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VALUE ADDED TAX GENESYS: INTERNATIONAL PERSPECTIVE

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Indirect taxes on consumption in one form or another are used almost in all countries of the world. Their most common forms are value added tax (VAT) and sales tax. In the vast majority of countries, only one of these taxes is applied. Over the past 60 years, more and more countries have abandoned sales tax in favor of VAT.

VAT became widespread after the signing of the Treaty on the Creation of the European Economic Community in Rome in 1957. According to this Treaty the member countries were supposed to harmonize their tax systems in the field of creating a common market. In 1967, the second directive of the EEC Council declared VAT the main indirect tax in Europe. It ordered all members of the Community to introduce this tax into their tax systems definitively from 1972.

In the same year VAT began to function in Germany from 1968. The sixth directive of the EEC Council of 1977 finally approved the basis of the modern European VAT payment system, contributed to the unification of the collection of this tax in Europe. The last clarifications in the VAT payment mechanism were made in 1991 by the tenth directive of the EEC Council. Its provisions were included in all tax legislation of the EEC member states.

Nowadays VAT is applied in more than 150 countries. Revenues from this tax make up about 20% of all tax revenues in the world. Sales tax is levied in about 30 countries - mainly in small countries in Asia, the Middle East, Africa and the Pacific. It is also used in two powerful economies of the world - the USA and China. In these countries, sales tax is charged only when goods are sold to the final consumer, and not at each stage of their supply, even where it operates simultaneously with VAT, namely in China, Canada, and India. China, as part of the full transition to VAT, began to apply this tax in certain sectors of the economy and in certain regions of the country, while the turnover tax continues to apply in other cases.

In Canada, in addition to federal VAT, some provinces charge a local sales tax, while others charge an additional local VAT. India applies both types of tax, which can operate simultaneously at the state and local levels.

At the moment, India, like China, is developing a plan to abandon the sales tax and apply only VAT at the state level [1; 2].

Different countries have different approaches to setting VAT rates. At the same time, their average level is from 15% to 25%. In some countries, a scale of rates is applied depending on the type of product and its socio-economic importance: reduced rates (2% − 10%) are applied to food, medical and children's products; standard (basic) rates (12% − 23%) − for industrial and other goods and services; and, finally, increased rates (over 25%) − for luxury items.

The lowest basic VAT rate (5%) is in Malaysia, Singapore and Japan. The highest (25%) is in three countries of the Scandinavian Peninsula (Sweden, Denmark and Norway) [3].

It should be noted that currently the VAT does not work well in any country in the world, except for small countries. The first who understood this were English, later − the Austrians and the Germans. They expressed concern when it became difficult to deal with "carousel" scammers.

When the product passes through the chain several times, VAT accumulates, and then one company disappears. Along with it, the VAT, which was supposed to go to the budget, disappears.

European countries gradually began to consider the possibility of transferring the obligation to pay VAT from the supplier to the buyer, in order to get rid of budgetary compensation in this way. Currently, reverse charge VAT – an invention of Germany – is increasingly used among European countries. Its essence is formulated in the form of a simple rule: VAT is collected during supplies from payers to non-payers and is immediately transferred to the budget. The name "VAT of one-sided effect" emphasizes the absence of a refund operation in the new mechanism [4].

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