CHAPTER - VII

SUMMARY OF FINDINGS, SUGGESTIONS & CONCLUSION

This chapter enlarges the discussion on the study’s results, by integrating major findings, the implications of VAT with State Economy and VAT Awareness, VAT Administration mechanism and Service quality of VAT as perceived by the Taxpayers results, suggestions, and conclusion.

7.1 Specific Findings of the Study

✓ VAT is marginally simple both in theory as well as in practice as compared to old tax regime. The rate ‘Structure is also genuine.

✓ Self assessment under VAT is a hollow slogan and merely a bait because the Act provides that in case a dealer fails to furnish his return for any tax period and in case the assessing authority believes that a part of dealers turnover has escaped assessment or has been under assessed or assessed at a lower rate, he is subjected to audit assessment and re-assessment.

✓ Accounting under VAT is complex. It needs trained manpower and advanced technology. A lot of paper work is involved. A bundle of records for daily transactions has to be maintained in the order prescribed under the Act. Failure on this count invites trouble for the dealers by the way of harassment and penalties.

✓ VAT plays major contribution of revenue to the Commercial Tax of Tamilnadu.

✓ The study found that the Tamilnadu Commercial Tax revenue has increased from a growth rate of 14.5 percent to 21.09 percent during the study period with overall growth rate of 17.88 percent.
During the pre-VAT period tax receipts in commercial tax CAGR is 16.63 percent has increased to 19.14 percent of CAGR in post-VAT period. Similarly in pre-VAT expenditure of Commercial tax CAGR is 18.65 percent has reduced to 7.78 percent in post VAT period. This shows that after the VAT implementation the administration expenses have been slow down.

The study observed that share of commercial taxes received from the state Government in total tax revenue declined year after year. The share of commercial taxes which was 70.31 per cent in the year 2001-02 reduced to 66.2 percent in the year 2006-07. During the Post VAT period of study, the percentage share of Commercial Tax taxes again showed a similar trend i.e 67.37percent in the year 2007-08 reduced to 65.10 percent in the year 2012- 13. However the growth rate of state own tax revenue was maximum (19.95 per cent per annum) during the Post VAT period of study.

An assessment of the bivariate correlation showed that Value Added Tax was positively related to other Taxes like Central Sales Tax, Betting Tax, Luxuries Tax, Motor Vehicles Tax. VAT was perfectly negatively related to Tamilnadu State Goods & Service Tax, Entertainment Tax under the commercial tax in Tamilnadu.

In Tamilnadu commercial tax department group the state under 10 divisions namely, North Chennai, South Chennai, East Chennai, Central Chennai, Vellore, Trichy, Salem, Tirunelveli, Madurai, and Coimbatore. Among these 10 divisions Trichy division shows a Healthy growth in tax collection with overall CAGR is
21 percent per annum; it reveals that Trichy division plays a major source of commercial tax revenue to the state.

- Commercial tax has three components (VAT goods, VAT services, and other taxes) among these VAT service revenue provide (44 percent) major contributions for the Commercial tax department of Tamilnadu.

- VAT collection has been upward direction of 17.19% to 23.65% during the study period. It founds that average collection VAT revenue in Tamilnadu is Rs 26618 Crore with Compound Annual Growth Rate of 21 percent per annum.

- Major contributions of revenue towards State own tax is VAT. The commercial tax department has category the VAT revenue two components namely, VAT goods, VAT service. VAT Goods revenue collection has been upward direction of 16.01 percent to 25.46 percent with Compound Annual Growth Rate of 22 percent during the period 2007-13. Similarly Growth rate of the VAT service revenue collection also has been upward direction of 18.25 percent to 21.77 percent with Compound Annual Growth Rate of 19 percent during the period 2007-13. Further the study identified that VAT Goods revenue has the highest growth than VAT Service revenue.

- It is identified that the Tamilnadu government getting the more VAT revenue in the month of February & March. This shows majority of the VAT Goods taxpayers were paying their tax end of the Accounting year.

- Under VAT services the Tamilnadu government getting the more revenue in the month of April & November. This shows majority of the taxpayers were paying their tax biannually.
The study observed that Chennai south division has the highest growth rate in the enrollment of VAT dealers from 2007 – 13 with an overall growth rate 9.71 percent per annum. It denotes VAT awareness has reached the traders in the Chennai south division. However the Chennai north division has the lower growth rate in the enrollment of VAT dealers with overall growth rate of 2.89 percent. It exhibits that the awareness level of VAT has been low in the Chennai North division.

It is concluded that the Numbers of CST dealers of Tamilnadu increased from 7.25 percent to 10.49 percent 2001-13. The growth rate of the total numbers of CST dealers during this period has been 10.49 per cent per annum. Number of CST dealers in post VAT period is significantly higher than the numbers of CST dealers in pre VAT period. This shows that there is positive impact on enrollment of new CST tax payers during the post VAT period. Entrepreneurs are showing interest inter - state trade after implementation of VAT.

It is concluded that collection of CST revenue in post VAT period is significantly higher than the collection of CST revenue in pre VAT period. This shows that there is positive impact on CST tax payers towards paying tax during the post VAT period.

It is observed that number of TNGST dealers has decreased from 375879 in the year 2001-02 to 2483 in 2012-13 with a growth rate of -36.64 percent per annum. It is conclude that number of TNGST dealers in post VAT period is significantly lower than the numbers of TNGST dealers in pre VAT period. This shows that there is negative impact on TNGST tax payers during the post VAT period.
The study reveals that the collection of TNGST Revenue has decreased from Rs. 7541 crore in the year 2001-02 to Rs 261 crore from Pre VAT to Post VAT period with a growth rate of -26.35 percent per annum. It is conclude that collection of TNGST revenue in post VAT period is significantly lower than collection of TNGST revenue in pre VAT period. This shows that there is negative impact on TNGST tax payers towards paying tax during the post VAT period.

This study aims to focus on the Commercial Taxpayers, specifically the three segments of Businessman namely Traders, Manufacturers & Services sector units, and keeping Turnover & size of the Business as the parameter.

The primary data were collected by conducting a survey from among 260 Taxpayers at various division of Tamilnadu who were paying Sale Tax to the Government of Tamilnadu selected for this study.

A pretest was conducted among 45 taxpayers of various divisions in Tamilnadu so as to test the reliability and validity of the interview schedule. All scales have been found reliable, with Cronbach Alpha >0.70.

Out of 260 samples, 214 respondents are Male traders and the remaining 46 respondents are female traders. It is shows that vast majority (82.3percent) of the respondents are male, because the female members are hesitant to take up the assignments.

It was to be observed that the maximum number of the respondents falls in the age group of 25- 35years with 45.4percent. It clearly indicates that many youngsters interest in running of business.
✓ Annual turnover is an indicator of vibrancy of a business. Hence, the researcher has classified the income level of the respondents into three categories low, moderate & high. The result show that 52.3% of the respondents earning 10-25 lakhs. It is conclude that majority of traders were falls under the category of Moderate Income groups.

✓ 36% of the VAT payers are updating the tax information on Internet and websites. it stands as the most important source of information for the taxpayers

✓ 19.2% respondents are visiting frequently, 25.4% of the respondents are visiting the tax office quarterly; this clearly demonstrates that Taxpayers having regular contact with Tax official of Commercial tax Department.

✓ The study identified that only 13.5% of the traders replied that has they never had to bear extra costs for getting their job done; majority of traders has always had to bear additional costs. It is a pity to note that the taxpayers have to pay extra money to the tax officials to get their job done.

✓ The majority of the traders are regularly paying the VAT to the government. Only .8% of the respondents were not paying VAT to the government. This result proves that Tax evasion is reduced in Tamilnadu. Moreover every trader’s has interest and part in the economic growth of the state by contributing their sale tax.

✓ Majority of the respondents strongly agreed that knowledge & information about tax system are important factors that influence the tax payer’s awareness about the Tax system.
✓ 82% of the respondents were agreed that after the implementation of VAT the tax policy and tax system has improved. This clearly indicates that there is a strong impact of VAT on traders.

✓ There is a strong addiction or association between impact of VAT and types of business.

✓ There is significant relationship between impact of VAT and size of business.

✓ There is no significant relationship between impact of VAT and Income level of business.

✓ The study also assessed Taxpayers’ level of familiarity in procedures of submitting tax returns under VAT. The result shows that the majority of the sampled taxpayers 42.7% were somewhat familiar, 36.9% of the taxpayers were well familiar in submitting of tax returns. This shows that still now dealers were getting support from others for filing their tax return.

✓ There is a strong dependency between Age and familiarity in submitting of tax return at 5% level of significance

✓ There is significant relationship between Size of Business and familiarity in submitting of tax return.

✓ There is significant relationship between Type of Business and familiarity in submitting of tax return.

✓ There is a strong dependency between Taxpayer’s business experience and familiarity in submitting of tax return.
✓ 71.2% of VAT payers were getting support from others like Tax consultant, Own employee, Auditors & Lawyers for computation of turnover & filing of tax return. Rests of 28.8% of taxpayers along were computing their turnover by themselves.

✓ There is significant relationship between Size of the Business and Getting help for filing of tax return.

✓ There is significant relationship between Types of the Business and Getting help for filing of tax return.

✓ There is significant relationship between Income level of Business and Getting help for filing of tax return.

✓ The study measures the VAT Administration mechanism which has mean value is more than 3.00, it denotes average fulfillment of expectation on the VAT administration by taxpayers in Tamilnadu. However the taxpayer’s point out the low means value (2.78) score for “erase getting tax refund”. This shows that VAT payers were disappointed by Commercial Tax department for getting tax refund.

✓ In this study, a scale for measuring the Service Quality (SERVQUAL) of VAT in Tamilnadu was proposed through exploratory factor analyses.

✓ This study also identified five VAT service quality dimensions, namely, Tangibility, Reliability, Responsiveness, Assurance and Empathy.

✓ **Reliability Factor** - The underlying variables under this factor are service in time, fair decision making, proper direction to the client, responding properly to the client problem. The Eigen value is 8.57 with contribution of 18.85 per cent of the total variance.
✓ **Tangibility Factor** - The variables included in this factor are location & accessibility of tax office, sufficient no. of. counters, tax payment through online system. The Eigen value is 5.36 with a contribution of 15.59 per cent of the total variance.

✓ **Responsiveness Factor** - The underlying variables in this factor are awareness development program, friendly behavior. The Eigen value is 2.88 with a contribution of 13.75 per cent of the total variance.

✓ **Empathy Factor** - The variables included in this factor namely Individual attention & Preference towards customer welfare. The Eigen value is 2.56 with a contribution of 13.67 per cent of the total variance.

✓ **Assurance Factor** - This factor is related to transaction security with highly confidential. The Eigen value is 1.58 with a contribution of 11.96 per cent of the total variance.

✓ Out of the five factors namely Tangibility, Reliability, Responsiveness, Assurance and Empathy, **Reliability factor** has been rated as the most important factor in the Service Quality (SERVQUAL) of the VAT in Tamilnadu.

✓ There is significant relationship between size of the Business and Satisfaction with clarity of VAT document.

✓ There is significant relationship between size of the Business and Satisfaction with service quality of VAT.

✓ There is significant relationship between size of the Business and Satisfaction with VAT administration system.
There is significant relationship between size of the Business and Satisfaction with Tax official attitude.

There is significant relationship between size of the Business and Satisfaction with method of Audit & Investigation.

### 7.2 Suggestions

Based on the findings of the study, the following suggestions are advanced to increase the perception of traders, and also to improve the working of VAT Administration mechanism in Tamilnadu.

1. **Conduct Tax Payer Education Programmes**

   The study reveals that the majority of manufacturers/traders found difficulty in filing return and other forms by themselves and they have to depend on tax consultants for filing returns and other forms. It is suggested that the government should conduct tax payer education programmes at major business centres to make manufacturers/traders aware as to how to file returns and other forms with the taxes department. Supply of pamphlets and booklets at very low price describing as to how to file returns and other forms and organizing workshops will also help the manufacturers/traders to file the returns and other forms by themselves.

2. **Encourage Voluntary Compliance**

   In order to encourage voluntary compliance, the tax structure and administrative procedure should be well designed by the government. It is suggested that the government should design a suitable tax structure compatible with voluntary tax compliance and a simple tax collection and verification mechanism as a means of promoting voluntary compliance.
3. **Computerization of VAT Administration**

The Study reveals that manufacturers/traders are not getting certificates in time and also there is delay in completing the assessment in time. Computerization of VAT offices, imparts speed, efficiency and productivity of the operations of the taxes department. It is suggested that the government should take immediate steps to make avail adequate number of computers and sufficient no. of counters in all offices, so that the officers can issue certificates and complete assessments in time. The government may also hold discussions with the VAT Officials to avoid the delay in completing the assessment in time.

4. **Give Refunds in Time**

From the study, it is observed that a majority of the manufacturers/traders are not getting refunds in time. A VAT refund normally possesses problems because the legal and administrative framework is such that the tax officials are reluctant to give refunds. Manufacturers/traders have to comply with tortuous procedures to obtain the refund. Hence it is suggested that the government should direct the officials to give refunds due to the tax payers within three months from the end of every financial year as prescribed under VAT law.

5. **Verification of Returns on the Date of Filing**

From the study it is revealed that the VAT officials are not able to complete the verification of returns on the date of filing. The reasons may be due to the filing of larger number of returns on a specific date and the return contains too much information. It is suggested that the filing of returns should be monthly for large and
medium tax payers and quarterly for small tax payers. The monthly or quarterly
return should be simple and it should call for only limited information.

6. Take Measures to Increase the Revenue of the Government

The study reveals that the introduction of VAT has resulted in an increase in the
revenue of the government, compared to the increase in revenue before the
introduction of VAT. It is suggested that the taxes department should take the
following steps to increase tax revenue:

a) Conduct periodic inspection to detect tax evasion, if any.

b) Introduce a scientific audit system.

c) Identify unregistered potential tax payers.

d) Prevent the misuse of input tax credit by the dealers.

7.3 Conclusion

The VAT aims to radically reform the prevailing system of sales tax laws that was
mingle with the horrible effects of double taxation. It has no cascading effect on the
multiplicity of taxpayers’ liability to pay tax on the same aspect again and thus it
effectively surpasses the pyramiding of tax incidence as is inherent in the conventional
sales tax procedures and therefore, it is often called as Improved Sales Tax. Under VAT
there is no tax on tax since only value added at any stage of production or distribution of
goods is made subject matter of tax and an allowance is offered for the previously taxed
material cost and other overhead charges so incurred.

The study concluded that Introduction of VAT has made significant improvement
on the State own tax revenue, Central Sale Tax, Gross Domestic Product, Services sector
The study found that the tax authority is courteous and efficient but not that much flexible. However, regarding VAT refund the authority has problem. As a whole, the response on this suggests that the satisfaction rate seems fair but needs more effort to improve. In order to increase taxpayer’s compliance the authority required to treat them as a king. There are a number of mechanisms to materialize this. For instance, concerning VAT report and payment, taxpayer’s service can be enhanced by the introduction of online reporting and through the bank payment mechanisms. In addition, provision of prompt replay for VAT refund request is also important. In short, the authority needs to modernize its activities to the extent possible.

Moreover, the system of VAT is designed uniformly for all types of assesses. But the smaller firms due to their smaller resources are not in a position to comply with the stringent tax laws as a large firm can do. So there is a need for the special treatment to the smaller firms with respect to the compliance with the VAT related matters concerned. This will definitely increase the tax compliance rate. Further the State has to take steps of Engaging the taxpayers, seminars and workshops regarding VAT, disseminating information regarding VAT using brochures, pamphlets, using the principles and techniques of social marketing to cause a favourable change in the attitudes towards VAT need consideration.

The study concludes that among the five dimensions of service quality, Reliability has emerged as the best predictor of VAT service quality. These results support the idea
that despite the usefulness of the SERVQUAL scale as a concept, it should be adapted for the service environment as well.

A good tax system should not only be formulated but also to be successfully implemented. This is because mere formulation of a refined tax system, without successful implementation, is not an end in itself. Good tax policy cannot exist without good administration. Inefficient tax administration has been very costly to government in terms of revenue losses, and to the business in terms of compliance costs. The public perception of a tax administration’s integrity, efficiency and effectiveness directly affects the citizens’ willingness to voluntarily comply with the tax laws.

7.4 Scope for further Research

This study raises a number of issues that deserve further research attention. Managerially relevant empirical generalizations can be drawn from such studies with respect to the relative importance of the information economics constructs.

- There is a need to study the perception of Consumer about the VAT system.
- There is a need to study the perception of VAT officials about the VAT system.
- The majority of the Traders were facing the problem in delay in getting the VAT refund.
- There is a need the measure the Contributions of Tamilnadu VAT towards National economy.
- There is a need for the special treatment to the smaller firms with compliance with VAT related dispute claims.