



VALUE ADDED TAX – VAT A CENTENARIAN [1920-2020] IN THIS COVID-19



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ABSTRACT

Value Added Tax is an indirect tax which is also termed as Goods and Service Tax. Both these terms are used in the same meaning in different parts of the world. VAT is followed almost in many countries and during this pandemic situation many countries have relaxed VAT for the benefit of the public. This study mainly focuses on the frameworks followed by various nations regarding VAT. It concentrates on the origin, growth and development of VAT, various tax model frameworks followed in nearly 147 different countries all around and the various measures adopted by countries towards VAT during this era of COVID-19 pandemic.

1. INTRODUCTION

VAT refers to Value Added Tax. In some countries it is known as GST, Goods and Services Tax. It is a type of indirect tax which is assessed incrementally. This tax is charged on the added value of a product or service at each stage of production, distribution and selling to consumers. VAT, GST and Consumption Tax¹ are at times used interchangeably. It is a type of tax which is calculated at multiple stages or at multiple points, meaning calculated at each stage or point. Usually countries which adopt VAT scheme require all its businesses to get registered for VAT purposes based on the turnover of businesses. VAT registration becomes compulsory if the turnover crosses a specified limit, and this limit of turnover differs from country to country. VAT registered businesses can be natural persons or legal entities. VAT is usually collected by the end retailer and it is usually a flat tax. In many countries VAT generates a key revenue to the government. Even though many countries favour VAT, the concept has its own flaw

¹ It is an indirect tax which is charged on the consumption spending of goods and services. Stamp Tax, Tax on Tea and Whiskey Taxes will speak more about the History of Consumption Tax. More reference can be seen in this link https://en.wikipedia.org/wiki/Consumption_tax

as quoted by the sub-national governments. This study will bring out a picture about the origin, concept, growth and evolution of VAT globally, the rates and systems followed by various countries and the measures adopted by different countries towards VAT during this COVID-19 era. The researcher felt that this is the right time to study VAT along with the measures adopted by various countries across the globe.

2. OBJECTIVES

- To study the origin, growth and evolution of VAT
- To study the Standard VAT rates followed globally
- To study the various Tax systems followed by different countries (Global Tax System)
- To study various measures adopted globally towards VAT / GST during COVID-19

3. MATERIALS AND METHODS

This study is carried with Secondary Data from various authentic sources. The study is historical, descriptive and analytical in nature. Since the data are based on secondary source any biased information on the secondary data may reflect on the study which should be taken as a limitation.

4. DISCUSSION AND RESULTS

4.1. ORIGIN, EVOLUTION AND GROWTH

(Ebrill., et al., 2001) German businessman Wilhelm Von Siemens was the intellect who came up with the idea of a VAT in 1920s. During 1920s other suggestions of invoice-credit method by Adams also peeped. Value-added tax or VAT first introduced less than 50 years ago, is now a vital factor of tax schemes around the world. The fast and clearly alluring rise of the VAT is possibly the most extensive tax development of the latter twentieth century. VAT was invented by Maurice Laure (French Economist), Joint Director of the French Tax Authority in 1954. From 10th April 1954 it was introduced for large business and then extended to all business sectors in France. In French it was known as TVA. The following gives a picture about the rates prevailed till 2001 as given by IMF and extracted from the mentioned source

Table 1: VAT Rates till 2001

Date of Introduction	Number of Countries	Single Rate	Multiple Rates
Before 1990	48	12	36
1990 – 1994	46	31	15
1995 – April 2001	31	25	05
Total	125	68	56

Source: IMF – The Modern VAT

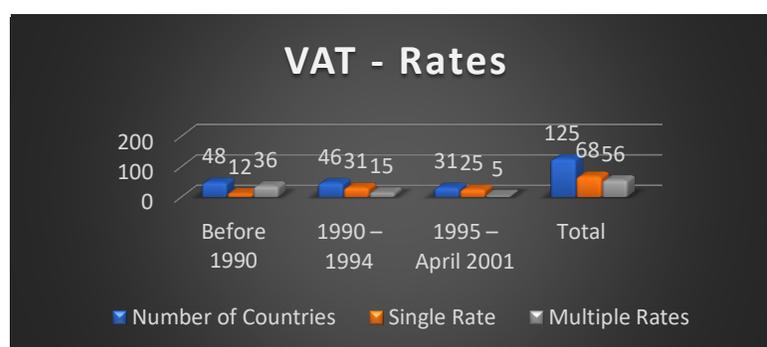


Figure 1

Source: Table 01

4.2. GLOBAL TAX MODEL FOLLOWED

Table 2: Sketch of Global Tax System with Covid Measure Rates

S. No.	Country	Tax Model	E-A-L-Name ²	Year ³	SR ⁴	Registration ⁵
1	Afghanistan	VAT	--	2014	10%	Afn150 million
2	Albania	VAT	TVSH - Tatimi mbi Vleren e Shtuar	April 1995	20%	ALL2 million
3	Algeria	VAT	TVA – Taxe sur la Valeur Ajoutee	April 1992	19%	Apply for Lump sum tax regime. DZD30 million (not in the scope of VAT)
4	Andorra	VAT	--	January 2013	4.5%	Compulsory for all taxpayers
5	Angola	VAT	IVA – Imposto sobre o Valor Acrescentado	July 2019	14%	None
6	Argentina	VAT IIBB	IVA – Impuesto al Valor Agregado	VAT -1975 IIBB -1977	21%	ARS134 million for goods and ARS89 million for services
7	Armenia	VAT	--	January 2018	20%	AMD15 million
8	Aruba	RT HT	Revenue Tax Health Tax	January 2007 and July 2018 December 2014	3% for both	For all taxpayers who do business in Aruba
9	Australia	GST	--	July 2000	10%	AUD75,000 (150,000 for nonprofit bodies)
10	Austria ⁶	VAT	--	January 1973	19% and 20%	EUR30,000 (Established in Austria) Nil (Established outside Austria)
11	Azerbaijan	VAT	DV – Deyer Vergisi	January 1992	18%	AZN200,000
12	Bahamas	VAT	--	January 2015	7.5% and 12%	BSD100,000
13	Kingdom of Bahrain	VAT	--	January 2019	5%	BHD37,500
14	Bangladesh	VAT	--	July 1991 and Amended on July 2017	15%	Taka 03 million And (Proposed is BDT 30 million)

² Expansion, Alternate or Local Name³ Year of Introduction⁴ Standard Rate in Percentage⁵ Registration Thresholds (In Annual Turnover)⁶ Has reduced VAT rate due to COVID-19 to 50% of the standard rate applicable from 01 July to 31 December 2020

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15	Barbados	VAT	--	January 1997	17.5%	BBD200,000
16	Belarus	VAT	NDS – Nalog na Dobavlennuyu Stoimost	December 1991	20%	None
17	Belgium	VAT	BTW – Belasting over de Toegevoegde Waarde TVA – Taxe sur la Valeur Ajoutee	January 1972	21%	EUR35,000 (Distance Selling0)
18	Bolivia	VAT	IVA – Impuesto al Valor Agregado	July 1986	14%	None
19	Bonaire, Sint Eustatius and Saba (BES Islands)	GET	General Expenditure Tax	January 2011	Between 6% and 8%	None
20	Botswana	VAT		July 2002	12%	BWP01 million
21	Brazil	ICMS IPI ISS PIS-PASEP /COFINS	ICMS – State VAT IPI – Federal VAT ISS – Municipal service tax PIS-PASEP/COFINS – Federal gross receipt contributions	ICMS – 1989 IPI – 1964 ISS – 1968 PIS-PASEP – 1970 COFINS - 1991	ICMS-0% to 35% IPI-0% to 300% ISS-0% to 5% PIS-PASEP 0.65% to 1.65% COFINS 3% to 7.6%	None
22	Bulgaria ⁷	VAT	DDS – Danak varhu Dobavenata Stoinost	April 1994	20%	BGN50,000
23	Cameroon	VAT	--	January 1999	19.5%	XAF50 million
24	Canada	GST HST	Goods and Services Tax Harmonized Services Tax	GST January 1991 HST April 1997	GST -5% HST – 13% to 15%	CAD30,000
25	Chile	VAT	IVA – Impuesto al Valor Agregado	December 1974	19%	None
26	China (mainland)	VAT	--	January 1994	6% to 16%	CNY5,000 to CNY20,000 (Monthly)
27	Colombia ⁸	VAT	IVA – Impuesto sobre las Ventas	December 1983	19%	None
28	Cook Islands	VAT	Similar to OECD model	1997	15%	\$30,000
29	Costa Rica ⁹	VAT	--	December 2018	13%	None
30	Croatia	VAT	PDV – Porez na Dodanu Vrinjednost	January 1998	25%	HRK300,000 (Business

⁷ Standard Rate is presently reduced to 50% due to COVID-19

⁸ Has reduced VAT rate to 0% for Hospitality, restaurants and cafes due to COVID-19 till 31 December 2020

⁹ Has reduced VAT rate to 9% due to COVID-19

						established in country)
31	Curacao	TOT	Turnover Tax	March 1999	6%	None
32	Cyprus ¹⁰	VAT	--	July 1992	19%	EUR35,000
33	Czech Republic ¹¹	VAT	--	January 1993	21%	CZK01 million
34	Denmark	VAT	--	July 1967	25%	DKK50,000 (Business established in the country)
35	Dominican Republic	Tax	Tax on the Transfer of Industrialized Goods and Services ITBIS – Local name	May 1992	18%	None
36	Ecuador	VAT	IVA – Impuesto al Valor Agregado	December 1981	12%	None
37	Egypt	VAT	--	September 2016	14%	EGP500,000
38	El Salvador	VAT	ITBMS – Impuesto a la Transferencias de Bienes Muebles y a la prestacion de Servicios	July 1992	13%	USD5,714.29
39	Estonia	VAT	--	January 1991	20%	EUR40,000
40	Ethiopia	VAT	--	January 2003	15%	ETB01 million
41	Fiji	VAT	--	July 1992	9%	FJD 100,000
42	Finland	VAT	--	June 1994	24%	EUR10,000
43	France	VAT	TVA – Taxe sur la Valeur Ajoutee	April 1954	20%	None
44	Georgia	VAT	--	December 1993	18%	GEL100,000 (Business established in country)
45	Germany ¹²	VAT	--	January 1968	19%	None
46	Ghana	VAT	--	March 1998	12.5%	GHS200,000
47	Greece ¹³	VAT	FPA – Foros Prostithemenis Aksias	January 1987	24%	None
48	Guam	VAT	Sales Tax Rate	2014	2%	--
49	Guatemala	VAT	IVA – Impuesto al Valor Agregado	July 1992	12%	None

¹⁰ Has reduced VAT rate to 5% due to COVID-19 from 1 July 2020 to 10 January 2021, for hotel, accommodation, hospitality, restaurants, cafes and public transport

¹¹ Has reduced VAT rate to 10% from 1 July 2020 to 31 December 2020 due to COVID-19 for accommodation, sports and cultural activities

¹² Has reduced the Standard Rate to 16% from 1 July 2020 to 31 December 2020, due to COVID-19

¹³ Has reduced the Standard Rate to 13% for Public Transport, taxis, ferries from 1 June 2020 to 31 October 2020 due to COVID-19

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50	Guinea	VAT	--		15%	GNF 500 million
51	Gulf Cooperation Council [Bahrain Saudi Arabia Kuwait Oman Qatar UAE]	VAT	--	Saudi Arabia and UAE – January 2018 Bahrain January 2019	5%	SAR375,000
52	Guyana	VAT	--	January 2007	14%	G\$ 15 million
53	Honduras	VAT or Sales Tax	--	January 1964	15%	None
54	Hungary	VAT	--	January 1988	27%	For all taxable person
55	Iceland	VAT	--	January 1990	24%	ISK02 million
56	India	GST and Customs Duty	--	GST July 2017 Customs Duty 1962	GST From 5% to 28%	INR01 million (Special Category States specified) 02 million (Other States)
57	Indonesia	VAT	PPN – Pajak Pertambahan Nilai	January 1984	10%	IDR4.8 billion (Small enterprises)
58	Iran	VAT	--	September 2008	9%	--
59	Ireland ¹⁴ , Republic of	VAT	--	November 1972	23%	EUR37,500 (Supplying Services) to EUR75,000 (Supplying Goods)
60	Isle of Man	VAT	--	April 1973	20%	GBP85,000 (Established Business)
61	Israel	VAT		July 1976	17%	ILS99,003
62	Italy	VAT	IVA – Imposta sul Valore Aggiunto	January 1973	22%	None
63	Jamaica	GCT	General Consumption Tax	1991	15%	\$10 million
64	Japan	CT	CT – Consumption Tax	April 1989	10%	JPY10 million
65	Jersey, Channel Islands	GST	--	May 2008	5%	JEP300,000
66	Jordan	GST GT ST	General Sales Tax General Tax Special Tax	June 1994	For GT 16% For ST Various rates	JOD10,000 to JOD75,000 (Depends on Business)

¹⁴ Has reduced the Standard Rate to 21% from 1 September 2020 to 28 February 2021, due to COVID-19
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67	Kazakhstan	VAT	NDS – Nalog na Dobavlenyuyu Stoimost KKS – Kosylgan Kun Salygy	December 1991	12%	USD200,000 for 2019
68	Kenya ¹⁵	VAT	--	January 1990	16%	KES05 million
69	Korea	VAT	--	July 1977	10%	None
70	Kosovo	VAT	TVSH – Tatimi mbi Vleren e Shtuar	May 2001	18%	EUR30,000
71	Kyrgyzstan	VAT	--	--	12%	KGS 08 million
72	Latvia	VAT	--	May 1995	21%	EUR40,000 (Business established in Latvia)
73	Lebanon	VAT	--	February 2002	11%	LBP100 million
74	Liberia	GST	VAT	2010	10%	LRD 03 million
75	Liechtenstein Principality of	Swiss VAT	--	July 2012	7.7%	Swiss VAT Act followed
76	Lithuania ¹⁶	VAT	--	May 1994	21%	EUR45,000
77	Luxembourg	VAT	TVA – Taxe sur la Valeur Ajoutee	August 1969	17%	None
78	Macedonia, Former Yugoslav Republic of	VAT	--	April 2000	18%	MKD01 million
79	Madagascar	VAT	--	1962	20%	MGA200 million
80	Malawi	VAT	--	July 2016	16.5%	K10 million
81	Malaysia ¹⁷	SST	Sales tax and Service tax	September 2018 (For Both)	Sales Tax – 10% Service Tax – 6%	RM500,000 (For Both)
82	Maldives	GST	TGST – Tourism goods and service tax	October 2011	6%	MVR01 million
83	Malta	VAT	--	January 1999	18%	None
84	Mauritius	VAT	--	September 1998	15%	MUR06 million
85	Mexico ¹⁸	VAT	IVA – Impuesto al Valor Agregado	January 1980	16%	None
86	Moldova ¹⁹	VAT	TVA – Taxa pe Valoarea Adaugata	July 1998	20%	MDL1.2 million
87	Monaco	VAT	--	January 1993	20%	USD 38,910

¹⁵ Has reduced the Standard Rate to 14% from 1 April 2020 due to COVID-19

¹⁶ Has reduced the Standard Rate to 9% till 31 December 2020 due to COVID-19

¹⁷ Has reduced the Standard Rate for Service to 0% from 30 March 2020 to 30 June 2021

¹⁸ Has reduced the Standard Rate to 10% due to COVID-19

¹⁹ Has reduced the Standard Rate to 15% for Hospitality, restaurants and cafes from 1 May 2020 to 31 December 2020 due to COVID-19

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88	Mongolia	VAT	--	July 1998	10%	MNT50 million
89	Montenegro	VAT	--	2001 Revised in 2017	21%	Above 18,000 Euros
90	Morocco	VAT	TVA – Taxe sur la Valeur Ajoutee	January 1986	20%	None
91	Myanmar	CT	Commercial Tax	March 1990	8%	MMK50 million
92	Namibia	VAT	--	November 2020	15%	NAD500,000
93	Nepal	VAT	--	1998	13%	NPR 05 million
94	Netherlands	VAT	BTW – Belasting over de Toevoegde Waarde	January 1969	21%	None
95	New Zealand	GST	--	October 1986	15%	NZD60,000
96	Nicaragua	VAT	--	December 1984 and revised in May 2003	15%	None
97	Nigeria	VAT	--	December 1993	7.5%	None
98	Norway	VAT	--	January 1970	25%	NOK50,000
99	Pakistan	ST	Sales Tax	November 1990	Standard Rates of 17%, 16%,15% and 13% for different categories	PKR10 million
100	Panama	VAT	--	December 1976	7%	USD36,000
101	Papua New Guinea	GST	--	January 2004	10%	PGK250,000
102	Paraguay	VAT	IVA – Impuesto al Valor Agregado	July 1992	10%	None
103	Peru	VAT	--	August 1991	18%	None
104	Philippines	VAT	--	January 1988	12%	PHP03 million
105	Poland	VAT	--	July 1993	23%	PLN200,000
106	Portugal	VAT	--	January 1986	23%, 22% and 18% for different regions	None
107	Puerto Rico	SUT	Sales and Use Tax	November 2006	10.5%+1% = 11.5% ²⁰	None
108	Qatar	GCC	--	January 2020	5%	Gulf Cooperation Council
109	Romania	VAT	--	July 1993	19%	EUR88,500
110	Russian Federation	VAT	--	December 1991	20%	None

²⁰ State Tax is 10.5% and 1% is Municipal Tax

111	Rwanda	VAT	--	January 2001	18%	RWF20 million
112	Saint Lucia	VAT	--	October 2012	12.5%	XCD400,000
113	Saudi Arabia ²¹	VAT	--	January 2018	5%	SAR375,000
114	Serbia	VAT	--	January 2005	20%	RSD08 million
115	Seychelles	VAT	--	July 2012	15%	SR05 million
116	Singapore	GST	--	April 1994	7%	SGD01 million
117	Sint Maarten	RT	Revenue Tax	January 1997	5%	None
118	Slovak Republic	VAT	--	January 1993	20%	EUR50,000
119	Slovenia	VAT	--	July 1999	22%	EUR50,000 (For business established Slovenia)
120	South Africa	VAT	--	September 1991	15%	ZAR01 Million
121	South Korea	VAT	--	1977	10%	None
122	South Sudan	VAT	--	1991	20%	None
123	Spain	VAT	--	January 1986	21%	None
124	Sri Lanka	VAT	--	August 2002	8%	LKR 50 million
125	St. Lucia	VAT	--	2012	12.5%	\$180,000
126	Suriname	TOT	Turnover Tax	December 1997	10% for goods and 8% for services	None
127	Sweden	VAT	--	January 1969	25%	SEK30,000
128	Switzerland	VAT	MWST – Mehrwertsteuer TVA – Taxe sur la Valeur Ajoutee IVA – Imposta sul valore Aggiunto	January 1995	7.7%	CHF100,000
129	Taiwan	VAT and GBRT	Business Tax including VAT and Gross Business Receipts Tax	June 1931 and revised on December 2015	5%	None
130	Tanzania	VAT	--	July 1998 amended on July 2015	18%	TZS100 million
131	Thailand	VAT	--	January 1992	7%	THB1.8 million
132	Togo	VAT	Taxe sur la Valeur Ajoutee	--	18%	FCFA 50 million

²¹ Has increased the Standard Rate from 5% to 15% from 1 July 2020 due to COVID-19
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133	Trinidad and Tobago	VAT	--	January 1990	12.5%	TTD500,000 (from January 2016)
134	Tunisia	VAT	--	June 1988	19%	TND100,000
135	Turkey ²²	VAT	KDV – Katma Deger Vergisi	November 1984	18%	None
136	Uganda	VAT		July 1996	18%	UGX150 million
137	Ukraine	VAT	PDV – Podatok na Dodanu Vartist	January 1992	20%	UAH01 million
138	United Arab Emirates	VAT	--	January 2018	5%	AED375,000
139	United Kingdom ²³	VAT	--	April 1973	20%	GBP85,000
140	United States	SUT	Sales and Use Tax	1930 and 1936	Range from 2.9% to 7.25%	45 to 50 US states follow
141	Uruguay	VAT	--	December 1972	22%	None
142	Uzbekistan	VAT	--	--	20%	--
143	Vanuatu	VAT	--	1998	12.5%	VUV 04 million
144	Venezuela	VAT	--	October 1993	16%	None
145	Vietnam	VAT	--	January 1999	10%	None
146	Zambia	VAT	--	July 1995	16%	ZMW800,000
147	Zimbabwe	VAT	--	January 2004	15%	USD60,000

Source: Compiled by Author from various secondary sources.

4.3. VAT – ADOPTION ACROSS GLOBAL COUNTRIES

(Cnossen, 1998) VAT has become one of the pillars of the tax system in over one hundred countries since late 1960s. It has become an inviting tax system because of the revenue generation. This study clearly states that properly designed and administered VAT system can generate more revenue with lower operational and economic costs. It also clearly states that the drawback and danger is that VAT becomes over-used in the sensitivity that it supplies to the care of an oversized, inefficient public sector.

(Cnossen, 2010) Three VAT studies: This study was separated into three parts, first concentrating on VAT for lawyers, economists, and accountants with special reference to Netherlands, second being examination and evaluation of VAT coordination in the EU against the backdrop of analysis of VAT fraud and finally the third discussing that value changes in exempt immovable property should be brought into the VAT footing identical to other second-hand goods that are bartered by taxable dealers. This three segmented part has made contribution towards better understanding of the VAT. First being the role of VAT correlating the views of lawyers, economists and accountants followed by VAT coordination aspects and the analysis of exempt immovable property and finally giving an evidence that domestic shadow economy fraud and contrived insolvency fraud are much more important than carousel fraud, which receives so much importance. This study is based on the papers presented at conferences held in Vienna, Washington DC and Oxford by Cnossen.

(Symons et al., 2010) VAT is now most common form of consumption tax system used around the world. This study was carried considering VAT and equivalent sales tax systems implemented in 145 different countries. The main objective was to look into the differences in the time required for VAT compliance in different countries. Data

²² Has reduced the Standard Rate from 18% to 1% due to COVID-19 from 1 April 2020 to 30 November 2020

²³ Has reduced the Standard Rate from 20% to 0% for E-books and online journals, from 20% to 5% for Hospitality and tourism due to COVID-19 till January 2021

from World Bank Group and PricewaterhouseCoopers LLP (PwC) were used for the study. The summary states that VAT is predominant and used throughout the world, time taken to comply with VAT is less in developed countries than developing countries, time taken to comply with VAT is more in countries where indirect taxes are not administered by the same tax authority that handles the corporate income tax, less time to comply in countries where business adopts online filing and payment of VAT, compliance takes longer time if documentation is more at the time of submission and there is correlation between VAT compliance and the time delay in receiving a VAT refund.

(Gerard & Naritomi, 2018) This study says VAT has become one of the most important instruments of revenue mobilization in the developing world. VAT exists in almost more than 160 countries and roughly eighty percent of countries in sub-Saharan Africa have adopted VAT. It says that the key strengths of VAT systems are their self-enforcing properties. It also states that the legal system needs to be adapted to sufficiently support the new levels of information flowing into tax authorities. The layout of new policies should thoroughly consider 'take-up' costs in the local situation for consumers, firms and tax administrations.

(Evans et al., 2018) This study depends on the survey carried in the 47 member countries of the Forum on Tax Administration (FTA) that administer VAT or GST regime. It is a comparative cross-country assessments of the VAT compliance burden and its main drivers. The major findings were: VAT is considered "fit for purpose" as a vigorous instrument efficient of measuring and evaluating the business VAT compliance burden across the 47 FTA countries. It states that roughly 30% of the countries (14) have indications of a low to very low VAT compliance burden. The driving significant factors influence is grouped in the order, Policy Framework, administrative Framework and finally with capabilities of the revenue services with less prominence towards driving factors. It also clearly states that the VAT compliance burden is influenced by the economic development of the country and GDP.

(Alavuotunki et al., 2019) It highlights the influence of the debut of VAT on inequality and government revenues using anew released macro data. It states that with the accessible country-level inequality data one cannot evaluate those tax incidence impacts that could emerge from differences in the savings rates across people with different income levels. It also states that there is no evidence that the VAT would lead to widening welfare disparities.

(Blei, 2020) The standard VAT generally applies to all goods and services, unless advised differently by the legislation. The Standard rate in 2019 ranged from 27% in Hungary to less than 10% in Japan, Switzerland and Canada. In 2019 the average standard VAT rate of the 22 OECD countries which are member of the EU was at 21.8% which is notably higher than the OECD average.

4.4. VAT – SPECIAL MEASURES DURING COVID-19

(Deloitte, 2020) This speaks about high-level indicator of Covid-19 related VAT and sales tax measures introduced globally to mitigate the likely economic and fiscal effects of Covid-19 on business and individuals in various countries. It clearly specifies the countries which implemented measures towards VAT and also the types of measures adopted by each country during this Pandemic. The countries which have not implemented any measures are British Virgin Islands, Curacao, Indonesia, Mexico, New Zealand, Nicaragua, Serbia and Trinidad and Tobago. All other countries have implemented various measures. There are three types of measure implemented by various countries.

- Delayed or Spread Payment of VAT / Sales tax due and Delayed filing of VAT / Sales tax returns
- Reduction in rate of VAT and Sales tax rates and
- Other Measures.

The main measure implemented by almost all the countries are "Delayed or Spread payment of VAT/Sales tax due and Delayed filing of VAT/Sales tax returns". Some countries like Colombia, Czech Republic, France, Germany, Malaysia, Malta, Norway, Paraguay, Poland, Portugal, Puerto Rico, Slovenia, South Korea, Spain, Sweden, United Kingdom, have reduced the rate of VAT and Sales tax rates apart from delayed payment and delayed filing of VAT / Sales tax. Those countries which has implemented measures have included a term "other measures" which is more descriptive and followed in other means apart from the implantation of other two measures as mentioned above.

(ICC Statement, 2020) COVID-19 pandemic is an unusual health and economic crisis, disturbing the lives and livelihoods of workers, as well as the continued operations of businesses universally. MSMEs – Micro, Small and Medium-sized Enterprises and their workers, as well as entrepreneurs and the self-employed, are among the seriously hit. ICC – International Chamber of Commerce has highlighted number of measures which the government

should take to save SMEs. The measures are quantified in a nutshell as: flexibility in extending deadlines for tax filing/payment, waiving of tax payments – both corporate income tax and indirect tax (Chile, Cyprus, Peru), flexible payment agreements with no interest or penalties (Chile, Cyprus, Peru), temporary reduction in VAT rates payable by small businesses (Republic of South Korea), 0% tax on essential products (Brazil), Cash-flow assistance for MSMEs (Australia, Cook Islands, Bosnia, Herzegovina, France, South Africa.

(Commission, 2020a) Exemptions and reliefs towards Import duties and VAT are given for all those goods needed to combat the effects of the COVID-19 as per the request made by Italy, France, Germany, Spain, Austria, Cyprus, Czechia, Estonia, Greece, Croatia, Lithuania, Netherlands, Poland, Portugal, Slovenia, Belgium, Bulgaria, Denmark, Finland, Hungary, Ireland, Luxembourg, Latvia, Romania, Slovakia, United Kingdom, Sweden and Malta.

(KPMG (China) Limited, 2020) Exemptions and reliefs carried are quoted here: 100% tax depreciation for newly purchased equipment for manufacturing of Covid-19 prevention and control materials, VAT Exemption for income from transportation of Covid-19 prevention and control materials and refund of carried forward excess input VAT for manufacturers of Covid-19 prevention and control materials. The policy overviews mentions that, expanded scope for duty-free imported of donated goods-imported goods donated for Covid-19 prevention exempt from import duties, VAT and consumption Tax, Tax paid on donated imported goods will be refunded and Donated goods from US not subject to additional duties and tax paid will be refunded.

(Bulletin, 2020) Covid-19 pandemic has elicited a very different response when compared to previous financial crises. Many governments are modifying VAT/GST systems as an accelerated response measure to reinforce with financial liquidity. The impact of COVID-19 crisis on VAT/GST systems are reduction in business, customer default, practical challenges of operating in lockdown and repurposing production line. Many governments are providing relief for many affected businesses by extending the time limit of submission, reducing the rate of tax and providing all other measures to give life to the businesses.

5. CONCLUSION

VAT concept has emerged in 1920s and has expanded immensely across globe till date. The analysis makes it evident that the VAT rates are minimum at 2% in the country “Guam” and maximum at 27% in the country “Hungary”, followed by Croatia, Denmark, Norway and Sweden with 25%, Finland, Iceland and Greece with 24%, Ireland and Poland with 23%, Italy, Slovenia and Uruguay with 22%, Argentina, Czech Republic, Latvia, Lithuania, Montenegro, Netherlands and Spain with 21%. Apart from VAT these are the countries which have minimum and maximum rate of tax in their own systems. Aruba has minimum of 3% for RT – Revenue Tax and HT – Health Tax, Canada with 5% GST and Brazil has the highest tax bracket of 0% to 300% in the name of IPI – Federal VAT. Majority of countries which do not come into the bracket of VAT have adopted GST and other few countries have their own method of tax system which is more or less similar and equivalent to other global standards. During this COVID-19 era many countries have adopted tax rate reductions for all categories of goods and services and some countries have adopted for selective categories of good and services. The study identifies Austria, Bulgaria, Colombia, Costa Rica, Cyprus, Czech Republic, Germany, Greece, Ireland, Kenya, Lithuania, Malaysia, Mexico, Moldova, Turkey and United Kingdom are the countries which has reduced the tax rates as a measure of COVID-19 in order to make the public benefitted, whereas the only country which has taken a different route is Saudi Arabia which has increased the tax rate during this pandemic situation.

AUTHOR’S SENSATION

The author feels that this decrease or increase in VAT rates from the Standard Rate during this COVID-19 era will be an eye opener for all countries as to how best it can fit and match with the economy and benefit the public. This is a “New Model” which is developed in this challenging pandemic era and henceforth all countries will adopt such measures in the post Covid era considering this as a “Base Model”.

VAT becomes a Centenarian in this COVID-19.

The author wishes many more returns for VAT without COVID INFLUENCE

VAT – A CENTENARIAN 1920-2020

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CONFLICT OF INTEREST

The author have declared that no competing interests exist.

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