

Relevant and useful monography on VAT

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Aktuali ir naudinga monografija apie PVM

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Recently, the publishing house of the Vilniaus University published a monography "VAT: The Core of All Taxes" written by assoc. prof. Egidijus Bikas the Department of Finance, the Faculty of Economics and Business Administration, VU. The selected research problem in Lithuania has not been studied in detail: only some aspects of value added tax are reviewed in the scientific and periodical press. This is the first activity which carries out a detailed analysis of value added tax, its essence and significance in the tax system.

The monography consists of four chapters. The first chapter, "Taxation and the Value Added Tax", examines the theoretical aspects of the tax system: tax objectives, taxation principles, tax structure, taxation of income, profits, property, and historical circumstances of VAT. This chapter provides a detailed analysis of VAT regulation in the European Union and Lithuania.

The second chapter, "Value Added Tax in the Context of the European Union", reveals the importance of VAT in the system of consumption and indirect taxation, examines the structure of this tax, the variety of tariffs and the principles of taxation. Advantages and disadvantages of applying reduced VAT rates have been explored.

The third chapter, "Evaluation of the Value Added Tax Structure", covers the following issues of theoretical and practical relevance: justification of the VAT structure assessment; VAT C efficiency and productivity; VAT burden and gap; optimum VAT rate.

The fourth chapter "Globalization and tax harmonization" examines the concept of tax harmonization, disclose the essential elements of this process in the context of the European Union. The analysis of direct and indirect tax harmonization has been properly presented.

Assoc. professor E. Bikas has provided a lot of new insights, ideas, attitudes and recommendations in the monography on how to create the efficient and harmonious state tax system and a proper value added tax that covers the entire system from production to sales. The author identifies value added tax as one of the main taxes in modern economies. It has formulated a statement showing the particular importance of value added tax, namely: value added tax is a tax which is being used during cyclical economic fluctuations, trying to stabilize public revenues and ensure the stability of public finances. It has become a major source of revenue and currently this tax is administered in more than 150 countries around the world. The author highlights the exceptional feature of VAT - economic neutrality; it is neutral in trade because VAT is not taxed on business and is paid by the end user. The neutrality of VAT in international trade is ensured by the principle of destination whereby exports of goods are exempt from VAT and import is a subject to VAT.

Assoc. professor E. Bikas, having conducted a VAT analysis in the European Union countries, found out that the rates for this tax are not fully harmonized, for example what happened in 2017. The average standard of VAT rate in the EU countries was 21.5%, while Hungary applied the highest rate of 27%, Luxembourg and Malta applied 17% and 18% respectively. In addition to the standard VAT rate for goods and services, several other rates can be applied: reduced, super-reduced, parking, zero rate.

Analyzing VAT Productivity Analysis in 2010-2017 in European Union Member States Assoc. professor E. Bikas stated that Lithuania over the entire period exceeded the average VAT collection rate among EU Member States. On the basis of the EU Member States correlative VAT standard rate and VAT productivity analysis, the author concluded that the higher the standard of VAT rate, is the lower is the productivity of VAT in the country. And another particularly important conclusion: the increasing VAT rate creates more incentives to avoid payment of taxes and to form a "shadow" economy. On this basis, the gap between potential VAT revenue and the revenue actually collected has increased.

The author of the monography has conducted a comprehensive analysis of the direct and indirect tax harmonization process in the EU. He presented that the alignment of EU direct taxation remains a national issue and that responsibility for these taxes lies with the governments of the Member States. Moreover, the harmonization of direct taxes is rather slow and fragmented. The focus is on the harmonization of indirect taxes, as they have a direct impact on the free movement of goods and services.

Assoc. prof. E. Biko's monography has important scientific and practical significance. The VAT problem is analyzed in a complex way - theoretical, historical and practical aspects in the context of the European Union and Lithuania. The results of this study are particularly

valuable for future research on VAT and the whole tax system. Very useful information on the various tax system and VAT indicators in the European Union countries is provided in the annexes. It is worth mentioning that a very large list of literature can be used not only by academicians and students but also by practitioners. The theoretical and practical aspects about the tax system and VAT of the European Union and Lithuania presented in the monography is undoubtedly useful for all the employees the field of economics and management i.e.: university and college lecturers, students, doctoral students, economists, accountants, auditors, financiers, corporate managers, etc. who are concerned with finance and taxes.

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Reikšminiai žodžiai: pridėtinės vertės mokestis, mokesčių sistema, monografija.

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