DOWNLOAD PDF VALUE ADDED: THE TAX AND THE CONCEPT

Chapter 1 : What are some examples of a value-added tax? | Investopedia

The most difficult thing to understand may be income tax, this paper explores the concept of value added tax (VAT) with respect to the most controversial treatment of basic food items.

Recognizing the experiment as successful, the French introduced it in Wilhelm von Siemens proposed the concept in Initially directed at large businesses, it was extended over time to include all business sectors. As its name suggests, value-added tax is designed to tax only the value added by a business on top of the services and goods it can purchase from the market. To understand what this means, consider a production process e. When an end-consumer makes a purchase, they are not only paying for the VAT for the product at hand e. The value-added effect is achieved by prohibiting end-consumers from recovering VAT on purchases, but permitting businesses to do so. The difference is the tax due to the value added by the business. In this way, the total tax levied at each stage in the economic chain of supply is a constant fraction. Comparison of cash method and accrual method of accounting The standard way to implement a value-added tax involves assuming a business owes some fraction on the price of the product minus all taxes previously paid on the good. By the method of collection, VAT can be accounts-based or invoice-based. Buyers who are subject to VAT on their own sales output tax consider the tax on the purchase invoices as input tax and can deduct the sum from their own VAT liability. The difference between output tax and input tax is paid to the government or a refund is claimed, in the case of negative liability. Under the accounts based method, no such specific invoices are used. Instead, the tax is calculated on the value added, measured as a difference between revenues and allowable purchases. Most countries today use the invoice method, the only exception being Japan, which uses the accounts method. By the timing of collection, [8] VAT as well as accounting in general can be either accrual or cash based. Cash basis accounting is a very simple form of accounting. When a payment is received for the sale of goods or services, a deposit is made, and the revenue is recorded as of the date of the receipt of fundsâ€”no matter when the sale had been made. Cheques are written when funds are available to pay bills, and the expense is recorded as of the cheque dateâ€”regardless of when the expense had been incurred. The primary focus is on the amount of cash in the bank, and the secondary focus is on making sure all bills are paid. Little effort is made to match revenues to the time period in which they are earned, or to match expenses to the time period in which they are incurred. Accrual basis accounting matches revenues to the time period in which they are earned and matches expenses to the time period in which they are incurred. While it is more complex than cash basis accounting, it provides much more information about your business. The accrual basis allows you to track receivables amounts due from customers on credit sales and payables amounts due to vendors on credit purchases. The accrual basis allows you to match revenues to the expenses incurred in earning them, giving you more meaningful financial reports. VAT registered businesses can be natural persons or legal entities, but countries may have different thresholds or regulations specifying at which turnover levels registration becomes compulsory. VAT-registered businesses are required to add VAT on goods and services that they supply to others with some exceptions, which vary by country and account for the VAT to the taxing authority, after deducting the VAT that they paid on the goods and services they acquired from other VAT-registered businesses. Comparison with sales tax[edit] This section does not cite any sources. Please help improve this section by adding citations to reliable sources. Unsourced material may be challenged and removed. November Learn how and when to remove this template message Regardless of system, VAT or sales tax is paid by the consumer at the point of sale. The difference from the point of view of the consumer is that the VAT is not visible at the point of sale. This is one of the main differences between VAT and sales tax. It is claimed that VAT avoids the cascade effect of sales tax by taxing only the value added at each stage of production. However, it only hides the cascade effect and does not avoid itâ€”the consumer still has to pay the VAT on all of it and the seller keeps that portion of the VAT collected that balances what the seller already paid in VAT. It is the lack of visibility of the tax, which has increased its popularity among governments. With 45 US states and the District of Columbia [2] using sales tax, there are numerous differences in the implementation of sales tax, in the United States. Some states exempt items, such as for food or for clothing, or reduce their rates. Thus, a manufacturer of a type of cloth could find their product incorporated into an item of clothing or into a table cloth that could, in practice, be subject to different rates of sales tax, or even if the cloth from the same manufacturer is used to create the same end item, they could be sold in different states and subject to different sales tax rates. If, however, the purchasers are not the end users, but the goods or services purchased are costs to their business, the tax they have paid for such purchases can be deducted from the tax they charge to their customers. The government only receives the difference; in other words, it is paid tax on the gross margin of each transaction, by each participant in the sales chain. In many developing countries such as India, sales taxes are key revenue sources as high unemployment and low per capita income render other income sources inadequate. However, there is strong opposition to converting to VAT by many sub-national governments as the conversion leads to an overall reduction in the revenue they collect as well as of some autonomy. In principle, sales tax is only levied at the point of sale to the consumer. In practice, in some US states, it is sometimes levied at various stages during the production process. States collecting sales tax define who the consumer is. In general, everybody is the consumer and subject to sales tax, unless the person or company can demonstrate that it is not subject to the tax because they are so registered. VAT requires extra accounting by those in the middle of the supply chain to ensure VAT is collected correctly. However, while this is true focusing only on the collection of consumption taxes, in general, all US companies that trade on stock exchanges provide that same level of accounting anyway to government regulators and need to do so to deduct their expenses, including paid sales taxes, from corporate income tax. Both sales tax and VAT have issues associated with cross border transactions. When the purchaser is in a different taxing jurisdiction than the seller, a method is needed to determine the appropriate collection rates and allocation of taxes. In the United States, this was true before the internet with mail order sales. The internet complicated the issue. The purchaser may live in one state, physically be in another at the time of sale, and request shipping to a third state. The seller could be registered in one state, but have shipping outlets in other states. As the seller collects the tax for the state, the seller needs a relationship with the state taxing authorities to pay the tax. For a time in the United States, the internet market place was protected from taxation by federal lawâ€”a protection that no longer exists. This was a deliberate policy designed to grow the then fledgling internet market place. Because sales taxes are visible at the point of sale to consumers, people may use legal or illegal methods to avoid sales activity like buying over the Internet, pretending to be a business, buying at wholesale, buying products through an employer etc. Depending on the state, sales tax can be applied at several points in the production process. VAT, in principle, can be applied in a fairer manner in cross border transactions. The value added in France is taxed in France, even if the product is sold for further production in Spain, which can then tax the value added in Spain. In what follows, the term "gross margin" is used rather than "profit". Profit is the remainder of what is left after paying other costs, such as rent and personnel costs. The retailers have not paid any tax directly it is the consumer who has paid the tax , but the retailer has to do the paperwork in order to correctly pass on to the government the sales tax it has collected. Suppliers and manufacturers have the administrative burden of supplying correct state exemption certifications, and checking that their customers retailers are not consumers. The retailer must verify and maintain these exemption certificate. In addition, the retailer must keep track of what is taxable and what is not along with the various tax rates in each of the cities, counties and states for the 35, plus various taxing jurisdictions. A large exception to this state of affairs is online sales. Typically if the online retail firm has no nexus also known as substantial physical presence in the state where the merchandise will be delivered, no obligation is imposed upon the retailer to collect sales taxes from "out-of-state" purchasers. Generally, state law requires that the purchaser report such purchases to the state taxing authority and pay the use tax , which compensates for the sales tax that is not paid by the retailer. The manufacturer and retailer realize less gross margin from a percentage perspective. In the VAT example above, the consumer has paid, and the government received, the same dollar amount as with a sales tax. At each stage of the production, the seller collects a tax on behalf of the government and the buyer pays for the tax by paying a higher price. The buyer can then be reimbursed for paying the tax, but only by successfully selling the value-added product to the buyer or consumer in the next stage. In the previously shown examples, if the retailer fails to sell some of its inventory, then it suffers a greater financial loss in the VAT scheme in comparison to the sales tax regulatory system by having paid a higher price on the product it wants to sell. Each business is responsible for handling the necessary paperwork in order to pass on to the government the VAT it collected on its gross margin. The businesses are freed from any obligation to request certifications from purchasers who are not end users, and of providing such certifications to their suppliers, but they incur increased accounting costs for collecting the tax, which are not reimbursed by the taxing authority. For example, wholesale companies now have to hire staff and accountants to handle the VAT paperwork, which would not be required if they were collecting sales tax instead. Limitations to the examples[edit] In the above examples, we assumed that the same number of widgets were made and sold both before and after the introduction of the tax. This is not true in real life. The supply and demand economic model suggests that any tax raises the cost of transaction for someone, whether it is the seller or purchaser. In raising the cost, either the demand curve shifts leftward, or the supply curve shifts upward. The two are functionally equivalent. This shift in supply and demand is not incorporated into the above example, for simplicity and because these effects are different for every type of good. The above example assumes the tax is non-distortionary. Because the price for someone rises, the quantity of goods traded decreases. Correspondingly, some people are worse off by more than the government is made better off by tax income. That is, more is lost due to supply and demand shifts than is gained in tax. This is known as a deadweight loss. In the diagram on the right: Ultimately, it taxes the same people and businesses the same amounts of money, despite its internal mechanism being different. There is a significant difference between VAT and Sales Tax for goods that are imported and exported: VAT is charged for a commodity that is exported while sales tax is not. Sales tax is paid for the full price of the imported commodity, while VAT is expected to be charged only for value added to this commodity by the importer and the reseller. This means that, without special measures, goods will be taxed twice if they are exported from one country that does have VAT to another country that has sales tax instead. To fix this problem, nearly all countries that use VAT use special rules for imported and exported goods: All imported goods are charged VAT tax for their full price when they are sold for the first time.

Chapter 2 : The Pros and Cons of a Value Added Tax (VAT) â€” Tax Foundation

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Congress is currently exploring tax reform in order to spur economic growth and protect American businesses. What will be its effects if adopted? What Is a Value-Added Tax? While Gale was speaking during the early recovery of the Great Recession , some tax and economic experts proposed that tax reform should include an American version of the VAT. In many ways, a value-added tax is similar to a national sales tax. Ultimately, both are based on the consumption of a product and add to the final cost to the consumer. The primary difference between a sales tax and a VAT is that the former is collected on the final sale to the consumer, while the latter is paid during each stage of the supply chain. In other words, the latter is a combination of direct and indirect taxes. What Is Sales Tax? Sales tax is added to the purchase price when the consumer purchases the goods. The retailer selling the product collects the tax and remits the proceeds to the taxing authority. The buyer is aware of the extra cost since it applies to the purchase price of the product. In addition to the state sales tax , many counties and cities tack on additional sales tax to the state charge. According to the Tax Foundation , combined sale tax rates range from a low of 1. Since sales tax is regressive a tax that takes a smaller proportion of total income as income rises , taxing authorities frequently exempt or reduce the tax rate on certain products and services deemed essential. Most states do not tax groceries, clothing, or utilities, for example. The decisions to exempt certain goods or services are extremely political as businesses seek to avoid extra out-of-pocket costs to the consumer that might limit their sales. The Act included provisions to prohibit funding for the Internal Revenue Service and repeal the Sixteenth Amendment to Constitution authorization for an income tax. The proposed Act died in a subcommittee of the House. Each seller would calculate, collect, and pay the value-added tax as the product moves from manufacture to sale. In other words, the seller would only pay tax on the value they added to the final product: Advocates of a VAT claim that the tax calculation is much simpler than existing sales tax systems and less costly to administer. Gale, writing on behalf of the Brooking Institute , notes that producers will be incentivized to comply in order to receive offsetting tax credits and will be less likely to evade or game the system. Recognizing that the VAT is regressive like a sales tax, proponents recommend offsetting the burden on low-income households by increasing cash transfers â€” direct payments from the government to those citizens who meet certain income and program requirements. History of the VAT Despite its avant-garde name, value-added taxes in one form or another have existed for centuries. Stripped to its basics, a VAT is a consumption tax â€” those who consume or buy the product are liable for the tax â€” just like a sales tax, an excise tax, a Goods and Services Tax Australia , or a Harmonized Sales Tax Canada. Until the passage of the Sixteenth Amendment in , which allowed income taxes, the United States government relied on consumption taxes for a significant portion of its revenues. Many countries exclude VATs from investment income, limiting it to goods and services. They also typically allow a variety of exempted products for social or political reasons. Some historians credit its development to American economist and tax expert Thomas S. Adams, who proposed it in a article in the Quarterly Journal of Economics as a substitute for corporate taxes. Slow to be adopted by industrialized countries, it spread throughout Europe as a condition to join the Economic Cooperation Union now the European Union. Today, the bulk of government revenues are progressive income taxes on corporations and individuals â€” the more you make, the more you pay. Since it applies to consumption, a value-added tax is regressive â€” the more you spend, the more you pay â€” and favors savings and investments. In the words of economist Sijbren Cnossen , the introduction of the value-added tax should be considered the most important event in the evolution of tax structure in the last half of the 20th century. Value-added taxes foment intense feelings wherever and whenever they are considered. Many favor the tax due to its: Sellers of products and services are incentivized to comply with regulations to receive credit for previously paid VAT and offset the tax for which they are liable. Value-added taxes have little effect on economic behavior or the allocation of resources, according to the CBO. Depending on the design of the tax, businesses would charge the VAT on the value of their sales to consumers and other businesses, but receive credit for the VAT they pay on purchases from other firms and remit the balance to the government. The net effect is to make business purchases free of tax. Consequently, much of the burden of collection and administration of VAT falls on the private sector, rather than the government. However, the potential savings are directly proportional to the design of the value-added tax â€" in particular, the exemptions, limits, and complexity of the tax. Administration cost savings may not be significant if the government must maintain administrative and collection systems for other taxes. Others dispute the benefits of a value-added tax, claiming that it is: Like all consumption taxes, the burden of payment falls more harshly on low-income earners than those with high incomes. A study by the U. The gap might have been greater if certain necessary items were not exempted from the tax. A study by the Mercatus Center of George Mason University claims that the impact of a value-added tax is hidden from consumers, even though the economic effect of a sales tax and a VAT are the same. Hidden taxes, according to the authors of the study, hide the real cost of government, making them more palatable. A Forbes article likened a value-added tax to the best way to pluck a chicken. Pulling one feather at a time means less squawk per feather so that more plumage can be taken without resistance. This is especially troubling, considering the frequent warnings over the years that failure to lower the debt would have dire consequences for the country: Indeed, it may well be in worse fiscal shape than any developed country, including Greece. Since any significant reform requires a bipartisan solution, a compromise maintaining the status quo of taxes and expenditures is the most likely outcome. But there may be an opportunity for both parties to further their long-range interests. The president has publicly advocated a reduction or elimination of corporate taxes to stimulate economic growth. The CBO notes that the U. Replacing the corporate tax with a revenue-neutral VAT may be an acceptable compromise for Republicans, since figures compiled by the Tax Foundation suggest a VAT of 2. An added long-term advantage is the possibility of higher VAT rates in the future. The Mercatus study showed the VAT rate had increased from the initial rate in nine of 10 major industrial countries, from an average of 9. Income tax applies to the production of goods and services, while DBCFT targets consumption of goods and services. According to the Tax Foundation , the Republican plan will: Other aspects of the plan identified by RealClear Markets include: Border Adjustment on Imports and Exports. Exports are exempted from the tax, but imported items are not. Many economists believe the effects on international trade will be limited, since the plan is likely to raise the value of the U. This effect will also reduce the value of American foreign investments. Consumer prices would rise, disproportionately affecting low-income households. Progressive Element Due to the Deduction of Wages. Companies that invest in automation , thereby reducing their U. Proponents claim this will encourage investment in workers and higher wages. Allowing for the inclusion of wages makes the tax resemble an income tax and may cause problems with the World Trade Organization WTO. The organization allows border adjustments for VATs, but not for income taxes. Large, profitable exporters might generate negative net tax liabilities, thereby requiring the Treasury to compensate the companies for the paper losses. Since most Americans believe that profitable companies should pay more, not less, tax, political problems could arise. Final Word As we enter into another attempt at tax reform, potentially including the adoption of a VAT-like tax, we should remember that previous efforts for a VAT have met stiff opposition. Any agreement must be bipartisan to garner the necessary vote. However, there is no certainty that the increased funds would be used to pay down national debt a conservative goal or expand government services a conservative fear. It is also likely that the tax will supplement our tax system, rather than replace an existing tax. Calculating, reporting, and paying a value-added tax is less complicated than an income tax. Would you favor a value-added tax? Should it replace an existing tax, such as the corporate income tax, or should it be an addition? Should any revenues from a VAT be used to reduce debt or increase social programs?

Chapter 3 : Value Added Tax (VAT) Definition | Economy Watch

A value-added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale. The amount of VAT that the user.

But it is not without controversy. Advocates say it raises government revenues without punishing success or wealth, as income taxes do; it is also simpler and more standardized than a traditional sales tax, and there are fewer compliance issues. Critics charge that a VAT is essentially a regressive tax that places an increased economic strain on lower-income taxpayers, and also adds bureaucratic burdens for businesses. In contrast to a progressive income tax, which levies greater taxes on higher-level earners, VAT applies equally to every purchase. The tax is assessed and collected at each stage, in contrast to sales tax that is only assessed and paid by the consumer at the very end of the supply chain. Say, for example, Dulce is an expensive candy manufactured and sold in the country of Alexia. However, the manufacturer renders only 30 cents to Alexia, which is the total VAT at this point, minus the prior VAT charged by the raw material supplier. Sales Tax VATs and sales taxes can raise the same amount of revenue; the difference lies in at what point the money is paid â€” and by whom. Again, assume a VAT of 10 percent. A farmer sells wheat to a baker for 30 cents. The baker pays 33 cents; the extra 3 cents represents the VAT, which the farmer sends to the government. The baker uses the wheat to make bread and sells a loaf to a local supermarket for 70 cents. The supermarket pays 77 cents, including a 7 cent VAT. The baker sends 4 cents to the government; the other 3 cents were paid by the farmer. The VAT differs in that it is paid at different stops along the supply chain; the farmer pays 3 cents, the baker 4 cents and the supermarket 3 cents. However, a VAT offers advantages over a national sales tax. It is much easier to track. The exact tax levied at each step of production is known; with a sales tax, the entire amount is rendered after the sale, making it difficult to allocate to specific production stages. Additionally, because the VAT only taxes each value addition and not the sale of a product itself, assurance is provided that the same product is not double-taxed. The United States remains the only notable exception. Most industrial countries with a VAT adopted their systems in the s. Results have been mixed, but there is certainly no tendency among VAT countries to have small budget deficits or low government debt. According to one International Monetary Fund study, any state that switches to VAT initially feels the negative impact of reduced tax revenues despite its greater revenue potential down the road. VAT has earned a negative connotation in some parts of the world where it has been introduced, even hurting its proponents politically. In the Philippines, for example, Senator Rafael Recto, the chief proponent of VAT in the s, was voted out of office by the electorate when he ran for re-election. But in the years that followed its implementation, the population eventually accepted the tax. Recto ended up finding his way back to the Senate, where he became the proponent an expanded VAT. VAT in the U. Advocates claim it would increase government revenue, help fund essential social services and reduce the federal deficit. A VAT would change the structure of production in the United States; not all firms will be equally able to absorb the hike in input costs. It is unknown if the additional revenue would be used as an excuse to borrow more money â€” historically proven to be the case in Europe â€” or reduce taxes in other areas potentially making the VAT budget-neutral. More importantly, it would make it much more difficult to avoid paying taxes. A VAT would collect revenue on all goods sold in America, including online purchases. Despite efforts to close tax loopholes that allow internet companies to avoid charging customers taxes in states where they do not have a brick-and-mortar business, unpaid taxes on online sales cost states billions in potential income that could fund schools, law enforcement and other services. If a VAT supplants American income tax, it eliminates the disincentive-to-succeed complaint levied against such progressive tax systems: Citizens get to keep more of the money they make and are only affected by taxes when purchasing goods. This change not only confers a stronger incentive to earn, it also encourages saving and discourages frivolous spending theoretically. Opponents, however, note many potential drawbacks of a VAT, including increased costs for business owners throughout the chain of production. Because VAT is calculated at every step of the sales process, bookkeeping alone results in a bigger burden for a company, which then passes on the additional cost to the consumer. It becomes more complex when transactions are not merely local, but international. Different countries may have different interpretations on how the tax is calculated. This not only adds another layer to the bureaucracy, it can also result in unnecessary transaction delays. In addition, while a VAT system may be simpler to maintain, it is costlier to implement. And tax evasion can still continue, even be widespread, if the general public does not give it its wholehearted support. Smaller businesses in particular can evade paying VAT by asking their customers if they require a receipt , adding that the price of the product or service being purchased is lower if no official receipt is issued. Critics also note that consumers typically wind up paying higher prices with a VAT. While the VAT theoretically spreads the tax burden on the added value of a good as it moves through the supply chain, from raw material to final product, in practice the increased costs are typically passed along to the consumer. Even so, the better-off consumers could ultimately benefit if a VAT replaced the income tax: In short, lower-income consumers would pay a much higher proportion of their earnings in taxes with a VAT system, critics charge.

Chapter 4 : Value added - Wikipedia

A value-added tax (VAT), known in some countries as a goods and services tax (GST), is a type of tax that is assessed incrementally, based on the increase in value of a product or service at each stage of production or distribution.

So that while registered businesses must charge VAT to their customers, they may also reclaim with a few exceptions any VAT they pay to suppliers. The net amount is paid over to HM Customs and Excise. The trader is, in effect, an unpaid tax collector working on behalf of Customs and Excise by collecting the tax due which will eventually be suffered by the final user only. This point is of vital importance when deciding the amount on which capital allowances can be claimed. If the trader is registered then the VAT exclusive figure is used. This statement is taken to include all supplies including trading stock, utilities supplied such as gas and electricity, and capital items. There are two occasions on which a trader would need to check this. Firstly, at the end of every month a trader must check his cumulative turnover to date. This cumulative period must not exceed 12 months. The trader may request an earlier date if he wishes. This test of measurement is on the day period alone and not the cumulative turnover to date. Again the trader has 30 days to notify Customs and Excise but here he will be registered from day 1 of the day period. A trader must notify registration using form VAT 1. Telephone calls and letters are not accepted methods of registration. The registration number is to be quoted on all future invoices and communication with the VAT authorities. Voluntary registration A trader may voluntarily register at any time whatever the level of his turnover. This has the advantage of allowing him to claim input tax and gives his business more credibility. Deregistration will be effective from the date of request or at a later date if requested. Compulsory deregistration is also required when the trader stops making taxable supplies or there is a change in legal status. The tax pointThe tax point of each individual supply is the actual deemed date of supply. The tax point is generally the earliest of the date the goods are taken, the invoice date, or the date that cash is received. The tax point is important in determining the period in which the supply is made, the rate of tax to be applied and the category standard, zero-rated or exempt to be taken. There is a day rule, which allows the invoice date to be used if this is issued within 14 days of the goods being taken.

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Chapter 5 : Value Added Tax (VAT) Definition & Example | InvestingAnswers

Value Added Tax (VAT) is based on the value addition to the goods, and the related VAT liability of the dealer is calculated by deducting the input credit from the tax collected on sales during the payment period.

VAT is levied on the value additions at different stages of production. VAT is widely applied in the European countries. However, now a number of countries across the globe have adopted this tax system. In , the French economist, Maurice Laure, the joint director of the French tax authority, the Direction generale des impost, initiated the concept of VAT, which came into effect on April 10, Initially introduced for large businesses of France, with the passage of time, VAT was employed for all business sectors of the country. In France, value added tax is considered to be one of the major sources state finance. Value added tax, also known as goods and services tax or GST proves to be beneficial for the government. Through implementation of this tax system, government can raise revenues invisibly, where the tax is not shown on the bill paid by the buyer. VAT is different from sales tax in various aspects. While sales tax is to be paid on the total value of the goods and services, VAT is levied on every exchange of the product, so that consumers do not have to carry the total cost of tax. However, VAT is generally not applied on export goods to avoid double taxation on the final product. However, if VAT is charged on export goods, the tax amount is usually refunded to the tax payer. Value added tax can also be recovered. The individual consumers cannot recover VAT on purchases made by them. However, businesses can recover VAT on the services and materials, which are bought by them in order to continue the supply of the products and services. VAT was introduced to arrest the increasing smuggling and cheating, which were resultants of high sales tax and tariffs. The rate is determined by the VAT authorities of different countries. There are also some countries, where VAT has been introduced to replace sales tax. India is one such country, where the system of VAT has been adopted for replacing the sales taxation system. The value added tax serves as the solution for different problems related to the sales tax system. Due to the simplicity of the VAT system, the entire taxation system on consumer products and services has become easier.

Chapter 6 : Added Value As a Business Concept | calendrierdelascience.com

Value added tax (VAT) is a type of tax that is applied to the goods or services produced. It is a form of an informal tax that is also known as a multi-stage tax. It is a form of an informal tax that is also known as a multi-stage tax.

Chapter 7 : Concept of -VAT (Value Added Tax)

A value-added tax (VAT) is a consumption tax levied on products at every point of sale where value has been added, starting from raw materials and going all the way to final retail purchase.

Chapter 8 : Value-Added Tax (VAT)

The value added tax serves as the solution for different problems related to the sales tax system. Unlike sales tax, in VAT, there is provision for input tax credit or ITC. Due to the simplicity of the VAT system, the entire taxation system on consumer products and services has become easier.

Chapter 9 : Concept of VAT,What is Value Added Tax, Input VAT&Output VAT

Michael J. Graetz, a professor at Columbia Law School, argues that VAT can be good for economic growth. David R. Henderson, an economics professor at the Naval Postgraduate School, says VAT.