

VAT Influences on Indian Economy and Inflation of G.S.T.

Prabhakar Rathi¹, Anil Kumar Varshney², Vineet Bhardwaj³

^{1,2}Deptt. of Commerce, S.V. College Aligarh (India)

³ Deptt. of Chemistry St. John's college, Agra (India)

ABSTRACT

Value added tax made its first opening in France in 1954. At that time it was not a full VAT system, since it was restricted to manufactures and whole sellers, the retailers and agricultural were kept its purview later on it was extended to few more classes like energy and construction. Slowly, this system took a momentum and its started abolishing local acts made on goods services. In the past three decades this new system was introduced worldwide including in India in about 130 countries. VAT indirectly may be called a multistage sales tax charged on the last points of the goods. The govt. of India introduced VAT system about 12 years ago in respect of central excise during it could be introduced at the state levels in terms of entry of the state list of the constitution three important decisions were taken as a condition to implement this reform as under-

- To end the sales tax rate war between different states.
- To abolish sales tax related incentive schemes.
- To make adequate pre parations for implementation of state level VAT.

To strengthen the present system immediate case must be given to certain grey areas like sluggishness in issuing refunds specially to the expertness, selling up of central advance ruling authorities mass computerization, reducing compliance costs, reducing discretionary powers like in audits etc. time bound disposal of matters like registration, amendments, objections and appeals etc. and uniformly in pro-cedural matters etc. can really tap the internet great abilities of this historical tax reform. It can give the way for introduction of the much availed national level tax reform GST That may merge all the indirect tax laws. This is how India may prove to be a hub for the world at large, which is looking at us after the so called pit falls in china's economy.

Eight states out of twenty five states have sufferable loss due to VAT, In 2006-07 after vat implementation comparative states at the center estimates of loss of 3000 crores. Compensation to 2471 crores. After the implementation of VAT in Delhi 35% of the revenue increased where as in U.. there is 13.14% increase due to the first year survey in Dec. 2011 of Indian economy petrol prices are higher than other neighboring countries in India. The study presented was based on this hypothesis after implementation the VAT in the Indian economy ther experience in 25 states union territories have not been similar in revenue. In most states ther is a higher receipt than the sales tax the same eight states suffered heavy losses.

Keyword: Amendment, Construction, Implementation, law, sales tax, VAT.

I. INTRODUCTION

Un like other countries that have a VAT system in place, India does not have a single integrated VAT system which covers both the supply goods and the provisions of service, under article 265 of the Indian constitution, the supply of goods is subjects to state tax while the provision of service is subject to federal/union tax known as service tax. In addition CENVAT continues to be levied an all supply of goods the new state level VAT system replied local sales taxes and was initially schedules to commence on Ist April 2001. GST is India's most ambitions indirect tax reform plan, which aims to stitch together a economy market by dismantling fiscal barriers between states. It is a single national uniform tax levied across the country an all goods and services.

The combined incedence of central and state taxes in India comes to more than 32% in other countries the burden of domestic taxes is around 18% the introduction of GST continues to be delayed because of the lack of unanimity amongst all the state goods. A package for payment of compensation to states for any revenue loss on

account of introduction of VAT has been implemented. Haryana was the first state to introduce VAT in 2003 the last state replacing sales tax to VAT is U.P. with effect from Jan. 2008. Under the Vat system no exemptions will be given and a tax will be levied at each stage of mfg. of a product. GST is an indirect tax which was introduced in India on Ist July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state govt. Under GST goods service are taxed at the following rates 0%, 5%, 18% and 28%

II. METHOD OF VAT

The study method of the topic presented is analytical which is based on secondary synopsis; there was more dependence on newspaper, magazines, seminar, symposium related to available literature. To analyze the samples received use the mean, Ratio, Percentage, linear diagram. Our study is primarily of secondary data. The nature of study is broad level. Research work on this topic was very low the aggregation of data is done under its limit. Comparative study from trade tax for various years after implementation of VAT and survey of many trades. District VAT department also reportable for trade tax amount & after VAT amount comparative study of tax, We met trades, transports, contractors, exporters and receive their views for Indian economy against VAT.

III. RESULTS & DISCUSSIONS:

In this study the midst fears, concerns, doubt, impacts, recommendations and clarification the law has become reality and its resulted in excessive tax hike, commerce tax outstanding 9615.38 crore in 2005-06 (Delhi). According to CAG report in 2005-06 trade tax percentage only 25% than VAT increased revenue 20%. After VAT decreasing an petro product loss became 8000 crore in 2012-13. After that central will help to states so much. Total amount of VAT in many states increases but no more percentage increased in India. Former finance minister cleared that an agreement state take compensation 2005-06 100% and 2006-07 (75%) and 2007-08 (50%) of their losses. Most compensation sought by Gujarat till then, VAT was not applicable in U.P. and Tamilnadu. Centre completes compensation for eight states 2471 crores. Loss claim as per source Karnataka Rs. 1039 crore, Kerla Rs. 156 crore, Andhra Pradesh Rs. 404 crore. Maharashtra Rs.260 crore, Bihar Rs. 166 crore, West Bengal Rs. 139 crore, Tripura 5 crore, Sikkim Rs. 2 crore. Tamilnadu claimed Rs. 965 crore for compensation to central Govt. in implementation year of VAT. Eight states claimed against loss for compensation amount 6765 crore in 2005-06.

Comparative study by the yearly table of U.P. and Delhi VAT (Rs. in Crore)

| S.No. | Year | U.P. VAT and Trade Tax | Percentage | Delhi VAT | Percentage |
|-------|---------|------------------------|------------|-----------|------------|
| 1 | 2004-05 | 8838 | 15.67 | 5260 | 11.00 |
| 2 | 2005-06 | 11235 | 26.96 | 6499 | 23.60 |
| 3 | 2006-07 | 13279 | 17.67 | 7365 | 11.74 |
| 4 | 2007-08 | 15023 | 13.14 | 8493 | 14.93 |
| 5 | 2008-09 | 17482 | 16.37 | 9669 | 13.78 |
| 6 | 2009-10 | 20825 | 19.12 | 10126 | 4.14 |
| 7 | 2010-11 | 24836 | 19.26 | 12068 | 20.00 |
| 8 | 2011-12 | 30000 | Budgeted | 14500 | 20.00 |

As claimed in the white paper that the proposed VAT would simplify meters and obviate evasion may be a flux in the context of that the present form of VAT is requiring a flood of documents generated involving correlation, set off various accounting procedures, filing return and satisfying the official about the bona fides of transacting them would be much scope of or arbitrariness, collusion harassment, corruption and evasion. The VAT its present form like CENVAT would be revealing and suggestive of what is in store of a dealer. While CENVAT limits its self to the organized manufacturing sector, the present VAT is to cover not only the Mfg. activities but also all the trading activities till the product reaches the ultimate consumer. The problems and aberrations involving large scale corruption, harassment, Collusion and arbitrary interpretation experienced in respect of the central scheme would therefore be more pronounced in the present VAT.



IV. CONCLUSION

No doubt that our tax collection after delay of new tax system (VAT) have risen between 20% and 30% since the introduction of VAT. But the main questions that arises is as to whether We have achieved the setout objectives during these intial 12 years. In the midst of political interferences this path breacking state level VAT in spite of its problem while replacing much maligned sales tax systems multiplicity of tax rates, classifications of commodities, reducing cascading effect, reducing unhealthy competition i.e. rate war amongst states, reducing large number of tax laws and large number of tax exemptions, in spite of lack of professionalism and poor exerised of the state administrators have evolved as a solid measure for picrcing the way for the much awaited tax implementation of G.S.T. as a dream reform for a economy full of adverse political factors where leaders intend for vote bank like India.

V. ACKNOWLEDGEMENT

we are also graceful to Dr. Anil Kumar Varshney, head deptt. Of commerce, S.V. College Aligarh and other's at the places of states for their help in determining the tax effect of VAT studies delayed in India. We also pay thanks to the Dr. A.M. Rathi, head deptt. Of commerce, K.A.P.G. college Kasganj for supporting this study. The authors would like to express their appreciation of Dr. Vineet Bhardwaj for helping this study successfully.

REFERENCES

- [1.] Economic times daily news paper 18 jan. 2005
- [2.] Vanisya kar digdarshika, Indu publication Ghaziabad 2011
- [3.] VAT laws.com-The portal for tax on goods and service of India
- [4.] VAT study (S.B.P.D. Agra 2012-13)
- [5.] International chronology monthly magazine June 2005 pg.14-15
- [6.] Kulbhushan: Aiye Samajhe VAT Publied by pearson education (Singapore) Pvt. Ltd. India.
- [7.] VAT laws (Taxes in India) (Arun Kumar Chandak) F.C.A. (Vinay Malany) A.C.A. 2011-12
- [8.] Guide to Delhi value added tax (Arun Kumar Gupta)F.C.A. , Virendra Chauhan F.A.C. 2011-12
- [9.] Swantra Bharat daily news paper 17 Nov. 2005
- [10.] Delhi VAT Commercial law publishers India pvt. Ltd. , Hazari courts Delhi.
- [11.] VAT tax by Dr. R.K. Jain Agra
- [12.] Pratiyagata Darpan Monthly Magazine May 2005 Pg.14-15