It is found that the main reason for switching over to GST from VAT is to have “uniform levy”. It is followed by ‘abolish double taxation” and “narrow down tax system”
7.3 FINDINGS RELATING TO “DATA ANALYSIS –III: OPINION OF GENERAL PUBLIC”

- The findings reveal that the general public have perceived the VAT as a factor influencing cost of goods to go high (mean = 4.29), and make them postpone their immediate buying capability (3.52). The opinion is that VAT avoids smuggling of goods and to contribute to the State and Central.

- When the relationship between the status of VAT’s role and importance and respondents’ socio-economic characteristics, the canonical correlation analysis is done and the findings are that the general public, whose is below graduation and having low yearly income have a high perception that “VAT makes the immediate buying to be postponed” in addition to “increasing the Cost of goods” and perceive that “VAT system to be replaced by some other system of tax”.

- It is found that out of 107 respondents (general public) 100 persons looks for price tags while making purchase and posses a substantial knowledge about calculation of Sales tax/VAT.

- It is assessed that looking for price and knowledge about how Sales tax/VAT is compared with respondent’s socio-economic factor; it is found that both the factors are significant.

- It is inferred that the looking for price tag is more among the elderly employed male respondents and they mostly belong to the urban area, with a education qualification above the level of graduation and has more yearly income.

- It is observed that the general public who have educational status below the graduation level having lower yearly income have a high perception that “VAT makes the immediate buying to be postponed” followed by “increasing the Cost of goods” and “VAT system to be replaced by some other system of tax”.

- The relationship between “looking for price tag and Sales Tax/VAT while making purchase” and socio-economic status of the general public is analyzed by canonical correlation analysis. It is found that “looking for price tag” has a
negative correlation. In the same way knowledge about how Sales tax / VAT is calculated” is also have substantial negative correlation. So, if there is change in the socio-economic factor that may have an opposite effect on the perception for “looking for price tag”.

- It is observed that, 50.5 per cent, 51.4 per cent and 55.1 per cent of the respondent have stated that they have paid income tax, Sales tax and service tax respectively. General public state that they have paid Service Tax, Sales Tax and Income Tax. It is found that 95.3 per cent of the respondents have not paid any customs duty, while non-payment of excise tax and education cess is found with 91.6 per cent and 74.8 per cent of the respondents respectively.

- The type of disciplinary action for prompt payment of Tax necessary against the traders in the opinion of the respondents is punishment / imprisonment (46.7%), penal action (29.9%) and essential disciplinary action like ‘warning’ (23.4%). It is found that punishment/imprisonment is the mostly desired essential disciplinary action to make the trader pay regular tax as perceived by majority of the respondents in general public.

- It is found that punishment/imprisonment is the major disciplinary action perceived by the female respondents (51.5%) whereas male proposes (44.6%). Penal action is slightly higher among the male compared to the female respondents. “Punishment/imprisonment” differs and tends to increase with increase in the level of age. Based on the observation, there is also a difference in number of cases suggesting “warning” as disciplinary action between age groups. There is relationship between the educational status and residence on the type of disciplinary action. It is remarked that disciplinary action suggested by the general public for prompt payment of taxes do not differ by their social status but differ by their economic and job status.

- It is understood that there is similarity in ranking the items measuring reasons for tax evasions by traders among the general public. “Willful evasion” is the major reason for tax evasion, “poor understanding of tax structure” and difficulty in maintaining the books of accounts”.

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• It is clear from the analysis of the general public that VAT system mainly helps them to “Avoid tax evasion”. The present system of VAT “controls tax evasion”, “provides for tax credit to bills based by purchase/Sales”, followed by “enables more collection of tax”. In Puducherry, the present VAT system works perfectly and helps to avoid tax evasion, helps to provide tax credit to bills based on purchase/Sales and enables more collection of tax.

• It is observed that awareness about VAT is higher among the male group with qualification below the graduation level when compared to that of excise duty and income tax which is at moderate level, and their income level is below one lakh. This implies the small traders in the U.T. of Puducherry to aware of VAT.

• To know the awareness of items which attracts VAT are taken for measurement and the results are found that capital investment (86.9) is the least levied item with VAT, followed by Service Tax (75.7), Income Tax (67.3) and Property Tax (60.7). It is found that the Goods are mostly levied item with VAT in U.T. of Puducherry.

• It is observed that the time of levy of VAT/Sales tax is when buying the goods from retailer as perceived by 62.6 per cent of the respondents. Nearly half of the respondents in the sample have stated that time of levying VAT/Sales tax is when buying the goods from wholesaler. So based on the above results, it is found that the VAT/ Sales tax is levied when buying the goods from retailers at large extent and when buying the goods from wholesalers at certain extent in the U.T. of Puducherry.

• It is found that the majority of the respondents have stated that they insist on bills while making purchases.

• It is observed that insisting bill while making purchase is an independent factor not dependent on any of the socio-economic indicators/

• It is found that the relationship between educational qualification and employment status is measured with the factor insisting on bills while making purchases, it is observed that the respondents with higher educational and among the salaried class is more.
• It is understood that insisting on bill is higher among the educated and salaried groups. It doesn’t differ by their sex, age, income level and the area of their residence.

• It is clearly observed that the knowledge about inclusion of VAT in the bill reveals that the main reason is second Sales followed by no addition takes place. Second Sales were exempted under Sales Tax in order to about double taxation. It is evident that the general public is not aware of levy of VAT.

• VAT paves way for reduction of cost of goods. VAT differs from State to State. VAT rates are cheaper in India comparing to other Countries. These three factors are considered as the major aspects underlying the nature of VAT.

• The general public of the opinion that based on the nature of VAT, it is revealed that they feel VAT as a mere extension of CST and are not happy with the present system of VAT.

• It is evident from the study that the perception of the respondents about “VAT is levied on Production Stage and Cheaper in India but differ from State to state” is independent of all their socio-economic except the area of their residence.

• It is found from the study that there is no difference in the opinion about “Extension of CST and benefits Manufacturers/Traders” among respondents based on socio-economic status.

• It is evident that the general public is not clear that whether VAT “Penalize Tax Evaders and Controls Tax Evasion” regardless of their socio-economic status

7.4 SUGGESTIONS FOR ADMINISTRATION OF VAT

• It is necessary to insist on invoice while making any transactions. The precautionary measure taken by authorities is to control tax-evasion which really works well in Puducherry.

• The problem in defining the place of origin creates problems in taxation. It is necessary to have clear statute to decide the place of destination. Integrated
GST [IGST] Act has to be passed to monitor inter-State transactions of goods and services. States have to pass State GST Acts. Special software has to be developed for State Goods and Service Tax and Integrated Goods Service Tax have to be developed and tested. A GST Council is constituted to have decision with regard to GST, so that there is uniformity in rates and no deviation from proposed GST laws. It is in-charge for implementation of the GST at Centre and State level.

- The major reasons for implementation of VAT are to have control over the taxation under single ambit and have single tax base throughout the country and major revision required in the present VAT are uniform tax base in all States. Single registration and identification for assessing both under Central and State GST to have a upgraded and expanded IT structure to reconcile and cross check GST with declared income returns, fostering greater levels of tax compliance.

- It is identified that the major problem faced by the traders after the implementation of VAT is “maintaining invoices and vouchers” according to professionals whereas it is “auditing of accounts” as perceived by administrators. They expect the proposed GST to have Standardized systems and simplified procedures for registering and filing of returns, reduction in record keeping and homogenizing of forms. In present VAT system, there are numerous forms which cause confusion in the minds of traders.

- The mostly taken disciplinary action against traders by tax authorities is levying ‘interest’ followed by ‘fine’. An efficient tax administration yields maximum revenue with a minimum cost. This depends on the quality of machines for tax administration, which includes the manpower devoted to tax collection and assessment, the mindset of the people to understand the tax system and its benefits to the economic development. There is a need to embark on business enumeration in each State with a view to have data base on business. Fast disposition of tax cases will have better administration. It may be advisable to have a magistrate courts in each zone to specifically handle State revenue matters.
The major concerns of manufacturers under VAT system are “parity on input tax and output tax rates” and “treatment of stock transfer”. There should be uniform taxation throughout the country and reduction in cascading effect of tax for successful implementation of GST system.

More than 150 countries in the world experience the GST system and practice three major system of Taxation. The experts view that the best method of proposed GST is dual method out of the three methods.

It is elicited that majority of the traders are aware of Income tax and Sales tax followed by Input tax credit, CENVAT credit and Service tax in Puducherry. Awareness of all other tax must be more among the traders.

The Centre alone has to fix up tax rates and it is to be implemented by States”, “single point tax system to be abolished” and “all forms of tax to be levied as a single levy” to phase out VAT. Transition from VAT to GST is to have uniform levy followed by abolishing double taxation and narrowing down tax system. While fixing up the rate of tax, the Centre is promising to compensate the States for any revenue loss for the first three years after GST implementation. It is tough and tricky to work out a RNR (Revenue neutral rate) (which will ensure the status suffer no revenue loss). A uniform rate may not compensate the revenue loss for all States has more States are industrial oriented, few are agricultural based and very few are resource based.

It is further suggested that traders wanted the proposed GST to be reduced as has been done in most of the countries and self-assessment procedure should be as simple as possible for better practicing of VAT system. This will enhance reduction in unethical practices both the tax payers and tax enforcers.

Regarding role and importance of VAT, it influences the cost of goods to go high and the consumers/customers to postpone immediate buying because the rates of VAT is high when compared to rates under CST. They also perceived that VAT is necessary to avoid smuggling of goods and to contribute to the National exchequer sizeable revenue but they wanted VAT system to be replaced by some other system of tax. The proposed GST is expected to lead efficient allocation of factors of production thus leading to
gains in GDP and exports. This would translate into enhanced economic welfare and returns to the factors of production, viz. land, labour and capital. When the cost of good is less, India can compete in the global market and brings in more foreign reserves to our country.

- Any new system of Taxation should bring in administrative convenience, economic stability, and better compensation to States, taxing less than one roof, more tax compliance and tax collection. With the implementation of GST, the Government will surely be able to make the indirect tax regime more transparent and widen. Cost of collection of tax will be reduced due to merging of existing different indirect taxes into proposed GST.

- Multi-taxing and tax evasion would be less while implementing GST system. This is to be done by building information technology backbone-A GST portal with a Special Purpose Vehicle [SPV] has to be launched entirely to carry out the interrelated activities among all the tax departments. Special software has to be developed and tested for SGST and IGST. The manufacturers and intermediate sellers shall also get relief from handling hazards of multiple indirect taxes.

- The way of meeting tax authorities by traders/business men is directly and through representatives. A grievance and redressal cell is operated in Commercial Taxes Department of Puducherry for the redressal of the aggrieved. There are number of cases pending in this region for assessment and settlement. It is suggested to have a better and improved legal redress system through GST Dispute Settlement Authority. This authority would adjudicate disputes between State and Centre. The States believe that the creation of this authority will make inroads into the fiscal autonomy of States.

- The general public is not sure that VAT is levied on production stage and whether they are cheaper in India and differ from State to State and they are doubtful about whether it is an extension of CST and could benefit the manufacturer/traders as well as about whether VAT could penalize tax evaders and controls tax evasion. The consumers shall also be equally benefited by availing the goods and services at lower prices as the cascading effect which will be eliminated under proposed GST.
PAN and TIN are essentials for any trade transaction when it crosses a certain limit. A poor understanding of the tax structure and the difficulty in maintaining books are found to be the major reasons for tax evasion. Simple tax structure and minimal paperwork will reduce tax evasion.

7.5 CONCLUSION

It is encouraging that when GST was introduced in New Zealand in 1987, it resulted in 45% higher revenue than expected, mainly due to improved compliance. VAT has really showed a progress in many States and the Centre has rightly compensated to many States. The success story would continue by the implementation of GST in India. There were hurdles and agitation for implementation of VAT in India. Puducherry was the last but before/State to implement VAT. GST is an extension of VAT which includes services also. Initial losses of revenue to States would be compensated by the Centre. When GST is implemented in good spirit the revenue of both Central Government and State Government shall be increasing in the long run. The main lag behind the implementation of GST is due to differences amongst the Centre and States on the RNR (Revenue Neutral Rate), compensation package and its Constitutional amendment which is required to be passed with two-third majority in both the Houses of Parliament and ratification by a simple majority by at least half of State assemblies.

The Centre has decided to review the existing exemptions from Central Excise Duty so that list of goods exempt from CGST and SGST list and 99 items exempted from VAT are taken off from both the components of GST. VAT has to some extent reduced tax evasion and frauds. It is encouraging to note that most of the traders and general public are aware of VAT. GST, the major reforms on indirect taxes, will reduce tax burden due to cascading effect. The efficiency in tax administration will be improved, indirect tax revenue will be increased considerably due to inclusion of more goods and services, and at last the cost of compliance will be reduced for the dealers. The implementation of GST will be in favour of free flow of trade and commerce throughout the country. This single most important tax reform initiative by the Government of India since independence provides a significant fillip to the investment and growth of our country’s economy. To get the desired result, it should be assured that the benefit of input credit is ultimately enjoyed by final consumers.
The Union Finance Minister Shri Pranab Mukherjee (Meeting of Empowered Committee) on 18th July, 2011 has assured to include necessary legitimate issues in the amendment bills as desired by the States through the empowered committee.

Introduction of GST is a desire need for the multinational companies as most of the countries have already implemented GST. In spite of several hurdles, there is a scope for implementing GST in April 2012. Reforms are always continuous and all should ready, receive and enjoy the fruits of that.

**7.6 SCOPE FOR FURTHER RESEARCH**

The present study was an empirical study on the opinion of experts, including the tax authorities, traders and general public on the administration of VAT in Puducherry. Based on the interaction with traders and experts group the researcher understood the former scope for research. A separate study could be undertaken on ways and methods to curb tax-evasion in all forms of taxes like excise, sales tax, service tax and income tax. Another could also be taken on the situations that lead to discrepancies in sales tax assessment and the settlement system. Being VAT is in transitionary period a special study could be done immediately after the introduction of Proposed GST.