PREFACE

Introduction of State level VAT is the most significant tax reform measure at State level. The State level VAT which has been implemented presently replaced the erstwhile Sales Tax system of the States. Under Entry 54 of List II (State List) in the Seventh Schedule to the Constitution of India, “tax on sale or purchase of goods within a State” is a State subject. The decision to implement State level VAT was taken in the meeting of the Empowered Committee of State Finance Ministers held on June 18, 2004, where a broad consensus was arrived at among the States to introduce VAT from April 1, 2005. Accordingly VAT has been introduced by all the States by now.

The thesis “Impact of Value added Tax on the Financial and Tax Management Practices of VAT Assessees of Kerala” is a descriptive and analytical study of the impact of VAT on the various financial and tax management aspects of the VAT assessees of Kerala such as financial decisions, investment decisions, liquidity decisions, profit decisions, registration practices, assessment practices, accounting practices, transaction practices, input tax credit practices, output tax collection practices, return filing practices, appeal filing practices, special rebate practices, penalty payment practices, tax rates and schedules and tax refunding practices.

The study makes use of both primary and secondary data. The primary data was collected from 1030 VAT assessees using a structured interview schedule. Financial data was collected from VAT assessees for the period of three years from 2006-07 to 2008-09. Secondary data was collected from various published sources like books, journals, news papers, research articles, working papers, seminar reports, report of business establishments, government reports and other published sources. The financial data required for the study was collected from financial statements, inventory statements and annual tax returns of the VAT assessees.

This study is divided into six chapters. Chapter 1 deals with introduction. In chapter 2, a review of available literature on the impact of VAT is made. The 3rd chapter is concerned with Value Added Tax and its impact – an overview. The 4th chapter is devoted to the analysis of data and testing of hypotheses. The 5th chapter deals with the findings of the study. Suggestions and recommendations are included in the last chapter.

The findings of the study may help policy makers and institutions in reframing the policies in the interest of the trading community, society and economy in general. This study gives a clear indication to the Government, the areas in which urgent amendments are to be made in the Act. The researcher believes that the present study would help the trade organizations and industrial associations to evaluate the impact of VAT on their financial and tax management practices and would give necessary suggestions and recommendations to the Government and tax authorities.