



## E -Governance of Value Added Tax System Comparative study with reference to Goa and Kerala

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### ABSTRACT

*The adoption of VAT has been the most remarkable event in evaluation of taxation systems, in recent times. The process of reforms in the state level sales tax system started after the difficulties faced by the Indian economy in 1991, which also brought into the need to carry out reforms of the state level tax system. On 1st April 2005, 21 states including Goa and Kerala adopted the Value Added Tax system which replaced the existing local sales tax system. Conceptual clarity of Value Added Tax has been achieved by the assesses over the years. Procedural routes of compliance are also in place. Commercial Tax Departments of many states including Goa and Kerala implemented e-services under the e-governance program. E-Governance not only reduced the paperwork but also reduced the cost of compliance to the businessmen. From the study it is revealed that government should conduct the e-governance training programmes to the businessmen for better understanding.*

**KEYWORDS : E-Governance, Perceptions, Value Added Tax**

### Introduction:

Value Added Tax popularly known as VAT is a tax on sale of goods which is similar to sales tax in which only the method of levy and collection of tax have undergone procedural change. This system has been adopted by over 130 countries in the world including our neighboring countries such as Pakistan in 1990, Bangladesh in 1991, China in 1994, Sri Lanka in 1995 and Nepal in 1997.

There has been growing interest among the Indian States for replacing their complex sales tax systems with a modern Value Added Tax (VAT). In India several states including Goa and Kerala have introduced Value Added Tax system with effect from 1<sup>st</sup> April, 2005.

The White Paper on VAT mentions that 'VAT is a state subject derived from Entry 54 of the State List, for which states are sovereign in taking decisions'. The Empowered Committee (EC) of State Finance Ministry (created by the Ministry of Finance, Government of India) is the body which drafted the details of VAT through several rounds of consultations and also tried to get the assent of all states for implementation. After missing two previous deadlines of April 1, 2002 and April 1, 2003 (Haryana implemented VAT from April 1, 2003), VAT was finally implemented with effect from April 1, 2005 in the states of Goa and Kerala.

**E-Governance** Electronic Governance means using Information and Communications Technology to transform functioning of the Government. According to World Bank, E-Government refers to the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. These technologies can serve a variety of different ends: better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions.

### Objectives of the Study:

The broad objective of the study is the application of Value Added Tax with reference to Goa and Kerala to understand its implementation in these two states of India and its impact on the different sections of the society. The study is to identify the similarities and dissimilarities, perceptions of the businessmen towards Value Added Tax system in the states of Goa and Kerala.

### The specific objectives are as follows:

1. To analyze the perceptions of the businessmen about the Value Added Tax System in the state of Goa and Kerala.
2. To analyze the perceptions of the businessmen about the E-governance of Value Added Tax System in the state of Goa and Kerala.

**Data collection:** The study is based on the primary data. A questionnaire was designed with comprising of Demographic profile, Perceptions about Value Added Tax system, and Perceptions about the E-Gov-

ernance. Demographic profile consists of form of business, nature of business, average turnover and age of business.

**Sample size:** A sample size of 150 businessmen from entire Goa and 150 Businessmen from Kerala, consisting of three districts of Trivandrum, Ernakulum and Kasaragod considered for this study.

### Literature Review:

**K.Jagadeesan (2013)**, studied the impact of Value Added Tax (VAT) with special reference to Salem District of Tamil Nadu. He examined association between the opinion about the implementation of VAT and personal profile factors. Association between the opinions about implementation of VAT with respect to demographic variables. He conducted a survey of 130 respondents from Salem city and data was analyzed with chi square value. He observed that there is close relationship between the only demographic variable of the type of trader and opinions about implementation of sales tax.

**M.Govinda Rao (2000)**, made a study on "Tax Reform in India: Achievements and Challenges", he observed that there is a decline in the tax GDP ratio since the reforms initiated due to lower yield of indirect taxes. Reforms in excise duties have not reached the stage of achieving a simple and transparent manufacturing stage of VAT.

**Charabarty Amit K.**, studied the conceptual framework and impact on consumers and business community and revealed that the traders and industrialists are not against the tax reform, but against the half hearted effort taken by the government. Imposition of VAT instead of sales tax implemented without any nationwide information and awareness campaign in regional languages for better understanding. He suggested that input credit should not only be granted on purchases within the states but should also be allowed to the purchases outside the state.

**Table No. 1 Demographic Profile of Businessmen**

Form of the Business	Goa	%	Kerala	%	Total	%
Sole proprietorship	77	51.33	85	56.67	162	54.00
Partnership	45	30.00	43	28.67	88	29.34
Co-operative Society	4	2.67	6	4.00	10	3.33
Company	24	16.00	16	10.67	40	13.33
Total	150	100.00	150	100.00	300	100.00

### Source: Primary Data

From the above Table No.1 it can be revealed that out of 300 Business-

men 77 Businessmen i.e. 51.33 percent in Goa and 85 Businessmen i.e.56.67 percent in Kerala are consisting of Sole Proprietorship considered for the study.

**Objective 1:Perceptions of the businessmen about the Value Added Tax System in the states of Goa and Kerala:** To understand the perception about the Value Added Tax system a questionnaire in the likert's five point scale was prepared from strongly agree to strongly disagree. The perceptions were identified through the variables consisting of present tax system, VAT laws and Rules Simplicity of the system.

**Hypothesis:** *There is no significant difference between Goa and Kerala state between the businessmen with respect to perception scores about VAT system.*

To achieve this hypothesis, the t test was applied and the results are presented in the following table.

**Table No.2 Comparison of Goa and Kerala state businessmen with respect to perception scores about VAT system by t test.**

State	Mean	SD	t-value	p-value
Goa	41.59	3.60	0.2902	0.7718
Kerala	41.48	3.15		

**Source: Primary Data**

From the results of the above Table No.2, it can be seen that, a non-significant difference was observed between Goa and Kerala state businessmen with respect to perception scores about VAT system ( $t=0.2902, p>0.05$ ) at 5% level of significance. Hence, the null hypothesis is not rejected. It means that, the Goa and Kerala state businessmen have similar perception scores about VAT system.

**Objective 2:Perceptions of the businessmen about the E-Governance of Value Added Tax System in the states of Goa and Kerala:** To understand the perception about the E-Governance Value Added Tax system a questionnaire in the likert's five point scale was prepared from strongly agree to strongly disagree. The perceptions were identified through the variables consisting of volume of paper work, time spent, cost of filing returns, number of visits to commercial tax department and maintaining the records.

**Hypothesis:** *There is no significant difference between Goa and Kerala state businessmen with respect to perceptions scores about E-Governance*

To achieve this hypothesis, the t test was applied and the results are presented in the following table.

**Table No.3 Comparison of Goa and Kerala state businessmen with respect to perceptions scores about E-Governance by t test:**

State	Mean	SD	t-value	p-value
Goa	37.80	2.23	1.7449	0.0820
Kerala	38.23	2.00		

**Source: Primary Data**

From the results of the above Table No.3, it can be seen that, a non-significant difference was observed between Goa and Kerala state businessmen with respect to perceptions scores about E-Governance ( $t=1.7449, p>0.05$ ) at 5% level of significance. Hence, the null hypothesis is not rejected. It means that, the Goa and Kerala state businessmen have similar perceptions scores about E-Governance.

**Major Findings of the Study:**

1. The majority of the businessmen are facing the difficulty in understanding the VAT system.
2. Regarding the source of awareness to understand and learn about VAT system, most of the businessmen depend on tax consultants or Chartered Accountants.
3. The study reveals that the VAT law, rules and procedures are not simple to understand.
4. Majority of the respondents stated that CST should be eliminated for smooth functioning of VAT system.
5. Regarding the positive aspects of the e-governance system, most of the respondents agreed that getting the various forms are easier than the earlier manual system and number of visits to the Commercial Tax Department are reduced.

**Suggestions:**

**1. Conduct E-Governance Training Programmes:** The study reveals that a majority of businessmen find 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 E-Governance training programmes to the businessmen.

**2. Encourage Voluntary Compliance:** It is observed that the rate of dealers' compliance with the VAT system is moderate. 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. Delay Payment in Refunds:** It is observed that a majority of the businessmen are not getting refunds on time. A VAT refund normally poses problems because the legal and administrative framework is such that, the tax officials are reluctant to give refund. Hence it is suggested that the government make an amendment in procedure so that the refunds are given on time.

**Conclusion:**

The study reveals that transparency and clarity is required for smooth functioning of VAT system. Successful implementation of e-governance in VAT administration would help to prevent tax evasion besides checking corruption. Kerala has become the first State in India in the automation of VAT administration. The businessmen can avail the e-services at anytime from anywhere through internet. The transparency in VAT Administration reduced the cumbersome office procedures and increased tax compliance.

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