Abstract
The objective of the present study is to identify similarity and dissimilarity in the perception of the taxpayers regarding the returns and assessment aspects under VAT in Assam and to locate the issues of similarity and differences in the perception. The study is based on the primary data collected from the taxpayers of Tinsukia town of Assam by the means of questionnaire. It is found that the perception of the taxpayers regarding the returns and assessment aspect is equally divided, favorable for certain aspects and unfavorable for certain aspect. Thus, there is a need for social marketing tool to educate the taxpayers in respect of the items of which their perception is unfavorable.

Keywords:
Tax return, Assessment, Value added tax, VAT, Taxpayer.
Introduction

The term Value added refers to the increase in value of goods and services at each stage of production/transfer of goods or commodities/services. Thus, Value Added Tax (VAT) basically means the tax likely to be levied on the value added by an organization at each stage of its rendering services or producing goods (Sarkar, 2005).

According to Clause 55 of Section 2 of Assam Value Added Tax Act 2003, “VAT means a tax on sale of any goods at every point in the series of sales made by the registered dealer with the provision of credit of input tax paid at the points of previous purchase thereof”.

VAT is a multi-point destination based system of taxation with tax being levied on value addition at each stage of transaction in the production/distribution channels. Some of the unique features of VAT as identified by Singh (2006) are:

1. Uniform schedule of rates of VAT for all states and union territories of the country.
2. Provision of input tax credit, thereby preventing the cascading effect of tax.

Under the sales tax regime, the trading community had enough scope for evading and avoiding the payment of taxes by taking advantage of the loopholes in the system (Bhowal & Singh, 2009). Industry watchers were of the opinion that if the VAT system is properly enforced it could help in solving the fiscal deficit problem, and the revenues estimated to be collected could lower the fiscal deficit burden for the government. VAT is considered to be globally accepted by tax administrative system (Purohit, 2001). This will only help India integrate better in the international trade. But when VAT was introduced in India it has seen oppositions from many corners. It was apprehended that imposition of VAT would lead to the increased harassment by the tax inspectors. They further argued that under VAT regime, proper records needs to be maintained which is very cumbersome and would lead to harassment. They also expected that introduction of VAT would lead to price rise (Bhowal & Singh, 2009).
1.1 Experiences of VAT in Federal Countries

Purohit (2001) has compiled the experience of VAT in a number of federal countries like Brazil, Canada, and European Union, and so on. Most important aspect in the introduction of VAT in a federal country is to have a harmonized system of inter-state transactions. Brazilian State VAT follows the system of origin-based tax. Canada and the EU follow the system of zero-rating of input tax. The Canadian system of Harmonized Sales Tax (HST) suggests that the State VAT could be coordinated with the federal VAT. The system of Quebec Sales Tax (QST) indicates that the same to be administered by the states. Until now, the VAT has been introduced in more than one hundred and thirty countries.

1.2 Justification of the Present Study

Since the introduction of VAT in India, no significant studies have been conducted to look into VAT from the perspective of taxpayers. Even the White Paper on State Level VAT (2004) strikes a balance between what is possible in the VAT design to begin with and what can be improved upon in subsequent years as we gather more experience. The phrase “Gather more experience” provided the core impetus for venturing into such type of study. The introduction of VAT was opposed by the traders due to several fears (Saha, 2005). This study will help us to find the justification of the opposition to the introduction of VAT.

Natural follow-up of an investigative mind is to enquire whether the unfavourable experiences, as reported by Bhowal and Singh (2009), is still being experienced by taxpayers after the completion of many assessment years. Since most of the unfavourable experiences were related to the filling of returns, calculation of tax, attitude of the tax officials, the current paper attempts to investigate those uncovered areas.

Tax compliance takes place through filing tax returns. A study on the tax returns under VAT included will throw on the various aspects of it and highlight the areas which need to be improved. Lessons from this can be applied while implementing the proposed Goods and Service Tax (GST).
1.3 Survey of Literature

From the survey of literature, it has been found that fiscal reforms have undergone revolutionary changes in the recent years especially in the field of taxation. Federal countries like Brazil, Canada and the European Union (EU) have reformed their tax system (Purohit, 2001).

A study was undertaken by Indirect Taxes Enquiry Committee popularly known as Jha Committee. The report of the committee puts forth a most exhaustive study on indirect taxation in India. The committee recommended introduction of Manufacturers Value Added Tax (Man VAT) in the union excise duties (Jha, 1978). Tax Reforms Committee’s report gave sound tax advice to enable India to vie globally. It acclaimed VAT for excise tax system (Chelliah, 1992). Various options for VAT in India had been examined by a study team in their report titled Reform of Domestic Trade Taxes in India. It recommended that given the constraints of the division of tax powers in the Constitution, as an immediate policy tool, the most appropriate model could be a system of dual VAT-Central VAT (Cen VAT) to be levied by the Central Government and State-VAT to be adopted by the State Governments (Bagchi, 1994). The report of the Task Forces on Direct and Indirect Taxes presented some recommendations for modernization tax administration and reducing the taxpayers cost (Kelkar, 2002).

Bhowal and Singh (2009) investigated about the gap between the expectations of traders before implementation of VAT as compared to sales tax and the experience of the traders after implementation of VAT as compared to sales tax. Singh and Agarwal (2010) conducted a study to know the perception of the taxpayers with respect to the tax return. But in this study, they have not considered the assessment aspect of VAT. Moreover, no statistical test is performed to prove or disprove the hypothesis. Saha (2005) revealed the facts related to the implementation of VAT in India. Bezborah and Singh (2005) have discussed about the problems and prospects of VAT in India.

Grandcolas (2004) stressed upon the need for resources to be devoted to preparing appropriate legislation, developing administrative procedures, training staff, registering taxpayers, and educating both taxpayers and the public regarding the operation of the new tax. Jen-Ruei Fu (2004) found that the knowledge and information of the taxpayers help them in understanding the tax related matters in a better way. Turnier (1994)
advocated for the special treatment to the smaller firms with respect to the compliance with the VAT related matters. Khadka (2000) talked about the efficient tax administration system for VAT.

2.1 Scope of the Study

The study is made with particular reference to Assam Value Added Tax. The Study has been confined to Tinsukia Town only because this town is considered to be one of the commercial hubs of Assam, India. Only the returns and assessment provisions of Assam VAT have been undertaken for the purpose of the present study. Assessment of VAT has been made from the perspective of taxpayers only. Here the term taxpayer has been used to include those who have tax payment experiences. These include those who have the experience of tax payment at the tax office on their own, who are traders, and those who have the experience of tax payment on behalf of the others and the clients who are professional accountants. The period of data collection for the present research ranged from 15 December 2006 to 18 February 2007.

2.2 Objectives of the Study

The objective of the present study is to identify similarity and dissimilarity in the perception of the taxpayers regarding the returns and assessment aspects of VAT in Assam, India and to locate the issues of similarity and differences in their perception.

2.3 Hypotheses of the Study

The following Null Hypotheses have been framed in conformity with the objectives of the present study:

1. H₀₁: The responses of the taxpayers, in the population, are not similar across all categories of items, except for chance differences.
2. H₀₂: The perception, in the population, regarding the various dimensions of VAT is equally divided. In other words, the considered dimensions are not the sources of differences.
2.4 Methodology

Given the objectives and hypotheses for the present study, the researcher has collected both primary as well as secondary data, to draw the meaningful conclusions based on the analysis and interpretation of the relevant data for the study.

[1] Universe of the Present Study: The population for the present study consists of traders who are registered with Trade and Tax Department of Tinsukia under Assam Value Added Tax, 2003 and the professional accountants who help their clients in complying with the various provisions of VAT. Total number of registered traders/dealers is two thousand and three and the total number of the professional accountants is nineteen as on 13\textsuperscript{th} December 2006.

[2] Sampling Unit and Sample Size: All the traders and professional accountants of Tinsukia town constitute the sampling unit. Responses were received from one hundred and five sample units. Out of this one hundred and five sample units, ninety six respondents were traders and, the rest nine were of the professional accountants.

[3] Questionnaire Design: Based on various returns and assessment provisions under Assam VAT Act, 2003 and Assam VAT Rules 2005 as compiled by Todi (2005), result of the pilot study and discussion from the experts’ thirty one items were selected for the structured questionnaire. During the pilot study, it was observed that few respondents were not comfortable with the language of the questionnaire (i.e. English). Thus, final structured questionnaire was translated in Hindi language also, to provide a more and better comfort zone to the traders and the professional accountants while they are disclosing their perception as it regards the returns and assessment provisions under VAT in Assam. The scale used was two-point as well as nominal in nature. The questionnaire was tested and again re-tested on a small group of respondents to test its reliability and validity. It was found that the same responses are arriving from the respondents to the extent of 95.5%. A copy of the structured questionnaire is annexed at the end of the paper as Appendix.

[4] Data Analysis Design: For the purpose of data analysis to attain the objective of the study, some non-parametric tests such as Cochran’s Q test, Binomial test are used.
[5] **Data Analysis Tool:** To test the findings of the study Cochran’s Q test and Binomial test have been used. Cochran’s Q test can be used to test whether the responding across conditions are significantly different from each other, where there is a dichotomous outcome. In the Cochran’s Q test, the null hypothesis is that the probability of the target response is equal across all groups. Here, responses to items are matched in terms of each of responses. As the responses are also in ‘Yes’ and ‘No’ pattern (the response variables are categorical in nature) thus Cochran’s Q test was applied. The Cochran’s Q test only requires a nominal scale, or that the data have been artificially dichotomized. If the Q test is significant, then it is concluded that the items are of different nature (Siegel & Castellan, 1988).

Binomial test is applicable to situations where each observation from the population falls into one of the two discrete categories. Thus, in the population, two categories exist in certain ratio. Random sampling usually prevents the sample ratio to equal, precisely, the population ratio. Binomial test is useful in testing whether it is reasonable to believe that the proportions of two categories as observed in the sample could have been drawn from a population with hypothesized proportion of the these two categories. The binomial test is based on the following assumptions:

- **Dichotomous distribution.** The binomial test assumes the variable of interest is a dichotomy whose two values are mutually exclusive and exhaustive for all cases.
- **Data distribution.** The binomial test is non-parametric (it does not assume the normal distribution).
- **Random sampling.** Like all significance tests, random sampling is assumed.

### 3.1 Similarity of Responses Across Items

In this section, it has been attempted to find whether the responses are similar across all categories of the items/questions asked for. It is used to judge if these items collectively portray one latent variable. The null hypothesis ($H_0$) considered here is that the responses of the traders are not similar across all categories of items, except for chance differences. This is done using Cochran’s Q test. The result of the Cochran’s Q test is presented in Table 1.
In Table 1, it is evident that the \( p \)-value of the test is 0 which is less than 0.05 (5% level of significance). Therefore, it is concluded that perceptions of the respondents are not similar across all categories of items in the population. In other words, responses of the respondents in respect of the items included for evaluation of returns and assessments under VAT do not indicate existence of any single latent variable.

### 3.2 Location of Items Where Differences Exist

It was hypothesized that opinions, in the population, regarding the various dimensions of VAT of Assam is equally divided and to test that Binomial test has been used. The result of binomial test is presented in Table 2.

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<tr>
<th>Variable No.</th>
<th>Variable Description</th>
<th>Category</th>
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<th>Observed Prop.</th>
<th>Test Prop.</th>
<th>Asymp. Sig. (2-tailed)</th>
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<td>Understanding of turnover form</td>
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<td>Printed form of turnover return</td>
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<td>Filling return form without expert</td>
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<td>Scope of error in filling turnover form</td>
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<td>Payment of tax through designated bank</td>
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<td>Calculations of payable tax without expert</td>
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<td>Time period of submission of returns</td>
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<td></td>
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<td>Group 2: Given</td>
<td>79</td>
<td>0.75</td>
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<td>105</td>
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<td>23</td>
<td>Difference from authority on revised return submission</td>
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<td>32</td>
<td>0.3</td>
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<td>73</td>
<td>0.7</td>
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<td>Group 2: Not emerged</td>
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<td>79</td>
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<td>Difference from authority on imposition of penalty</td>
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<td>0.31</td>
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<tr>
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<td>0.69</td>
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In respect of the following items or variables, given the dichotomized scale and binary population, these items, in isolation, are not the sources of differentiation or dissimilarity in the perception of the respondents. These items are notes in tax form, approachable authority for tax form fill up, filling tax form without expert help, information asked for in tax form, understanding of turnover form, printed form of turnover return, notes in turnover form, approachable authority for turnover form fill up, filling return form without expert, information asked for in turnover form, calculations of payable tax without expert, time period of submission of returns.

In Table 2, it is observed that in respect of the items or variables mentioned below, opinions are the sources of differentiation or dissimilarity in the perception of the respondents.

Majority of the respondents are of the opinion that understanding a tax form is simple, printed form for tax return is convenient, payment of
tax through designated bank is convenient, calculation of payable tax is easy, number and types of document to be filled in is comfortable, officials during return submission are available, reasonable opportunity of being heard is given, difference from authority on revised return submission did not emerge, difference from authority on calculation of differential tax did not emerge, difference from authority on non-payment of tax did not emerge, difference from authority on imposition of penalty did not emerge, difference from authority on scrutiny and verification did not emerge, differences from authority on maintenance of books of accounts did not emerge, difference from authority on refund of excess tax paid did not emerge, difference from authority on filling of form did not emerge, and difference from authority on submission of forms and returns also did not emerge. These are indicative of positive dimensions of VAT in Assam till date.

On the other hand, the majority also holds views that the scope of error in filling tax form is wider, the scope of error in filling turnover form is wider, and experts’ help for understanding provisions is required. These are indicative of the negative dimensions of VAT in Assam.

4.1 Conclusion and Policy Implications

As an outcome of the study, it is found that the majority of the respondents hold views that scope of error in filling tax form is wider, the scope of error in filling turnover form is wider, and experts’ help for understanding provisions is required. Therefore, there is a need that the government should arrange for training and orientation programmes to educate the traders, so that VAT becomes more user-friendly (Singh & Agarwal, 2010). As a result the traders will be able to do the work of filling of return form without the help of experts.

Moreover, during the time of data collection, it has been observed that few taxpayers under VAT could not contribute to the present study because they had no idea about VAT. For them, the work of filling and filing returns under VAT is being done by professional accountants. This fact also supports the above suggestion, that there is the need to have more and more orientation programmes on VAT for the traders. Experience has shown that a successful introduction of VAT requires careful preparation over a period of about two or three years. Resources
need to be devoted to preparing appropriate legislation, developing administrative procedures, training staff, registering taxpayers, and educating both taxpayers and the public regarding the operation of the new tax (Grandcolas, 2004).

Based on the experience of the survey, some of the respondents do not understand English language, it is suggested that the government should translate the VAT Act and VAT Rules in different languages spoken in different parts of the country and ensure that the translated version is easily available to who-so-ever interested in the same. A step in this direction will make the VAT Act and Rules easily understandable to the readers and consequently eliminate the need to take the help of the experts in understanding the provisions of the Act and for filling as well as filing of the VAT returns. The knowledge and information of the taxpayers help them in understanding the tax related matters in a better way and thus it reduces their harassment from the authorities (Jen-Ruei Fu, 2004).

The authorities involved with VAT of Assam should also enquire further regarding the few selective aspects of VAT, because opinions are still equally divided in the population. The aspects are: sufficiency or insufficiency of notes in tax form, more approachable authority for tax form fill up, possibility and impossibility of filling tax form without expert help, necessary and unnecessary information asked for in tax form, simplicity and difficulty in understanding of turnover form, convenience versus inconvenience with printed form of turnover return, sufficient versus insufficient clarification of notes in turnover form, more approachable authority for turnover form fill up, possibility versus impossibility of filling return form without expert, necessary versus unnecessary information asked for in turnover form, possibility versus impossibility of calculation of tax payable without expert, reasonable versus unreasonableness of time period of returns submission.

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 (Turnier, 1994).
Engaging the taxpayers, seminars and workshops regarding VAT, disseminating information regarding VAT using brochures, pamphlets, using the principles and techniques of social marketing (Weinreich, 1999) to cause a favourable change in the attitudes towards VAT need consideration.

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, particularly in low income developing countries like India. 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 (Khadka, 2000).

4.2 Scope for Future Research

In future research, it can be carried out to see that whether the types of tax payment experiences have any impact on the perception about the return and assessment aspects of the taxpayer. Similarly, another study can be undertaken to investigate the relationship between the nature of the taxpayers’ jobs and their perception about the return and assessment aspects.
References


# Appendix

Please Tick (√) whichever you think is appropriate

<table>
<thead>
<tr>
<th></th>
<th>Tax Return Form under VAT</th>
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<tr>
<td>A</td>
<td>i Simple to understand</td>
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<tr>
<td></td>
<td>ii Printed form for tax return provided by the authority is convenient</td>
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<table>
<thead>
<tr>
<th></th>
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<tr>
<td>B</td>
<td>i Clarification given by way of note is sufficient</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>ii Easily approachable to the concerned authority for clarification</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>iii Filling of tax return form possible without help of experts</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>iv Scope of committing unintentional error is more</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>v All information asked for is necessary</td>
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<table>
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<tr>
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<tr>
<td>C</td>
<td>i Simple to understand</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>ii Printed form for annual return of turnover provided by the authority is convenient</td>
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<table>
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<td>iii Filling of Annual Return of Turnover form possible without help of experts</td>
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<td>iv Scope of committing unintentional error is more</td>
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<table>
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<tr>
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<th>Payment of VAT</th>
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<tbody>
<tr>
<td>E</td>
<td>i Payment of TAX through designated bank is convenient</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>ii Calculation of tax payable is easy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>iii Calculation of tax payable can be done without the help of experts</td>
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<table>
<thead>
<tr>
<th></th>
<th>Overall Views</th>
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<tbody>
<tr>
<td>F</td>
<td>i Time period allowed for submission of returns is reasonable</td>
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</tr>
<tr>
<td></td>
<td>ii Comfortable with the number and types of document to be filled</td>
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</tr>
<tr>
<td></td>
<td>iii When I go for submission of returns, I always find the concerned person available</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>iv Normally solicit experts’ help for understanding provisions of VAT</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>v Whenever there is a difference of opinion with the concerned authorities, I am being given a reasonable opportunity of being heard</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>vi Difference of opinion between appropriate authority and myself emerged in the following areas</td>
<td></td>
<td></td>
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</table>

a Revised return submission
b Calculation of differential tax
c Non-payment of tax
d Collection of tax
e Imposition of penalty
f Scrutiny & verification
g Maintenance of books of accounts
h Refund of excess tax paid
i Filling of form
j Submission of form/returns