
The Impact Of Applying Value Added Tax (VAT) On Cooperate Sales

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Abstract:

The following study analyses the impact of a multidisciplinary strategy to lower the VAT levels for food classes that equals 15% on the economy. Effects on food market rates, volumes of food demand, government expenditure value-added tax income, consumer and producer gains as well as inflation were evaluated. The effect of the equation decreases the amount of market prices of food by decreasing The Value-Added tax ratio while the reduced estimated price is not commensurate with the decrease in the value-added tax rate. The reduction of the value added tax rate contributes to a marginal rise in sales of food. Simultaneously, decreasing the Value-Added tax ratio lowers VAT income in the government budget, although the overall population income exceeds the reduction a little.

Key words: food, value added tax, impact on prices, impact on consumption, government budget, consumers, purchasers, model.

Introduction

Value added tax is an indirect tax that first appeared in 1954 in France. Maurice Loretta is the one who proposed its concept and puts its main rules. It is a composite tax implemented on the difference between the cost and selling price of goods or services (Osaimy, 2018).

Value added tax was initially introduced to meet the increasing needs for revenues that could not be easily achieved by business taxes. There are many differences in the structure of VAT and the way of its implementation, but there is an international agreement on some of the main issues, such as making consumption the final base of this tax. In addition, it is characterized by a desirable feature which is the tax does exceed the productive potential limits of economy. The 1990s saw a high rate of dependence on VAT; as it is nearly adopted by all countries of economic transformation (which reflects its need to change its traditional revenue resources), and a large number of developing countries (Awad, 2012).

The objectives of the study

The main objective:

This study aimed to measure the extent of the impact of applying the effect of the value-added tax on financial results on the food sector.

The sub-objectives:

The study aims to the following:

- Recognizing the definition of the value - added tax.
- Understanding the nature of the financial performance in the food sector.
- Clarifying the relationship between applying the value-added taxes and the financial performance of the food sector.

The importance of the study:

This study sheds light on one of the most important topics that relates to the effect of value added tax on the food sector's financial results. The importance of the study is due to the importance of the topic and its novelty, and specifically the importance of the study can be limited to the following: The theoretical importance, as there are no previous studies on value added in the countries because it is a new addition in the Kingdom that no one has previously published research on The results of the study may be useful in introducing the benefits and importance of the added value, in addition to a full explanation of the method of calculating it and the definition of the level of satisfaction and conviction of society with it.

Problem statements

VAT is an indirect tax levied on products and services. This tax is applied by the government as the expenditure surplus is reflected in the rise in revenues and the budgetary shortfall. In order to avoid taxation on goods as well as utilities, VAT raised sales, which generated a high source of income in the company economy. In order to satisfy demand for housing, demand for technologies and exchange demand, the government imposes taxes and fees on persons. The purpose of this thesis is to summarize all general VAT concepts. It also seeks to lay down all rules and regulations required to determine the VAT supply. The introduction of VAT to food corporations would have major effects for corporate revenues (Baunsgaard & Keen 2010).

Literature Review:

VAT planning is definitive in order to speed up the market by adding fresh and major problems that are effective for the business from a non-tax perspective. Assess added tax effects of obliging the transactions to the regular rate and inform Bahrain of the introduction of a new VAT edition as a reference to supporting industry associations. VAT is experienced in all areas of the countries and it is often introduced to keep track of potential legislation and regulations.

The financial role is one of the most significant roles of VAT. The state budget is the principal instrument in each country's monetary policy. It is the key component of the government whose main role is public works funding. Taxes are the highest income in the state budget and the bulk of tax collections are accounted for by VAT (Hajdúchová et al, 2015). VAT is mainly a financial feature, and in most countries it is the primary source of discretionary revenues. At the same time, in many countries, the shadow economy, particularly in the form of corruption and tax evasion, leads to tax reductions which in turn reduce the effectiveness of value added tax (Sokolovska & Sokolovska, 2016).

Value-added tax has been an essential instrument of countries' fiscal policies. In certain nations, as an exception to the fiscal principle, lower value added tax rates apply. This enables countries to control and affect the environment, such as markets, employment, corporate production and economic growth. When such requirements are satisfied, there are theoretical elements in favour of discounted prices.

They prove that target lower rates in the target sectors and provide such advantages, for instance because many low-skilled employees operate in the local service sector. The lower rate may be an opportunity to legally minimise unlawful jobs. This could contribute to a slight imbalance in cross-border trading on the EU Single Market, since the country of origin principle extends to certain commodity supplies of commodities, which could lead to a tragedy that customers chose to purchase items from a lower VAT rate country. This does not therefore suggest that the discounted prices can extend exclusively to local services provided (Copenhagen Economics, 2007).

The reduced VAT will promote the consumption of those commodities because their prices are poor (Wikander, 2013). The number of tourists to conventional restaurants in France, for instance, improved by reducing taxes relative to the previous time (Charity, 2010). Taxes impacting value-added tax market creation have the highest effects on the food and price sectors (Dombrovski) & Hodzic, 2010).

Institutional framework:

- **Definition of VAT:**

The VAT is a general tax levied on corporate practises manufacturing and selling products and services. Consumption value added tax is imposed because eventually it is charged by the buyer even though collected by the importer, manufacturer or distributor (Ibrahim, 2015). Osaimy (2018) can also be described as value added tax: Cumulative tax: since the customs duty levied on the manufactured products is included in the VAT base, along with other taxes and duties. Comprehensive revenue: the uniform and uniform structure of the tax legislation throughout the state (although some countries apply multiple ratios). It is a tax based on the territoriality tax concept, the levying tax principle, only at the boundaries of the State under territorial jurisdiction. It is an abundant and routine tax income, since it is levied many times a year The tax is seen as an effective investment opportunity as a consequence of the tax deductible. Instead of saving, the tax is paid on consumer spending.

- **The importance of the value added tax:**

In principle, VAT has many benefits over other tax instruments in developed countries, which presumably explains its global acceptance. It is considered to be higher than an import or a turnover tax for 'output quality'. This assumes that traditional distortions of the production decisions of companies triggered by these tax instruments can be avoided. It is often regarded as higher than the retail sales tax for mobilisation of income, as it provides motivation enforcement for corporate-to-commercial purchases (B2B) and will produce income in the supply chain sooner even though retailers completely evade their tax liabilities. Until recently, minimal analytical work on the working of VAT in developed countries was carried out using

administrative micro data. But in recent years, an interesting and quickly increasing body of tax policy observational analysis in developed countries using evidence from comprehensive tax records has been carried out.(Abu Huwailah, Badr 2012)

This is partly due to the ICT movement, which leads to significant changes in the availability and accuracy of data. This brief explores the lessons of many research that have brought fresh light on the benefits and limitations of VAT structures. It also highlights crucial issues that may be further proven.

- **Advantages and disadvantages of VAT**

The main advantages and disadvantages of VAT can be summarized as follows (Ibrahim, 2015).

VAT advantages:

1. Its fairness and breadth, as it includes all classes of society and not directed against a particular class.
2. Not against savings and investment
3. It works on reducing unwanted consumption because the tax raises the price of goods, which reduces the demand on it.
4. It works on increasing production in the society for people with low and middle income, where it is necessary to increase their work to compensate to make up the shortfall in their purchasing power.
5. Neutrality of the tax towards goods and services, whether local or imported or towards the production and circulation stages, and this would avoid double taxation.
6. Encouraging investment and directing it to the desired sectors.
7. Sovereign revenues are highly sensitive towards economic changes due to its rapid impact in the term of revenues on the level of general State revenues.
8. Reduce tax evasion or double taxation.(Asaad, Al-Imad, (2015),

VAT disadvantages

1. Price increase and the emergence of waves of inflation in the economy at the beginning of taxation.
2. Rising prices cause low demand from low-income earners.
3. It is a semi-obligatory levy imposed on the bulk of products and services.
4. It never achieves social justice, where income is not an effective factor, as it is levied on the rich and the poor.
5. Its income may not be commensurate with the tax collection costs.
6. It requires a fairly advanced accounting system knowledge and understanding from companies and institutions. Osaimy (2018) agreed that one of the disadvantages of VAT is that it is levied on various social strata with an equal percentage and it affects market prices directly or indirectly in addition to the full tax levied on the final consumer.(Dombrovski, & Hodžić, . 2010)

Ways to impose value-added tax

There are four ways the world knows about imposing a value-added tax:

1. Direct collection method: in which the value-added tax is imposed on the sum of profits and wages
2. Indirect collection method: The value-added tax is imposed at a specific price once on the total wages and once at the same price or at another price on the total profits, as the tax here is imposed on the components of value added, and one of the disadvantages of this method and its predecessor is that the calculation of the value-added tax requires determining the profits and then Often difficult to identify
3. Direct deduction method: The tax is imposed on the output of the input subtraction and the final product, and it is one of the most accurate methods for determining the added value with high accuracy, but it is difficult to apply monthly from an accounting point of view.
4. The indirect deduction method: The tax is imposed on the input at a specific price, then on the output or the final product, and the first tax is deducted from the second, and it is the most popular and applied method, which the European Union relies on when imposing the value-added tax, and one of the disadvantages of this method is that its use leads to tax profit and its heavy burden on the consumer and its contribution to raising inflation rates, despite this it is preferred by most countries due to its operation and the possibility of calculating it weekly, monthly, quarterly or annually.(Earls, E. 2011).

Problems of the general sales tax that hinder the transition to value added

First: - Conflict in the provisions of the law with regard to imported goods for the purpose of trading, as the legislator stipulated that the event that creates the tax is the sale of the good or the performance of the service, but he has contradicted that with regard to imported goods, as he made the tax due on imported goods at the customs release stage with the verification of the occurrence that created the tax And the consequent issue of the tax authority issuing many explanatory instructions to deal with the problem of imported goods, which created many accounting problems.

Therefore, “the tax due upon customs release is inconsistent with the nature of the tax, as it is a sales tax and not a purchase tax, and it does not differ from being an increase in the value of the customs tax due on these goods.”

In response to this, proposals emerged that "the collection of the tax on imported goods should be at the stage of selling them inside the country alone, instead of collecting it in two stages."

Second: Damages resulting from subjecting capital goods to general sales tax, such as: - The buyer recovers the value of the tax paid on these goods by increasing their depreciation premium.

Reducing the income tax payable on the buyer's profits unless the buyer can raise the price of his products.Inequality in tax treatment between capital goods used in projects inside the country and used within free zones and cities.

This prompted some to suggest treating capital goods used inside the country the same treatment as goods used in free zones and cities, by not subjecting them to sales tax if they are imported,

and subjecting them to tax at a "zero" rate if they are locally manufactured so that what has been paid as sales taxes can be deducted on their inputs.

Third: The problem of not exempting the tax paid on the inputs that are used *in* the manufacture of products for export as long as the product's activity is limited to export alone. Hence the importance of calculating the tax on the inputs to be recovered in proportion to the exported outputs to the total output if some of them leak into the local market.

Fourth: The problem of not deducting the tax on goods and services mentioned in tables (1) and (2) accompanying the law, which is one of the major obstacles to transferring the value-added tax, as well as placing restrictions on the generalization of tax deduction in the tax legislation, as these texts have no equivalent in any tax legislation Similar in any country, and therefore it is necessary to allow deduction of all taxes that were previously paid by the producer when purchasing any commodity, in order to prevent double taxation.

Fifth: The authority has issued many instructions that violate the provisions of the law and its executive regulations when accounting for importers, which is reflected in the prestige of the law, its sovereignty, and the legitimacy of these instructions, which must be issued within the framework of the articles and regulations of the law and do not contradict them.

Sixth: The prejudice of financiers as a result of the failure to unify the bodies that grant exemptions ... Also, the policy of exemptions is fundamentally inconsistent with the economic logic of the value-added tax and causes distortions and difficulties in administration and compliance. There are exemptions issued by the provisions of the law, others issued by Republican decisions, and a third issued by ministerial decisions, as there are direct exemptions focused on goods and others for persons, whether they are natural or legal.

Seventh: Problems arising from the retailer's inability to keep accounting books and records for tax purposes, the inability to issue tax invoices for each incident of selling a commodity or performing a service, the lack of a financial accounting system for retailers due to the lack of capabilities they have as well as the difficulty of holding them accountable. (Ahmed, Z.,S., 2019)

- **The effect of the value added tax on the food sector and the financial performance:**

In compliance with VAT), the additional value for products and services is conceptually calculated by excluding from the sale price the purchasing expense of taxable goods. This means that each company will pay a tax on the rise in the valuation of the economic product it makes. For administrative ease, VAT is imposed not explicitly on the added value at that point, but on the basis of the good's market value at a given stage of economic operation. In particular, the VAT was planned to be imposed on foreign commodities, local goods, hotel facilities and bank transactions in a liberal manner. However, past research have shown that the risk is typically transferred to the final customer for certain firms impacted by VAT.

In view of the typical Standard of living standard, VAT is sometimes used as an opponent to person and industrial customers. That is why Standard ofs strongly declined to consider the VAT rise of 10% approximately four years ago. However, previous research have shown that the

impact for certain companies impacted by VAT is unpalatable. Companies generally pay VAT on products and services purchased (VAT input) and bill VAT on goods and services delivered (VAT output) (Abdullah, et al . 2015).

- **The mechanism of value added tax**

The essence of the application is to find regular periodic proceeds at a low cost that contribute to achieving additional services for the poor and important classes of society by supporting the umbrella of social protection in the fields of (education - health - social insurance ..) that the implementation mechanisms require the following: -

1. The validity of the account for the tax amount and its validation by the registrants. Through programs to develop and stimulate tax awareness among registrars, to urge them to be careful when writing monthly declarations, to complete the information infrastructure of the billing system.
2. The existence of central and public administrations with an efficient staff and human cadres who have been trained and developed their skills on accounting methods that emphasize the consolidation of the principles of trust-supporting examination.
3. The inclusion of the legislation on the clarity of the tax and the simplification of procedures for examination, review and tax accounting.
4. The concern of the Chamber of Commerce, the Federation of Industries and university educational institutions to provide full support to the financiers to prepare an accounting ledger system that facilitates the extraction of invoices in a way that contributes to joining the informal sector with the formal sector.(Ahlerup, et al. 2015).

Automated linkage between government agencies and the state's administrative apparatus for the purposes of contributing data to the tax administration to facilitate tax collections and tax collection, to limit tax evasion, especially customs, the General Authority for Supply Commodities, and the Communications Facility Agency, and assign banks to conduct collection operations for all revenues from sales of goods and services. To enable the collection of that data to serve the tax administration. As it strengthens the tax inquiry base.

Provided that all transactions of the taxpayers are counted with the smart card.Immediate response to taxpayers if it becomes evident that the registrant is entitled to refund tax to support the taxpayers' confidence in the tax system

Fully obligating all registrants with accounting books and stamping them from their tax offices, and they are renewed whenever required.(Gemmell, & Sanz, . (2014).

Limiting exemptions to the exclusion of goods that represent the basic pillar of the citizen, taking into account the living conditions as not to advance the exemptions for taxes on goods and services.

Completing the service tax system to fully include professional services, health, scientific, financial, educational and engineering ... and others to provide new resources for the public treasury. In addition to the rest of the services, such as transportation for passengers and goods, whether by sea, land or air, similar to operating services for others, as well as insurance

and freight services. In addition to other businesses such as services such as operating leases, financial leasing, and real estate and land sales.((Ebeke, C., & Ehrhart, H. 2011).

VAT withholding strategies adjust the customer-based processes to raise VAT from international suppliers. There are several methods to operate a withholding mechanism. In short, certain regimes compel the buyer, on behalf of the international provider, to withhold and resolve VAT. If the client is a completely taxable company, he shall have the right, retained and returned to the tax authority, to an input credit on the VAT. The parties could then represent in their pricing their respective VAT roles.

In fact, a reverse charge process has the same impact as that (the buyer needs to compensate the customer rather than the supplier) where the consumer is responsible to pay the entire value of the VAT, but has legitimate invoice and responsibility discrepancies (i.e. under a withholding regime the VAT liability may remain at the level of the supplier). The main difficulty in this scheme is that it expects vendors to be acquainted, not just in the event of VAT responsibility, but also when deciding on costs, with the tax laws and prices in the taxation jurisdiction in order to charge the correct sum.

This may be long before the initial supply and the taxable case. It also assumes that the buyer knows the VAT laws and carries out withholding and arbitration duties. In reality, this might not be the case particularly if the consumer is either a small trader or a private client. A withholding regime often requires consumers to discriminate between international and domestic vendors.((Ebeke, C., & Ehrhart, H. 2011).

General principles of tax treatment that levied on financial services:

VAT exhibits its key characteristics as a final consumption tax collected by a phased collection mechanism, both domestically and internationally. However, the foreign implementation of VAT poses an issue which cannot be addressed in the domestic framework, namely: which authority should levy Value Added Tax on the cross-border trade, which jurisdiction of origin or destination?? This topic has significant consequences not only for the way VAT is commonly applied internationally, but also for the determination of effective tax collection approaches. (Baum, et al. (2007).

Under the concept of destination, tax shall essentially only be imposed on final use within the taxing expertise. It is often widely known that all income is subject to the final consumption theory. In the concept of origin, the tax is charged in the different states in which the value is applied. The main economic distinction between the two concepts is that the concept of destination equates all companies competing in a specific jurisdiction, while the principle of origin equates customers in separate jurisdictions.

Because the concept of destination similarly equates both businesses competing in a particular jurisdiction, foreign trade neutrality is accomplished. Under a concept of destination, as it is commonly applied, exports are not taxed on refunds for input tax (that is, "clean of VAT" or "zerorated") and imports are taxed at the same rate as domestic supply and on the same basis.

As it achieves neutrality in foreign exchange, there is broad agreement that the concept of destination with the revenue accruing to import countries where final use takes place is superior from both theoretical and realistic standpoints to the principle of origin. Indeed, the concept of destination, which is the standard of foreign exchange, is sanctioned by WTO rules⁴ and represents general provisions of most current VAT structures. The Guidelines, in keeping with the widespread universal opinion, embrace the concept of destination as a fundamental law for applying VAT to international trade.

The challenges to tax collection under the destination principle when the supplier is not located in the jurisdiction of taxation

The previous discussion points out the framework for considering the topic of tax collection, which this chapter focuses on collecting VAT for supplies of services and intangible products where the seller is not subject to the expertise of taxation. The root of the challenge can be defined as follows: Applying the destination concept to supplies that traverse international boundaries provides a split in authority in the staggering tax collecting mechanism at the core of VAT.

The essence of the challenge could better be understood if the activity of VAT is first considered in a completely domestic sense where this difficulty does not exist. If all the products are entirely domestic and all manufacturers and customers are under the same jurisdiction – including companies or final users – the method of selection is smooth and seamless (at least in principle). Any organization in the supply chain charges VAT on its taxable goods, collects compensation on all VAT levied on its supply inputs and sends the difference to the taxing authority.

The absolute privilege, with the exception of the ultimate buyer, to subtract input tax across the supply chain means that the tax burden does not fall on the company and instead ends up with VAT. As there is "competency to implement" over all applicable parties in a phased collection mechanism, i.e. the taxing authority can expect all providers to comply with their duties in respect of tax collections, and no disruption in competence exists within the VAT chain, VAT acts as a final consumer tax collected by means of a phased collection procedure. (Emran, M. S., & Hou, Z. (2013).

The subsequent debate considers the case in which two amendments have been made to this example: first, it is assumed that somewhere down the supply chain, the supplier in one jurisdiction supplies to a customer in another; second, it is assumed that the supplier is not within the competence of the customer, which means the jurisdiction of the supplier for the purposes of this report. This failure of the supply chain should not influence the fundamental values of VAT. As a final sales tax levied by a staged method of collection, the VAT maintains its vital character. However, the rupture of the supply chain has significant implications for the operation of this method.

- **Financial services sector products, We shall consider hereunder some of the products offered in the financial services sector to determine whether VAT is levied on them or no.**

Legislation also requires that international vendors nominate a tax official who is a citizen or has a facility within the competence to obtain and transfer VAT on their supplies. This has become especially popular in the past where these cross-border transactions were comparatively small in number and relatively large sums in individual transactions. The need to nominate such a fiscal representative may be prompted by a variety of policy concerns including a small jurisdiction's capacity to manage digital taxation, an appreciation of the local language and national laws by the fiscal representative, and its simpler access to accounting and other documents.

Despite a tax representative's ability to promote tax collection and compliance, the compulsory existence of such an appointment can have unforeseen effects. Global suppliers who are obligated to designate the taxing individual may wish to limit their trade with the taxing authority or fail unintentionally to follow the rules of taxing authority, particularly in cases of transactions involving relatively small amounts and/or relative small profit margins. The expense of retaining a tax representative can be disproportionate to its income in a small enterprise with a limited turnover in taxing jurisdiction, especially where the tax representative transfers the financial risk of non-compliance with the international provider by forcing it to post protection. Suppliers could also have tremendous trouble engaging a delegate who will be prepared to perform a role where the supplier would be personally or collectively accountable for the international supplier's VAT obligations. These accidental effects ought to be closely regarded in the implementation of a selection regime dependent on registration. (Barrientos, et al. 2010).

- **Exemptions from value added tax:**

Exemptions are an important consideration when developing a tax on goods and services. The legislator has defined exemptions in the sales tax - for example - in contrast to the previous consumption tax law. As for services, the tax street approached a method similar to that of the consumption tax in its determination of goods, as it specified the services subject to, exclusively, and what is not mentioned is tax exempt. Therefore, the tax law granted specific exemptions to certain commodities and to certain parties. The tax street defined exempt excluded products as the goods on the exempted lists VAT, productions and facilities, whether these lists were issued by Republican decisions or ministerial decisions. As for the bodies or persons exempted, they are entities or persons who buy goods subject to tax, but these entities are exempted because the lawmaker has deemed that it is in the interest to exempt them.

In order for the value-added tax to be properly applied, all taxpayers, as long as their economic and legal positions are equal in relation to the imposed tax, must feel the same taxable base for each of them according to his tax ability, on the one hand, and on the other hand in terms of the event that creates the tax, whether represented in obtaining income Or build wealth, or represented spending on goods and services. Gemmell, & Sanz, . (2014).

Exemptions are a tool for directing consumption and then directing the economy, and that the large number of exemptions from the value-added tax leads to many practical problems, as it leads people to turn to goods exempt from the tax and this limits the effectiveness of the tax and therefore all finished consumer goods must be subjected to exemption from Primary and capital goods and semi-manufactured goods, which encourages industry and promotes the development of production.

In order to prevent confusion and ambiguity and limit disputes between registrants and the General Sales Tax Authority, the researcher supports the opinion that he believes that tables attached to the law should be prepared that include all taxable goods and services and any commodity or service not included in these tables is considered exempt from being subject to tax, provided that it is taken into account when preparing Schedules of taxable goods, taking into account the following:

1. Exact determination of taxable goods.
2. Collect items of one origin or of one nature or are used for one purpose in one schedule, section or chapter, with the aim of simplifying and clarity of the schedule.
3. Shortening the tables as much as possible and not increasing the number of divisions.
4. Not to excessive the number of clauses to avoid complication and difficulty of implementation.

The impact of applying the "added value" on the healthcare sector

The health services sector in the public sector will be outside the scope of the tax. Health care services include regular medical services and dentistry, in addition to medicines, medical equipment, medical examination fees, x-rays, accommodation fees for the patient and his companions in the hospital, meals provided to them, rental of medical equipment, ambulances and other services related to health care.

As is the case for various supplies of goods and services in other economic sectors affected by the application of the value-added tax, the application of the tax will also have an impact on goods and services related to health services in the private sector, as most goods and services will be subject to tax at the standard rate of 5% unless Otherwise, it is specifically mentioned that some goods and services are exempt, and some are subject to zero-rate tax.(Daly HE, Farley J (2010)

As we have already indicated in our previous articles, although there is no tax calculated on both exempt supplies and taxable supplies at a zero rate, and thus not burdening the final consumer with additional burdens, the essential difference between them is the eligibility of the supplier of goods and services subject to tax at the zero rate in Deduction of the input tax that he pays upon obtaining the service or commodity, which means that his profit margin is not affected. As for the supplier of exempt goods and services, he is not able to deduct input tax, which is an addition to his costs and thus affects the profit margin.

While many countries in the world that apply value-added tax, goods and services in the private healthcare sector are exempt from tax, the unified agreement of the Gulf Cooperation Council states on value-added tax has left the door open for the six Gulf states to determine how the tax should be applied in the food sector. It seems that the countries of the Gulf Cooperation

Council tend to not exempt any of the goods and services related to the health care sector in the private sector, at least from the reality of our monitoring of countries that have already started implementing the tax, namely Arabia and the UAE. (Daly HE, Farley J (2010)

We would like to highlight the most prominent features of applying the value-added tax to the private health services sector:

1. All medicines and medical equipment specifically mentioned in the lists of the Ministry of Health and the Food and Drug Authority will be subject to tax at the zero rate, and any medicines, equipment and other materials will be subject to tax at the standard rate.
2. Health services related to surgical operations and all related accommodation and treatment expenses will be taxed at the standard rate of 5%.
3. Dental treatment and cosmetic operations will be taxed at the standard rate of 5%.
4. Some of the medicines used in surgical procedures and dental treatment, specifically mentioned in the Ministry of Health and Food and Drug Authority lists, will be subject to a zero tax rate, while others will be subject to the standard rate tax.
5. Cosmetic operations of all kinds and materials used in them will be subject to tax at the standard rate of 5%.
6. As is the case with the export of goods and services in other sectors, the export of health goods and services, such as medical equipment and laboratory analyzes, from outside countries will be subject to tax at the zero rate.
7. As is the case with the import of goods and services in other sectors, the import of medical goods and services, such as medical equipment and laboratory analyzes, from outside countries will be subject to tax at the standard rate of 5%, unless the electronic linkage system is applied, which means the application of the reverse charge mechanism. (Swinkels , Joep. 2005)

Hence, the size of the complexity and the challenge that players in the private health services sector will face as a result of the implementation of the value-added tax and how to deal with it in this sector, for example:

1. There are some accidents that require mixed operations, that is, a surgical intervention, and at the same time you need to perform cosmetic operations, and the materials and medicines that are needed may be taxed at 0% and others are taxed at the standard rate of 5%.
2. In the event that some health services are exempt from tax, which means that the hospital or health center is unable to deduct the input tax and consider the related expenses as additional burdens that increase the costs of providing the service and this may lead to an increase in the prices of these services.
3. In the same context, the decision to resort to external agencies that provide the health center with some services that cannot be dispensed with, such as cleaning and security services, laboratories and laundry services, will be a difficult decision, especially in light of the fact that the costs of these services are not refundable, which also means additional costs for Health Center.

4. In light of the nature of the payment method that requires the presence of a third party, in addition to the client and the health center, all health centers and private hospitals deal with insurance companies to pay all or part of the costs of treatment. Certainly, the application of the tax in light of the three-party structure of this sector will carry with it many complications in the application and treatment of the tax.

5. One of the important decisions facing health services companies that operate through a group of health centers and private hospitals and provide complementary services to each other is the feasibility of forming a single tax group so that all of them are treated by the tax authorities as one person subject to tax. (Besley, & Persson, 2013).

Note that forming a tax group has many pros and cons. In a subsequent article, God willing, we will discuss the concept of a VAT Group or Tax Group in detail, highlighting the conditions for forming a tax group, its advantages and disadvantages. (Prichard, et al. (2014)

● **Comparison between food sector and public health sector:**

Sector	Food	
value	15%	0 %
	<p>The cost of labour increases slower. Consequently, an improvement in earnings or depreciation costs eliminates the detrimental effect on VAT deduction on labour costs and lowers the relative expense of VAT. Thus, the larger the company's proportion in labour expense added benefit (not benefit or depreciation costs), the higher the VAT load or vice versa.</p> <p>It should be noted that the food industry is by nature labor intensive, which also determines a relatively higher total tax burden in the sector.</p>	<p>Healthcare services could provide medical and dental services, as well as patient room and board, prescription medications, and medical devices provided to patients when providing excluded healthcare services; contribution tax paid for certain supplies would be irrecoverable.</p> <p>The correct VAT classification of healthcare services will be crucial as it will dictate if:</p> <p>Where VAT has to be charged; and</p> <p>The base for claiming input VAT.</p> <p>As a result, effective VAT controls and protocols would need to be implemented to ensure that the proper VAT care is applied to all company supplies on a transaction-by-transaction basis..</p>

Methodology

The researcher adopted the descriptive approach when talking about the applied reality of the value-added tax, on the food sector and the public health sector. With the study of many value-added systems that have been applied in the world. We have concluded that:

Research into the impacts of adjustment in the VAT rate on the economy can be divided into:

- Costs,

- demand,
- quantity of production,
- wages,
- demographic benefits,
- social disparity and
- economic development.

It was found that there are two strategies in place to reduce transient VAT by having households feel as though they have more money. The second mechanism is to minimize taxation by changing the price of commodities.

T.Kosonen (2010) highlights the various consequences of lowering the VAT rate – reduced rates have helped customers, increased profits have benefitted companies, but government tax income has gone down. Commonviews, suggesting the consequences of a temporary VAT cut, which describes three potential effects: an income impact as citizens appreciate the decrease in cost of living, a substitution effect as persons raise their purchase, and arbitration effect as individuals purchase non-perishable goods by the end of the time. It was pointed out that VAT will help the small business owner especially as the expense of enforcement is minimized if the VAT amount is calculated at the acceptable amount. Several calculations are used to assess the impact of reducing the VAT levels on the national economy (Ufier, A. (2014)):

Market price P: [1]

$$P = a \cdot \frac{l \cdot (1+T) - b}{m + a - k \cdot (1+T)} + b$$

Amount of sales Q: [2]

$$Q = \frac{l \cdot (1+T) - b}{m + a - k \cdot (1+T)}$$

Revenue from VAT for the government Y_T : [3]

$$Y_T = \frac{T}{1+T} \cdot \left(a \cdot \frac{l \cdot (1+T) - b}{m + a - k \cdot (1+T)} + b \right) \cdot \frac{l \cdot (1+T) - b}{m + a - k \cdot (1+T)}$$

Consumers' surplus in the market S_c : [4]

Producers' or sellers' surplus in the market S_p : [5]

$$S_p = \frac{P_0 \cdot Q_0}{1+T} - \int MC(Q_0) dQ$$

The society's total benefit (in context of the market) S_T : [6]

$$S_T = S_c + S_p + Y_T$$

The model is focused on monopolistic competition equilibrium mechanisms as well as general equilibrium conditions. According to this method, the model assumes that sellers would want to maximise their benefit (both at the present VAT rate and in case the VAT rate is changed). As a result, it is possible to more accurately measure the impact of a future VAT on food costs, market volumes, and tax collections, among other things. The simple model looks like this: (Ufier, A. (2014)):

General equilibrium situation:

The model is built on the basis of balance processes and general equilibrium conditions under monopolistic rivalry. According to such a strategy, sellers are believed to maximise their benefit (both at the present VAT rate and in case the VAT rate is changed). It is therefore necessary to measure more accurately the possible VAT impact on food costs, sales volumes, tax collections, etc. The fundamental model is as follows (Ufier, A. (2014)):

Situation of general equilibrium:.....(7)

$$\begin{cases} p(Q, x) = P(Q) \\ MR(Q, x) = MC(Q) \end{cases}$$

Demand curve D in food industry: [8]

$$P(Q) = a \cdot Q + b$$

Total demand d for goods: [9]

$$p(Q, x) = m \cdot Q + x$$

Total marginal revenue: [10]

$$MR(Q, x) = 2 \cdot m \cdot Q + x$$

Total marginal cost: [11]

$$MC(Q) = k \cdot Q + l$$

Given the VAT effects, an equilibrium situation: [12]

$$\begin{cases} m \cdot Q + x = a \cdot Q + b \\ \frac{2 \cdot m \cdot Q}{1+T} + \frac{x}{1+T} = k \cdot Q + l \end{cases}$$

The applied study

In this topic we will

deal with the

applied study by comparing the value of operating revenues in small and medium enterprises in the various economic sectors and activities in the Kingdom of Saudi Arabia before the implementation of the value-added tax in 2017 and after its application in 2018 as an example for companies and establishments operating in various economic sectors within the Kingdom of Saudi Arabia In order to achieve the objectives of the study and to identify the impact of applying the value-added tax and increasing it from 5% to 15% on sales and revenues of small and medium enterprises in the Kingdom of Saudi Arabia

Table (1) Operating revenues by economic activity for small and medium enterprises during (2017 2018)

Activity	2017	2018	%
Agriculture and hunting	85462.78	86756.5	1.51
Petroleum and minerals	99738.83	106846.0	7.13
Manufacturing industry	377300.5	389003.2	3.10
Electricity and gas	13368.84	13866.3	3.72
Water and sanitation	4324.809	4616.2	6.74
Construction	87535.64	92520.8	5.70
Wholesale and retail trade	528374.5	541968.6	2.57
Transportation and storage	65351.82	69187.3	5.87
Accommodation and food	60074.41	65307.8	8.71
Information and communication	57834.86	62027.7	7.25
Money and insurance	94737.26	101561.1	7.20
Real estate activities	16641.66	17404.6	4.58
Professional and technical activities	24131.82	25893.0	7.30
Administrative services	27645.86	28664.1	3.68
Education	14992.17	16195.5	8.03
Health and social work	23904.96	25297.2	5.82
Arts and entertainment	6603.788	6835.7	3.51

Group and personal services	15338.84	16528.2	7.75
Total	1603363	1670479.8	4.19

Source: General Authority for Statistics (Small and Medium Enterprises Survey 2017, 2018)

Table (1) shows that the operating revenues of small and medium enterprises operating in the agricultural and fishing activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 1.51%, which indicates a positive impact of the value-added tax. Ali small and medium enterprises operating in the activity of agriculture and fishing

It also appears that the operating revenues of small and medium enterprises operating in petroleum and minerals activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 7.13%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises. Working in the activity of petroleum and minerals

It was also found that the operating revenues of small and medium enterprises operating in the manufacturing activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 3.10%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises. Working in the manufacturing industry activity

It was found that the operating revenues of small and medium enterprises operating in the electricity and gas activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 3.72%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the electricity and gas activity

It was found that the operating revenues of small and medium establishments operating in the water and wastewater activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 6.74%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises. Working in the water and wastewater business

It turns out that the operating revenues of small and medium enterprises operating in the construction activity have increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the 5.70% value-added tax, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating in Construction activity

It was found that the operating revenues of small and medium enterprises operating in the wholesale and retail trade activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 2.57%, which

indicates a positive impact of the value-added tax on small and medium-sized enterprises. Working in the activity of wholesale and retail trade

It became clear that the operating revenues of small and medium enterprises operating in the transportation and storage activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 5.87%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the transportation and storage activity

It was found that the operating revenues of small and medium enterprises operating in the accommodation and food activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 8.71%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the activity of accommodation and food

It was found that the operating revenues of small and medium enterprises operating in the information and communication activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 7.25%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the information and communication activity

It was found that the operating revenues of small and medium enterprises operating in the financial and insurance activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 7.20%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the money and insurance business.

It was found that the operating revenues of small and medium enterprises operating in real estate activities increased in 2018 after the imposition of the value-added tax than in 2017 before the imposition of the value-added tax at a rate of 4.58%, which indicates a positive impact of the value-added tax on small and medium enterprises operating in Real estate activities

It was found that the operating revenues of small and medium enterprises operating in professional and technical activities increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 7.30%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In professional and technical activities.

It was found that the operating revenues of small and medium enterprises operating in the administrative services activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 3.68%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the administrative services activity

It was found that the operating revenues of small and medium enterprises operating in the education activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the introduction of the value-added tax at a rate of 8.03%, which indicates a positive impact of the value-added tax on small and medium enterprises operating in Education activity

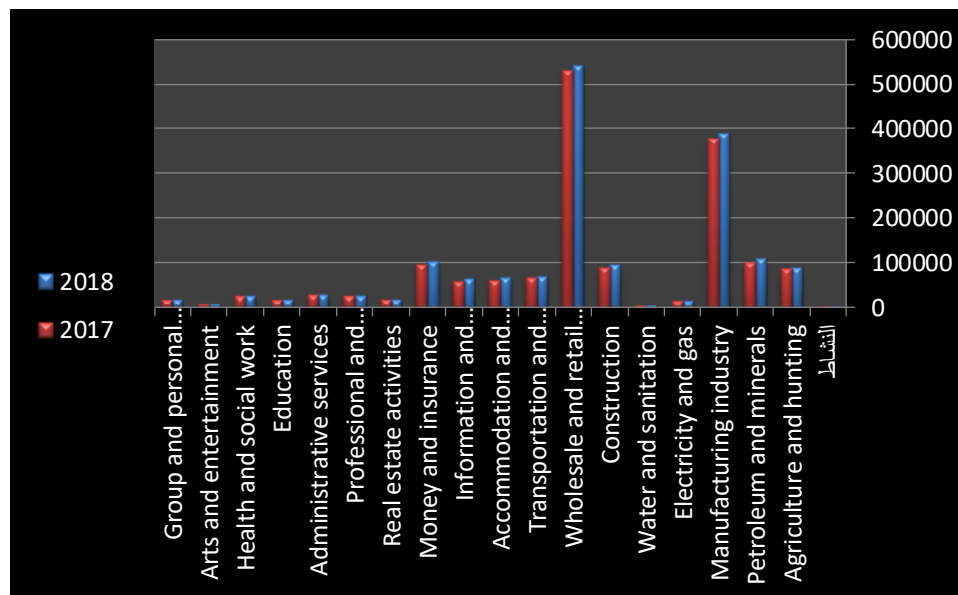
It was found that the operating revenues of small and medium-sized enterprises operating in the health and social work activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 5.82%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises. Working in health activity and social work

It was found that the operating revenues of small and medium enterprises operating in the arts and entertainment activity increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 3.51%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises operating In the arts and entertainment activity

It was found that the operating revenues of small and medium enterprises operating in the activity of collective and personal services increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 7.75%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises. Working in the activity of collective and personal services

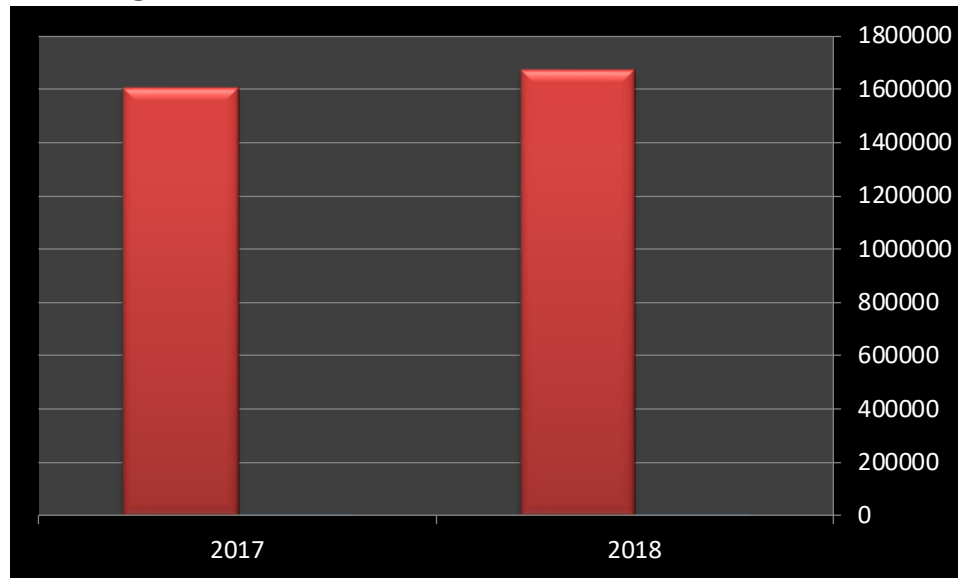
It is evident that the total operating revenues of small and medium enterprises operating in all economic activities increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 4.19%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises Working in all economic activities.

Figure (1) Small and Medium Enterprises According to the Economic Activities in the Kingdom of Saudi Arabia Years (2017, 2018)



Source: General Authority for Statistics (Small and Medium Enterprises Survey 2017 and 2018)

Figure (2) Total operating revenues of small and medium establishments in all economic activities in the Kingdom of Saudi Arabia in (2017-2018)



Source: General Authority for Statistics (Small and Medium Enterprises Survey 2017 and 2018)

RESULTS AND DISCUSSION:

If the food value added tax rates in European Union Member States are analysed, it can be concluded that different VAT rates are sometimes applied to different food items in one region. Lower VAT prices for bread, grain goods, milk and dairy products are typically levied. Lower VAT prices for plants, fruit and meat are mostly enforced (with a few exceptions).

For this study, all food items have been grouped into 7 essential food products categories, including all food products and non-alcoholic beverage:

1. Cereal goods and bread.
2. Meat and poultry products. Meat goods.
3. Fish goods. Fish products.
4. Oils, fats and butter.
5. Fruit and vegetables; Other foodstuffs.

Based on the following requirements, these food items were selected:

1. Products in a comparatively limited life-span category.
2. These food items are manufactured locally.
3. No harmful food shall be considered in the category of things.

As a result, seven food commodity categories were formed:

1. Brot (wheat bread, rye bread, sweet and sour bread, and other types of bread).Meat unprocessed (beef, veal, pork, lamb, goat, poultry, wild animal meat, other animal meats, and slaughter products).
2. Fresh, cooled and frozen fish,

3. Simple dairy goods (full milk, light fat milk, sausage, cottage cheese, curds, cream and fermented milk);
4. New fruits (apples, pears, peaches, cherries, peas, grapes and cranberries); (lettuce, leaves or spice plants, rhubarb, fresh cabbage, fresh cucumbers, fresh tomatoes, pumpkin plants, summer squash, legumes and bell peppers, carrots, red beets, onions, garlic, garden radish and other roots - crops and mushrooms And potatoes).

Conclusion

The consumer (taxpayer) must be fully aware of the fact that the merchant has the authority to collect the value added tax, that the goods and products are subject to value-added tax, and that the tax has been calculated and recorded in the invoice of the establishment in accordance with the regulations. The value-added tax system defines certain goods and products that are subject to a 5% tax, and others that are subject to zero tax, i.e. exempt from tax.

The consumer must be fully aware of the goods and products that are subject to tax and then make sure that the establishment has invoices and documents in conformity with the regulations, so that it displays the tax registration number of the institution, the name of the institution and the value of the tax in exchange for the products that are subject to it. In the event that the document conforming to the regulations is not present, the establishment is ineligible to collect the tax, or the product or goods are not subject to the tax, the tax collection process is considered illegal, and the merchant does not have a legal right to collect the tax value.

One of the things that must be taken into consideration is that enterprises are currently in the process of applying the value-added tax and the rise in prices of a number of production elements are in a state of imbalance, which may cause intentional or unintended price fluctuations in an attempt to meet the change in production factors and therefore the consumer (which is Undoubtedly, he has a lot to watch in order to protect his rights) to be the most controlled price of the products that he consumes, as he may be a victim of the imbalance of the establishments in their pricing for their products and solutions to get out of the crisis of high production costs .

It is evident that the total operating revenues of small and medium enterprises operating in all economic activities increased in 2018 after the imposition of the value-added tax than it was in 2017 before the imposition of the value-added tax at a rate of 4.19%, which indicates a positive impact of the value-added tax on small and medium-sized enterprises Working in all economic activities.

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