ABSTRACT

The study devise to have an in-depth analysis of Value Added Tax in Punjab and Haryana states. The study has examined the pattern of revenue in both these states. An attempt has also been made to assess the problems faced by traders after the implementation of VAT; and the study also solicits the views of consumers regarding VAT. Both primary as well as secondary sources of data were used for the study. As far as finances of Punjab state are concerned, the study shows that receipts on revenue account in Punjab increased with a growth rate of 14.12 per cent per annum. While studying the finances of Haryana, it has been observed that receipts on revenue account in the state increased with a growth rate of 14.19 per cent per annum. The study found that in the very first year of the introduction of VAT, the tax revenue from it increased in both Punjab and Haryana. The category-wise collection of VAT in Punjab and Haryana states hinted that the obvious reasons for higher VAT revenue could be its higher rate of VAT as compared to sales tax and better collection. The results of sample survey showed that the VAT paid by the sample units varied from less than Rs. 25 lac to Rs. 1 crore and above in 2009-10. Further, 72 per cent sample units in Punjab and 74 per cent in Haryana made purchases from within the State and, hence, could get the benefit of Input Tax Credit (ITC), which varied from less than Rs. 50,000 to Rs. 4 lac and above. The study pointed out that VAT has the merits of avoiding tax evasion, reducing cascading effect, provision of ITC and avoiding multiplicity of rates. The demerits include its complicated tax structure, higher rates of tax, difficulty in record keeping, and higher inflation.

Key words: value added tax, revenue, growth rate.