

Impact of Introduction of Vat on Accounting and Auditing Services and Perception of the Consumers in Sultanate of Oman

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Abstract

Taxation remains to be the source of revenues all over the world. The percentage of taxation, orbit and overall scope might differ from nation to nation. Based on the suitability of the structure and availability of the various avenues to generate revenues, taxation is applied in various nations. Especially in the countries like GCC, the taxation has always been a secondary source of generation of revenue. The reason being, the oil based revenues dominate the chart till recent past. On an average, more than 90% of the revenue requirement of the GCC nations has been met by the sale of crude oil. However, with the recent price falls in the oil market in late 2014, recently entered non OPEC oil producing and selling nations in the market and the rising of public welfare and infrastructural costs for the GCC nations, the scenario has been changing. Gulf countries have started thinking seriously on the taxation as a source of revenue for their economies. Accordingly, one of the commonly levied indirect taxes in the form of Value Added Tax (VAT) is approved by the Gulf Council and most of the nations are planning to apply the same from 2018 onwards. As United Arab Emirates and Saudi Arabia have already started levying the VAT, Sultanate of Oman is not an exception. The volatility of the oil prices and rapidly exhausting oil reserves all over the world have also been the crucial factors for the Gulf countries to think on the taxation as a source of revenue. Accordingly, the new era of taxation in the Sultanate of Oman is expected to begin with the introduction of VAT from January 2019 onwards. The immediate perception of introduction of new tax to any stakeholder for the nation is naturally the increased costs. The same is also observed in Oman. However, the implementation, phases, exact effect on costs and profitability, probable changes in the Accounting and Auditing services, impact on consumption, investment and savings patterns and last but not the least, the exact costs to be borne by the companies are all the factors which remain unknown or at least less known. This research is an attempt to throw some light on the perceptions, perspectives and thought processes of the financial regulators and the ultimate burden bearers of the tax. Accordingly, the opinions of Auditors and perception of consumers are sought to complete the research. Even though VAT as a concept is well proven, the impact of the same on Oman's economy and budgets of the consumers will be known only when the VAT is implemented in Oman.

Keywords: Value Added Tax (VAT), Perceptions, Accounting and auditing services.

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I. INTRODUCTION

Most of the Gulf countries have been getting contributed to the economy from the main source of revenue, Oil. Hence, the alternate sources of revenue have not been the common thought till the recent past. However, constantly declining prices of oil in the international market have made it necessary to look for the alternate factor running the economy. This is mainly due to the factors like population, lowering of the levels of the crude oil all over the world and last but not the least, the awareness to have a sustainable economy avoiding volatility. Public expenditure is not possible without Government having funds. As taxation remains to be one of the major sources of the revenue generation without creating an additional burden in terms of repayment, GCC countries have insisted in recent past on the introduction of taxation. Oman is also not an exception to this. The impact of VAT system on consumer varies from country to country. However, In Oman, the impact depends on persons' spending behavior, Tax rate and household incomes of Omani people. Definitely, residents who spend more through shopping are more likely to bear the burden of tax. Tax rate will not cause noticeable effect in case of those persons whose incomes are more.

II. MEANING OF THE CONCEPTS

Means of taxation

Means are nothing but ways by which Governments finance their expenditure by imposing charges on citizens and corporate entities. There could be different means which Government opts for revenue generation and public expenditure. Governments use taxation to encourage or discourage certain economic decisions.

Value-Added Tax (VAT)

As the name itself suggests, the Value Added Tax (VAT) is a tax which is levied at every stage wherein the value is added. This is imposed only on value addition thereby avoiding the cascading effect of tax. Cascading means imposing the tax on tax thereby making it double and triple taxation

sometimes. Thus taxation burden is created and claimed by the taxation authorities. This concept dates back to the 1919 when Dr. Wilhelm Siemens proposed for the turnover tax. This was the first time when VAT concept was introduced even though that was not called as VAT at that time. Immediately after 2 years, Prof. Thomas Adams in USA suggested the tax on sale of goods with the credit/refunds of tax already paid on purchases or production of goods sold. In short instead of taxing the same value with added amounts again and again, only on that amount which is newly added in the form of value addition, tax is levied. After this, there was a long gap till 1949 when for a reconstruction of a Japanese economy, VAT was again discussed and adopted. Official adoption of the concept of VAT for the first time was being done by France in 1954 whereby only Wholesale level was brought under the purview of VAT. Ivory Coast was the second country to join the suit in 1960 and thereafter the adoption continued over a period of time. Currently many countries have adopted VAT as a source of revenue as well as for the streamlining of the transactions and middlemen in the transactions. The basic principle in VAT is, when the raw material passes through various stages of manufacturing as well as when manufactured product passes through various distribution stages, tax has to be levied on the net amount of value addition in each and not on the gross amount of sales price as such. It means more or less it rests on the principle of amount added at every stage in terms of value of the product and charging the tax thereon only. This will ensure same commodity does not get taxed again and again. Even though it gets, the same will not happen on the same price. VAT is a multipoint tax which will tax only net differences every time. Tax liability is reduced by way of set off or credit with respect to the previous tax payment and then net amount will be paid. VAT applies to all the types of businesses including wholesalers, retailers, work contractors and so on.

In general interpretation of VAT is increase in the general price level of the nation and additional burden on the consumers. The same is tested by the

Researchers from the perspectives of the defined stakeholders in the form of Auditors and Consumers.

Audit

An audit is an objective examination and evaluation of the financial statements of an organization to make sure that the records are a fair and accurate representation of the transactions they claim to represent. It can be done internally by employees of the organization, or externally by an outside firm.

Accounting

Accounting is the systematic and comprehensive recording of financial transactions pertaining to a business, and it also refers to the process of summarizing, analyzing and reporting these transactions to oversight agencies and tax collection entities. Accounting is one of the key functions for almost any business; it may be handled by a bookkeeper and accountant at small firms or by sizable finance departments with dozens of employees' at large companies.

III. RESEARCH PROBLEM

The impact and real effect of the VAT is not known. In the sense, even if many countries all over the world have been practicing the VAT, their economies, GDP contributors remain varied from country to country. For GCC countries, the past records, measurement of the effect of VAT post implementation and especially the subsequent issues arising in the Accounting and Auditing practices, Disclosure norms, quality of reporting, probable shift of fraudulent financial practices and so on are the real factors to be focused. The implementers, i.e.; Taxation Authorities on one hand and the bearers i.e; business organizations, consumers and investors on the other hand remain to be in dark about the clear idea of the implementation, exact shift of procedures and methodologies and the net financial benefits and burdens respectively.

The researchers have felt this as a research problem in which the exact impact and effects of the implementation and post implementation status of

the VAT are not known and stakeholders of the economy like Government, Corporate sector Organizations, Regulators and Consumers in general are unaware of the fact. Through research, the researchers aim to throw some light on the scenario and would attempt to come up with the outcomes which would offer some clarity for the stakeholders.

IV. RESEARCH SIGNIFICANCE

VAT in general is not a new concept and much has been explored in the same. However, for GCC nation like Sultanate of Oman which has not levied any tax on individuals till date, the overall impact of the same on the revenue generation, economy and the perceptions of the tax payers need to be researched. Flat rate corporate tax in Oman is not a new concept and the consumers did not face any taxation burden till date. Even though the customs and allied charges put on the imports increased the costs of the goods and services available in the Sultanate, VAT is additional charge proposed to be levied. On one hand, Government expects the considerable amount of revenue to be generated whereas on the other hand, the accounting and auditing practices also need to be revamped to a certain extent. Surveys conducted by the Big 4 Audit firms and various other organizations clearly depict that there is no clarity among the companies as well as the consumers as to how the same will be implemented. Organizations have registered the queries with the taxation authorities with respect to what changes to be made in the accounting treatment and existing systems of recording and maintaining the books of accounts. Also, the consumers' perceptions on the additional burden of tax remains to be the crucial factor.

Hence, the researchers intend to measure the impact of VAT in Oman from the view point of consumers and auditors.

V RESEARCH OBJECTIVES

1. To study the concept of Value Added Tax (VAT) and its overall implementation in the Sultanate of Oman.

2. To study the probable changes required in the Accounting and Auditing services in pre and post VAT implementation.

3. To know the perceptions and perspectives of consumers for VAT and its implementation in the Sultanate of Oman.

VI. RESEARCH METHODOLOGY

Scope of the study

This research is a demographical study based on perceptions and views of proposed VAT in Oman from the view point of Auditors and Consumers.

The research work was undertaken by getting the research questionnaires filled by the respondents.

The geographical scope of the research remains to be the Sultanate of Oman. However, in the study, through references and literature review, the sources from other GCC countries have also been referred and connect of the topic with the research is attempted to be done.

Sultanate of Oman's revised Income Tax Law of 2017 is not included in the scope of the research.

Methodology

This study is based on primary data collected from the respondents. The study also includes the use of secondary data for knowing the technicalities of the concept as well as its implementation in other countries.

The collected data are analyzed with the help of Excel to find out the weighted averages, tabulations and based on that, researchers have used independent sample two tailed t test on the basis of results. Hypotheses were formed separately on the basis of the findings and analyses. Bar Charts, Pie Charts also support the analysis.

Research Respondents

The sampling method used is Convenience Sampling and Simple Random Sampling for Auditors and Consumers categories respectively. Out of the various firms of Auditors, those which are big on scale, expertise and having an active participation in the Oman VAT devising and implementation are selected for the responses.

Research Instrument

Detailed questionnaire along with the series of informal interviews, interactions and discussions with the experts are used in the research. In addition, various secondary data are also considered by the researchers for the research. In short, Questionnaire, Interviews and already published literature are used for the research.

Research Procedure (Primary & Secondary Data)

Primary Data are collected with the help of Questionnaires to Auditors and Consumers in which the first section is comprised of the 5 point Likert scale questions whereas the second section comprises of the factors point scale.

Secondary Data are collected through published Articles, Research Papers, Seminar and Workshop Reports & Annual Reports published by the Big 4 Audit Firms. Updated data on various Government and auditing websites are also used for the research.

Limitations

- Ministry of Finance and Secretariat General for Taxation in the Sultanate of Oman have expressed their inability to expressly quote their opinions formally in writing through Questionnaires as the same is being under final review process before being introduced as a Law through Royal Decree. However, theoretically and verbally they have provided valuable inputs the validity of which could not be established and not considered in the data analysis as well.

- The respondents and representative sample is made of big 4 audit firms only as the same have their separate Cells and Departments for the implementation of the VAT and two of them are partners with the Government of the Sultanate of Oman in designing, structuring and implementing the VAT procedures.

- The age limit for the respondents is considered to be 20 and above as Researchers have chosen the working population and above for the research. The awareness and the conscious purchase decision making are also considered factors by the researchers while selecting the age group.

VII. INDICATIVE REVIEW OF LITERATURE

Times of Oman Article on 06.05.2017-VAT in Oman

Analysts say that the amounts ranging from OMR 10000 to OMR 40000 could have to be set aside by the organizations if they want to make their services and environment VAT fit. The major part of the costs would comprise of training the workforce of the organizations to implement VAT and its procedures. BIG 4 auditing giants including KPMG and Deloitte who were major players in the effective implementation of the VAT in Malaysia have also opined that the Sultanate would have to incur more expenses due to higher overheads. The main reason for the same cited is the cost of living higher in the Middle East as compared to the Malaysia.

According to business leaders here, only a few companies are ready, but VAT implementation has been included in budgets. Upgrading the IT systems, training costs are the two major heads of expenses which the companies would have to incur.

The same planning is conveyed by the Top Management officials from OREEDOO, RENNA Mobile, Al Khaleej Group, Saud Bahwan Automotive have quoted their remarks on the VAT in the Sultanate of Oman.

However, experts believe that the smaller companies would be lagging behind. There are many MSMEs (Micro, Small, and Medium Enterprises) in the Sultanate which can't bear the huge cost of the VAT implementation and the fear is being expressed of their inadequate or incomplete implementation by them.

Deloitte and KPMG have expressed the need to publish the information about VAT in detailed and dissected manner as the same would bring the certainty and clarity among the users and stakeholders.

The Ministry of Finance is in the process of drafting the legislation and preparing its systems to gear up for VAT and that the mandatory VAT registration threshold is expected to be OMR 38,500

A business will need to submit a VAT return every quarter containing accurate information on the amount of VAT it has charged to customers and paid to suppliers, and it must be able to rely on the information which is produced by its finance systems. The Omani tax authorities will conduct audits of businesses to ensure their VAT compliance, and if businesses are not able to produce a reliable audit trail establishing how it has arrived at its VAT return figures then it could face assessments and penalties.

Non-compliance due to delays in implementing the systems can cost businesses even more.

Deloitte's Indirect Tax Survey in GCC 2017 Report

Survey for the business organizations having headquarters in GCC countries was recently conducted by the firm. The results of the same are very crucial for the financial regulators, Government departments and the other stakeholders including consumers. Respondents have been from almost all the sectors including Retail, Manufacturing, Consumer Goods, Real Estate, and Financial Services. 58% of the respondents have bases of the business in GCC whereas remaining has the business in GCC along with the countries outside GCC.

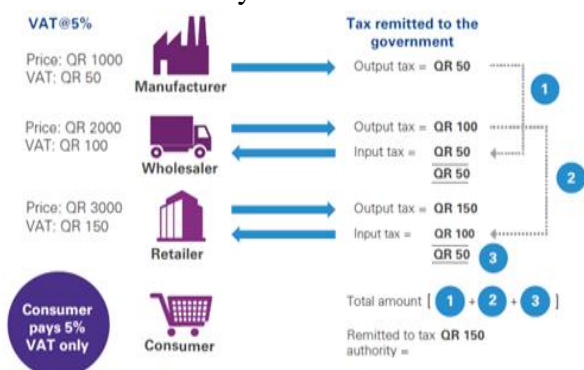
Some of the crucial results of the survey have come up as under:

- a) 73% of the respondents know the concept of VAT merely without having much knowledge of the same while 27% are well aware of the same
- b) 83% of the respondents said that the VAT would impact their business but with no knowledge of how, to what extent and for how much period.
- c) 60% of the respondents have expressed their opinion that VAT would impact their own competitiveness as well as the competitiveness of the countries who introduce.
- d) Especially in the GCC wherein rather than Manufacturing, Retail sector with trading and Real Estate sectors are the major players, 60% of the Retail sector and 46% of the Real Estate believe that VAT will affect their business negatively.

KPMG's 2016 Report on GCC Value Added Tax (VAT)

Analysis of the VAT Framework Agreement of GCC by KPMG is a major part of this Report. As KPMG remain to be the major partner in the devising and implementing the VAT in all the GCC countries, their inputs and findings have given researchers a new vision to look at the project.

As the Report begins with the standardized rate for VAT in GCC @ 5% till now, it also progresses with the calculation of VAT step wise. The example is given in Qatari Riyal whereas the concept and the computation methodology remain same and is applicable to Omani Riyal as well.

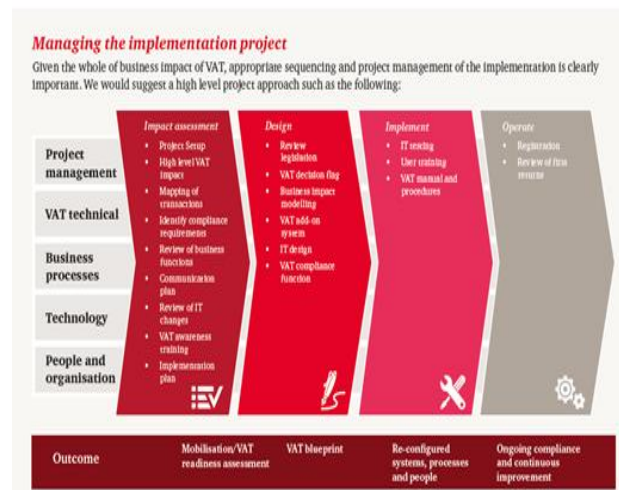


Report explains that the charge of VAT would be depending upon the place of the supply of goods / services. May it be the place at which the goods are disposed of or the one at which they are used by the consumer. Report covers major aspects relating to the VAT with regard to the charges relating to VAT, exempted goods /services from VAT, VAT policy on Exports, VAT Returns compliance and phase wise transition of VAT from brainstorming to actual implementation.

An Introduction to Value Added Tax (VAT) in the GCC – PWC Report 2017

Report explains the concept of VAT and overall calculation of VAT. Report covers the aspects like the initiation of the process with the preparation of the VAT Invoice, Registration, Charge records, calculation and reporting, returns and so on. Report explains in detailed manner the overall procedure of the VAT implementation. Report also talks on many important issues like Intra GCC Transactions, VAT and Cash Flows, specific industry considerations and impact of VAT on those industries. Industries

covered by Report remain oil and gas, financial services, free zones and industrial products. The overall process of VAT is given in the report.



Muscat Daily.com Article on Ernst & Young (E&Y) Seminar on VAT and Taxation changes in Oman on 06.03.2017.

The report mentions the introduction and expected changes in the transactions of VAT by the business organizations. Major changes include increase in corporate income tax rate from 12 per cent to 15 per cent and removal of RO 30,000 statutory tax exception limit. E&Y explained an update on the introduction of VAT in the region. With the probable date of commencement for the VAT from January 2018 onwards, the period remaining remains to be very less and the time and cost constraints would play a major role affecting the effective implementation as quoted by many attendees in the seminar. E&Y shared the GCC VAT Survey major findings with the attendees that from the GCC States, more than 50% of the respondents from all the GCC countries have not yet started preparing for the VAT and the required subsequent procedural, technological and manpower training changes. Only 11 per cent of the total respondents have identified the significance of the VAT and required upgrading of the IT systems in their organizations. EY recommended that taxpayers commence their impact analysis and start identifying the challenges ahead in order to be better prepared to roll out VAT in their organisation in the most effective and efficient manner.

Study about VAT Increase and Impact on Consumers' Consumption Habit Masoom Ahmed, Fazluz Zaman, Munshi Samaduzzaman, Asian Journal of Finance & Accounting. ISSN 1946-052X, 2015, Vol. 7, No. 1

Researchers have focused the VAT in UK with the introduction of the commencement of the levying at which stage and so on. In UK, VAT is charged on the supply of all goods and services made in the course of a business by a taxable person, unless they are specifically exempted. All businesses must register for VAT if their turnover of taxable goods and/or services is above a given threshold – which is £79,000 at present (Budget, 2013). A business pays VAT on its purchases - known as input tax, and charges VAT on its sales - known as output tax, settling up with HM Revenue & Customs for the difference between the two (HM Treasury, 2009/2010).

UK has also been increasing the VAT percentage from time to time depending upon its funds requirements for the year. The increase in VAT from 17.5% to 20% estimated to raise £12.1bn in 2011/12, rising to £13.5bn by 2014/15 (CRR, 2010). However, VAT increase to 20% would cost each of the UK's 26.2 million households an extra £1.16 per day or £520 a year, reducing spending power by an average 1.25% per annum and increasing the annual VAT bill by 13.9%. Increase Consumer Price inflation by between 0.6% and 0.8%. Hit the poorest one-fifth of the population who pay the largest proportion of their income as VAT. VAT is being looked upon as the tool which can bring maximum revenue to the nation by increasing the orbit of the implementation.

Labor leader Ed Miliband (BBC, 2010) argued that it was the "wrong tax at the wrong time", because the rise would hit families when they will be under pressure from government spending cuts. Similarly, experts stressed that the increased VAT would distort the customers' consumption habit.

There are four types of factors that can influence the customer shopping behavior: social, cultural, personal and psychological. If the customers get high income or salary they would buy more products

and less consider about the price, however if the people get low income or salary, they may buy cheaper products and consider much about the price.

Researchers have sent 120 questionnaires in total on random basis out of which 80 were returned duly filled which resulted in a response rate of 66%.

The correlation matrix indicates that VAT increase highly correlated with consumers' consumption habit. The highest coefficient of correlation in this study was between VAT increase and change in consumers' purchasing power, which 0.36. This study also found positive correlation between VAT increase and change in consumers' life style, annual income and customers' buying behavior, age and customers' buying behavior. In other words, the results indicate that the influence variable was VAT increase on consumers' purchasing power.

VAT increase has significant influence on change in consumers' life style.

T-statistic is $1.34 > (0.5)$, which means VAT increase has influence on change in consumers' life style. There were some similarities between the outcomes of this study and those of previous studies (Jonker et al., 2004; Carare & Danniger, 2008). On the strategic implication, it can be concluded that VAT payments represent 12.1% of the disposable income of the lowest household quintile (the bottom one-fifth of earners) compared to 7.4% by the average household. The VAT increase hit these people hard (CRR, 2010).

VAT increase has significant influence on change in consumers' purchasing power.

T-statistic is $1.64 > 0.5$ which mean VAT increase has significant influence on change in consumers' purchasing power. Economic situation influences customers' shopping behavior. Due to the VAT increase, most prices of products increase, people have to care the price and their expending. If the customers get high income or salary they would buy more products and less consider about the price, however if the people get low income or salary, they may buy cheaper products and consider much about the price.

The annual income has significant influence customers' buying behavior.

T-statistic is $5.42 > 0.5$ which mean annual income has significant influence customers' buying behavior. On the strategic implication, it can be concluded that every individual is faced with reviewing their own budget and spending pattern to make future decision so that they can adjust to VAT increase (Carare&Danniger, 2008; Leach, 2012).

Age has influence on consumers' buying behavior.

Table 4 indicates that the t-statistic is $3.98 > 0.5$ which means Age has influence on consumers' buying behavior.

The study highlights the influence of VAT from government, company, and customer, these three aspects. Some people believe that the increase Vat is good policy for the government to get more revenue, to solve economic problem. However, more people thought it has brought more pressure to the companies and customers. Due to the vat increase, the company may suffer recue sales and increase income problem, and customers had to change their life style, such as consumption habit.

IS VAT the best choice for the GCC countries?
Ghada Abdulla Analysis and Opinions – GCC,
August 9, 2016

Researcher has reviewed the VAT from various angles as the same remains to be the most common consumption tax in the world. It is imposed in more than 150 countries including all members of the Organization for Economic Cooperation and Development (OECD), with the exception of the US. Main reason for the growth of VAT could be due to the affected excise taxes. As the same is imposed only on the value addition, the tax burden gets reduced, at least it seems like that. Input and Output tax make it more cost effective so far as all the intermediaries are concerned. It is an effective revenue-collection tool, compared with other indirect taxes. If designed and operated properly, it can have a small administrative cost, and exhibit a limited impact upon economic activity. For example, economic distortions and administrative costs are smaller when VAT is levied, as opposed to

varied taxes with different rates, on a narrow base, and with many exemptions.

Imposing 5% VAT in the GCC countries is expected to generate revenues approximately equal to 1.6% of the GDP in Bahrain and Saudi Arabia, 1.5% in the UAE, 1.4% in Kuwait and Oman, and 0.8% in Qatar, implying a significant rise in current, non-oil revenues. The non-oil revenues in the GCC countries need to be boosted quickly as the oil based economies are observing the turmoil and volatile movements of the prices and the overall effects on the revenue generation are also crucial factors to be looked into.

Due to the low tax rate of 5%, the negative effects of VAT are not expected to be significant. Even though the GCC will no longer be able to promote itself as a tax free region, a low-rate VAT is unlikely to have an impact on foreign direct investment. Yet, a challenge that the GCC currently faces is that it does not have the necessary infrastructure and expertise in tax management, it must therefore build a modern tax administration system that ensures compliance.

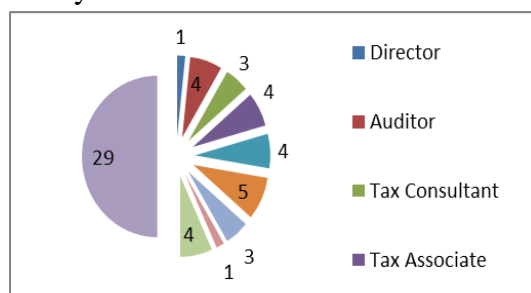
VIII. PRESENTATION AND ANALYSIS& RESULTS

Researchers collected the data from identified categories of two stakeholders; Auditors as well as Consumers. The two separate questionnaires were distributed to the respondents' categories and the real opinion of theirs is sought through the questions. Both the questionnaires were divided into two sections. In Auditors' questionnaire, Researchers attempted to seek the opinions of the auditors about VAT from all the possible angles in first section while in the second section, Researchers got the responses for the commonalities from section one along with the degree of impact post VAT implementation.

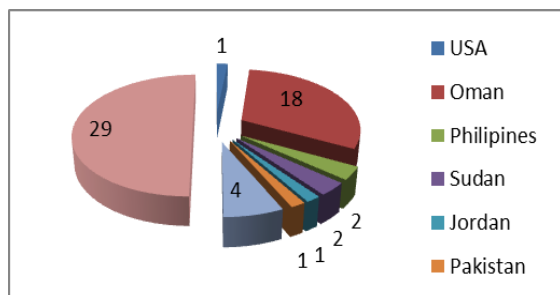
Similarly, in the consumers' questionnaire, the first section seeks the perception of the VAT in general along with all the possible facets of VAT during and post implementation stages. Second section seeks the responses with regard to common

factors of the section one and the degree of impact post VAT implementation.

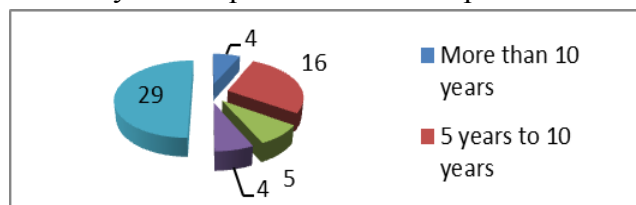
In all 29 Auditors and Taxation authorities from Big 4 Audit Firms have registered their responses through questionnaires. Experts from the firms like KPMG, PWC, and Deloitte have given their opinions. The responses from Auditors Ernst & Young could not be sought. All the respondents were from the fields of taxation and auditing only and practically involved in the process of implementation of VAT in one or the other way, as confirmed by the authorities.



The demographic profile of the respondents from Auditors remains as under:



Experience of the Auditors also plays a crucial role in the quality of the responses registered by the Auditors. The Researchers have also detailed the number of years' experience of the respondents.



The weighted average scores for the Tables remain as under:

The below table contains the opinions from the experts sought for the factors like VAT implementation, effect on the economy, changes required for the Accounting and Auditing services, possibility of tax evasions, financial irregularities, phase wise implementation of VAT, sectoral

bifurcation of VAT, existing and new cost structure, refund procedure and so on.

Question Nos.	1	2	3	4	5	Avg.
2.1	9	9	4	2	3	2.296
2.2	1	8	13	4	1	2.852
2.3	1	11	8	7	0	2.778
2.4	2	8	4	10	3	3.148
2.5	1	12	7	6	1	2.778
2.6	1	4	8	11	3	3.407
2.7	2	7	11	6	1	2.889
2.8	1	7	16	3	0	2.778
2.9	2	11	8	6	0	2.667
2.10	2	11	6	7	1	2.778
2.11	4	7	9	7	0	2.704
2.12	2	2	5	11	7	3.704
2.13	3	10	6	7	1	2.741
2.14	1	5	3	15	3	3.519
2.15	2	3	0	19	3	3.667
2.16	3	9	10	4	1	2.667
2.17	1	3	7	9	7	3.667
2.18	2	4	4	10	7	3.593
2.19	3	5	11	8	0	2.889
2.20	3	7	8	5	4	3.000
2.21	6	4	11	4	2	2.704
2.22	5	4	5	5	8	3.259
2.23	6	6	13	2	0	2.407

The Table below seeks the opinions of the Auditors through the responses registered on the factors getting affected post implementation of VAT. The factors included spending and investment scenario, GDP growth and inflation, financial irregularities and malpractices, cash flows and funds flows positions, job opportunities, IFRS compliances and so on.

Question Nos.	1	2	3	4	5	Avg.
3.1	3	12	12	0	0	2.333
3.2	7	11	7	1	1	2.185
3.3	7	9	6	5	0	2.333
3.4	2	5	15	2	3	2.963
3.5	6	4	11	5	1	2.667
3.6	6	7	5	7	2	2.704
3.7	4	8	8	7	0	2.667
3.8	4	6	10	7	0	2.741
3.9	4	8	10	5	0	2.593
3.10	4	6	10	6	1	2.778
3.11	4	10	8	5	0	2.519
3.12	6	12	4	4	1	2.333
3.13	10	6	9	2	0	2.111
3.14	7	9	8	3	0	2.259
3.15	4	12	9	2	0	2.333
3.16	3	9	11	3	1	2.630
3.17	3	6	10	7	1	2.889

IX. FINDING AND CONCLUSIONS

As the weighted average results showed the responses skewed towards the mixed opinions trend without giving an exact idea of the impact of VAT on Auditors and Consumers, the researchers decided to prove the results of the weighted averages of the responses registered by establishing further Hypotheses. Even though in the initial stage, the Hypotheses were not set by the Researchers, the results of the weighted average have been attempted to be tested by putting Hypotheses. This has given a robust validation to the analysis emerged from the responses registered. The Questionnaire for Auditors and Accounts Officers included questions mainly on the three factors.

a) Impact of VAT on financial disclosures, tax evasions, financial irregularities and so on (From the company's financial statements preparation, presentation and disclosure aspects)

b) Impact of VAT on Accounting and Auditing practices, sectoral bifurcation of VAT, IFRS compliance and refinements required, if any.

c) Impact of VAT on investment, spending and consumption patterns, orbit of VAT in the Sultanate, phase wise implementation awareness of the users.

As all the independent results of the analysis showed mixed trend for researchers to conclude, the researchers have applied two tailed t test in order to test whether the means of two independent group of respondents are statistically different from each other or not.

Three Hypotheses are established

H01 There is no impact of VAT on financial irregularities, Frauds, Tax Evasions.

H02 There are no significant changes in Accounting and auditing services post implementation of VAT.

H03 There is no impact of VAT on spending and consumption patterns, economy, overall orbit of taxation and revenue generation.

With the help of Mean, Standard Deviation and critical value of two tailed t value at 95% confidence level and selected degree of freedom, Hypotheses H01 and H03 are rejected and the results given by the weighted averages are confirmed. H02 is accepted.

With the calculation of mean, standard deviation and standard error of difference. The following formula issued for calculation of t statistic

$$\frac{\text{mean1} + \text{mean2}}{\sqrt{\frac{S.D1^2}{N1} + \frac{S.D2^2}{N2}}} =$$

$$\text{Hypotheses1}\{t\}\text{value} = \frac{0.444444}{0.150446} = 2.954179$$

$$\text{Hypotheses2}\{t\}\text{value} = \frac{0.359788}{0.175435} = 2.050834$$

$$\text{Hypotheses3}\{t\}\text{value} = \frac{0.822016}{0.252438} = 3.256306$$

$$\text{Critical value}\{t\}\text{values} \quad \text{Hypotheses1} = 2.306$$

$$\text{Hypotheses2} = 2.179$$

$$\text{Hypotheses3} = 2.201$$

When compared between {t} value as per critical value table and our calculated {t} value, hypotheses 1 and 3, our {t} value are higher than {t} value of table and hence hypotheses rejected in case hypotheses 2 {t} value of table is higher than calculated {t} value and hence hypotheses 2 rejected.

The results interpreted are as under:

Hypothesis 1: There is no impact of VAT on financial irregularities, Frauds, Tax Evasions.

Mean 1	Mean 2	Standard Deviation 1	Standard Deviation 2
3	2.555556	0.343467	0.336406

t value as per calculation	t value as per critical value table statistic
2.954179	2.306

Hypothesis 2: There are no significant changes in Accounting and Auditing services post implementation of VAT.

Mean 1	Mean 2	Standard Deviation 1	Standard Deviation 2
2.910053	2.550265	0.271204	0.192959

t value as per calculation	t value as per critical value table statistic
2.050834	2.179

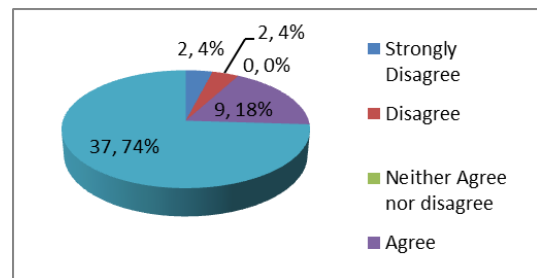
Hypothesis 3: There is no impact of VAT on spending and consumption patterns, economy, overall orbit of taxation and revenue generation.

t value as per calculation	t value as per critical value table statistic
3.256306	2.201

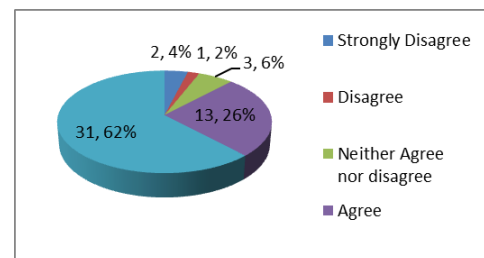
In Hypotheses 1 & 3 there is a statistical difference and the Hypotheses are rejected whereas in case of Hypothesis 2, the same is accepted.

In a nut shell, the findings and conclusions from the responses registered by the Auditors /Accounts Officers and Consumers can be summarized as under:

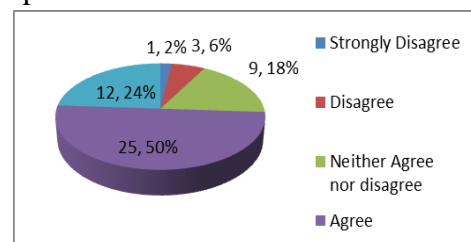
- VAT will impact the financial disclosures, presentations and irregularities, frauds and tax evasions. VAT implementation will cause the rise in all the above referred factors.
- There is no significant change required for the Sultanate with respect to its Accounting and Auditing policies, Principles and in general existing structure of reporting.
- VAT will impact the revenue generation of the Sultanate and sectoral bifurcation of VAT will not make much difference for effective implementation.
- Consumption patterns and investment patterns from the perspectives of the Auditors and Accounts Officers also convey the same trend as formed by the Consumers.
- Researchers found that 92% of the Consumers respond that they are aware of the concept of VAT but not aware of the implementation and the degree of its impact.



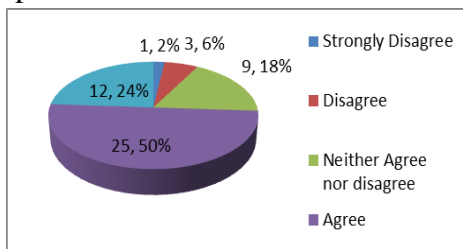
- 88% of the Consumers responded that VAT would impact the monthly budget, saving potential, cost of living, spending and investment for them.



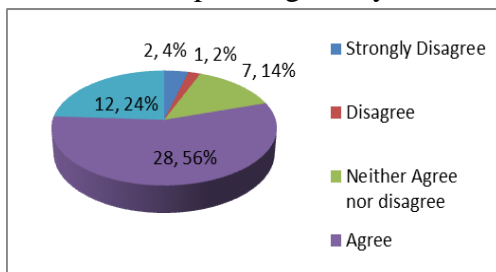
- With regard to the awareness of the concept of VAT and its implementation, impact of the same on consumers in terms of the buying behavior, purchase of goods without invoice, linkage of the VAT with the subsequent increase in salary structure, salary structure and overall success of the VAT in other countries, 74% of the Consumers have responded against the implementation of VAT.



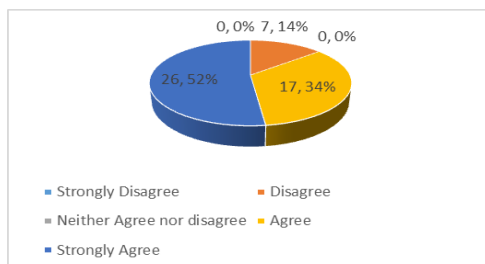
- With regard to the awareness of the concept of VAT and its implementation, impact of the same on consumers in terms of the buying behavior, purchase of goods without invoice, linkage of the VAT with the subsequent increase in salary structure, salary structure and overall success of the VAT in other countries, 74% of the Consumers have responded against the implementation of VAT.



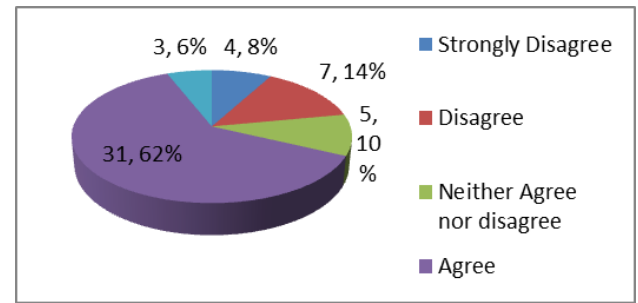
- With regard to the factors like malpractices, cost of commonly purchased consumer goods and transactions without invoices, 80% of the respondents have expressed that VAT would impact negatively.



86% of the Consumers responded there is a need to have proper information and understanding of the overall process of VAT implementation as the degree of impact and duration of impact are unknown to them.



68% of the Consumers responded that the profitability reduction for the companies and VAT implementation by the government will lead to their increased costs which can't be recouped.



X. RECOMMENDATIONS & SUGGESTIONS

VAT implementation remains to be one of the commonly used tools by the nations all over the world. However, the effective implementation of the same should be ensured with in detailed phase wise proper information to the implementers, financial regulators and tax bearing people.

The implementation of VAT could also be linked with the oil prices. Government should fix the basis for which the VAT should be introduced. In case the same is planned to be introduced on a short term basis, it should be discontinued once the targeted revenue generation alternate source resumes. In case it is planned on a long term and permanent basis, the rate and cost structure should be on increasing trend over a period of time.

Tax education has to be an essential factor for the effective implementation of the VAT. The recommendation emerges from the responses registered by the Consumers as majority of them are aware of the concept of VAT merely in the form of an additional cost burden. However, the implementation of VAT, its process and the benefits to the society as a whole are not observed to be known to the common people.

Government should make the upgradation of the information technology and required infrastructure for VAT available at reduced or subsidized prices. The reason being, the companies finding the VAT implementation negative in cost-benefit analysis will have tendency to proceed with the financial / transactional / disclosure / presentation irregularities.

Rather than a comprehensive rate of 5% at which the current VAT is proposed, the discrimination or

sectoral bifurcation of VAT rates could help in more effective implementation.

The overall view of the world economies and the contribution of VAT in the revenue generation in them would also be scrutinized. The GCC countries and the oil driven economies would have a different effect from VAT on their economies, trade, investments, consumptions and overall GDP.

Auditors and Accounts Officers should educate the company to plan for the increased burden on the companies especially during the implementation of the VAT in the beginning. The costs mainly include staff training, IT upgrading and system pricing.

All the stakeholders of the VAT should be on common platform with regard to the knowledge of their role in the process, impact on costs and revenues.

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AUTHOR PROFILE



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Research Journal, ISSN: 2201-2796, Volume 6, Issue 12, pp. 21-30, December 2018. 'Impact of E-Banking in rural India with special reference to selected taluk in Erode District, Tamilnadu' International Journal of Trend in Scientific Research and Development, ISSN: 2456-6470, Special Issue, pp. 167-171, International Conference on Digital Economy and its Impact on Business and Industry , October 2018.

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