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**College of Business Administration
(COBA)**

Master Dissertation

**the impact of value-add tax on the
attitudes of low-income people in
the Sultanate of Oman: Evidence
from Wilayat Bidiyah**

Prepared by:

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1444AH / 2023 AD

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income people in the Sultanate of Oman: Evidence from
Wilayat Bidiyah**

Submitted to the Faculty of Business
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Dissertation Approval

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Declaration

I acknowledge that the source of the scientific content of this dissertation has been determined and that it is not provided for any other degree, and that it reflects the opinions of the researcher which are not necessarily adopted by the donor.

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.....

Acknowledgement

" In the Name of God, the Most Gracious, the Most Merciful." And prayers and peace be upon the most honorable messengers, our master Muhammad, his family, and all of his companions.

Praise is first and foremost due to God for his grace in enabling me to complete this research work. I want to sincerely thank and appreciate my supervisor, assistant professor Salih Alsinawi, for his ongoing assistance, direction, work, and time in helping me finish this thesis.

Dedication

This thesis is dedicated to my great parents;
who taught me that it's never too late to chase your passions,

My brothers and sisters;
who always give me support and guidance to be successful
in my study,

My lovely husband and son;
who have never left my side,

My friends, who encourage and
support me,
All the people in my life who touch my heart, thank you very much for your endless
love, I dedicate this research.

Abstract

the impact of value-add tax on the attitudes of low-income people in the Sultanate of Oman: Evidence from Wilayat Bidiyah

Value added tax is an instrument of fiscal policy and it is very important income for the region budget. It is one of the universal indirect taxes, which has an important impact on the price level in the country. The study deals with the question of how the rates of value added tax influence the attitudes of low-income people. The area of the research is a Sultanate of Oman, wilayat Bidiyah. Due to the nature of VAT, the influence of this tax on attitudes was quantified by Cronbach s' alpha for all variables and correlation coefficient between each variable. The research is conceived as descriptive research. Both questionnaire and interview were taken. For questionnaire was prepared where a total of 200 participants took place and 6 participants for the interview. The reliability test analysis was utilized to maintain confidence of the questions that were answered in the questionnaire. The study's findings revealed that purchasing power and way of living have significantly and positively related to value-add tax. The purpose of government policy should improve the well-being of the least well-off rather than drive them deeper into poverty. Furthermore, this study highlights several practical implementations and recommendations that governments should design their tax and transfer systems in such a way that the incomes of the poor are no lower than before fiscal intervention. To conclude, future researchers are encouraged to expand the scope of the study by adding new variables, collecting larger samples from a wider geographic area.

Keywords: value-added tax, purchasing power, way of living, Attitude, Low-income group, Oman.

ملخص الدراسة

أثر ضريبة القيمة المضافة على اتجاهات محدودي الدخل في سلطنة

عمان: شواهد من ولاية بديّة

ضريبة القيمة المضافة هي أداة للسياسة المالية وهي دخل مهم للغاية لميزانية كل منطقة. إنها واحدة من الضرائب غير المباشرة العالمية ، والتي لها تأثير مهم على مستوى السعر في البلاد.

تتعامل الدراسة مع مسألة كيفية تأثير معدل ضريبة القيمة المضافة على مواقف الأشخاص ذوي الدخل المنخفض. مجال البحث هو سلطنة عمان ، الشرقية شمال. نظرًا لطبيعة ضريبة القيمة المضافة ، تم قياس تأثير هذه الضريبة على المواقف بواسطة Alpha Cronbach S لجميع المتغيرات ومعامل الارتباط بين كل متغير. ويصور البحث على أنه بحث وصفي. تم إجراء كل من الاستبيان والمقابلة. للاستبيان تم إعداده حيث وقع ما مجموعه 200 مشارك و 6 مشاركين للمقابلة. تم استخدام تحليل اختبار الموثوقية للحفاظ على ثقة الأسئلة التي تمت الإجابة عليها في الاستبيان. كشفت نتائج الدراسة أن القوة الشرائية وطريقة المعيشة لها ارتباطان بشكل كبير وإيجابية ضريبة القيمة المضافة. يجب أن يحسن الغرض من سياسة الحكومة رفاهية أقل ما يقرب من ذلك بدلاً من دفعهم إلى الفقر.

علاوة على ذلك ، تبرز هذه الدراسة العديد من التطبيقات والتوصيات العملية التي يجب على الحكومات تصميم أنظمة الضرائب والنقل الخاصة بها بطريقة لا تكون دخل الفقراء أقل من قبل التدخل المالي. في الختام ، يتم تشجيع الباحثين في المستقبل على توسيع نطاق الدراسة عن طريق إضافة متغيرات جديدة ، وجمع عينات أكبر من منطقة جغرافية أوسع.

الكلمات المفتاحية: ضريبة القيمة المضافة ، القوة الشرائية ، طريقة المعيشة ، السلوك ، ذوو الدخل المنخفض ، عمان

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List of Abbreviations

VAT	Value add tax
SPSS	Statistical Package for the Social Sciences
R	Correlation Coefficient
N	Number of Samples
Sig.	Significant
NoI	Number of Items
NoR	Number of Respondents
Min.	Minimum
Max.	Maximum

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Taxation is still a major source of revenue around the world. The taxes proportion, orbit, and total extent may fluctuate from country to country. Taxation is used in various countries depending on the structure's adaptability and the availability of various revenue-generating avenues. Taxation has traditionally been a secondary method of revenue creation, especially in countries like the GCC (Kelkar & Ramachandran, 2019).

The reason for this is because until recently, oil-based revenues dominated the chart. The sale of crude oil has satisfied more than 90% of the revenue requirements of the GCC countries on average. With the recent price drops in the oil market, however, (Kelkar & Ramachandran, 2019). Oil-exporting countries like Oman will need to find new ways to stabilize and sustain their economies quickly. The government of Oman is now pursuing a comprehensive economic diversification strategy to minimize the country's reliance on oil exports (Al Ma'mari, 2019).

"VAT is a tax on the supply of goods and services that is eventually tolerated by the user but accumulates at every stage of production as well as distribution chain," according to the Standard Accounting Statement Practice (SSAP, 1993).

The impact of the VAT system on consumers varies by country. However, in Oman, the influence is determined by people's spending habits, tax rates, and household incomes. Residents who spend more money on shopping are undoubtedly more likely to feel the pinch of taxation. In the case of those with higher salaries, the tax rate will have no discernible effect (Kelkar & Ramachandran, 2019).

Oil has been the major source of wealth for most nations in the Gulf. That's why nontraditional means of making money have mostly been overlooked until quite recently. Unfortunately, the ever-falling price of oil on the global market has forced us to seek for the economy's alternative driving force. Population growth, a drop in

global crude oil production, and the growing realization that we need a more stable economic foundation are all major contributors. Without tax revenue, the government cannot afford to spend money on the public good. GCC nations have emphasized on taxes as a means of generating money without adding a burden in the form of repayment in recent years (Zafarullah, 2018)

Indeed, Oman is hardly an exception. The effects of value-added tax systems on shoppers vary from one nation to the next. But in Oman, the effect will depend on people's spending habits, the tax rate, and family incomes. Those locals who purchase more often will feel the pinch of higher taxes. Those with higher salaries will not be significantly affected by the change in the tax rate. Oman is the fourth member of the Gulf Cooperation Council to establish a value-added tax system, following in the footsteps of the United Arab Emirates, Saudi Arabia, and Bahrain. There are substantial differences between each of the four countries' VAT systems, despite the fact that the GCC VAT Framework Agreement serves as the foundation for all VAT regimes in the region. Oman has taken advantage of the opportunity afforded to governments of GCC countries to exempt from taxation and zero-rate certain categories of commodities (Zafarullah, 2018). Taxes come in many forms; one of them is VAT; it is essentially a type of consumption tax that is ultimately passed on to the final consumer (Fathur, 2020). Every time the cost of goods and services increase, VAT increase too, so the total paid amount. It is true that VAT is regarded as a significant source of revenue for the government since it is derived from purchasers and increases with higher consumption. Nevertheless, it could have a detrimental impact on individuals with limited incomes

The paper deals with the question of how rates of value added tax influence the attitudes of low-income people. The area of the research is a Sultanate of Oman people.

1.2 Problem statement

Every time there is a rise in costs throughout the whole supply chain, beginning with the initial purchases of raw materials and continuing all the way through to the sales of the finished product. After any previously taxed expenses linked with the product's raw components have been subtracted out, the value-added tax that

the customer who is a social security is responsible for paying is calculated based on the final selling price of the items, which is used in the calculation of the ultimate selling price of the items. Because of this, value-added tax (also known as VAT) is basically a kind of consumption tax that is eventually passed on to the end user (Fathur, 2020).

The impact of value-add tax on the attitudes of low-income people is an important topic to explore. The imposition of VAT on goods and services can significantly affect the purchasing power of low-income households. This, in turn, can lead to changes in their spending patterns and overall attitudes towards consumption (Zafarullah, 2018).

Low-income people may have to reduce their spending on certain goods and services due to the increased cost caused by VAT. This can lead to frustration, anxiety and a reduced quality of life. The psychological impact of VAT on low-income households can also be significant, as it may reinforce feelings of economic insecurity and inequality (Zafarullah, 2018).

On the other hand, some argue that VAT can have positive impacts on low-income individuals. For example, VAT is often used to fund social welfare program that benefit low-income households. In this case, the attitudes of low-income individuals may be positively impacted if they see direct benefits from the use of VAT revenue.

Overall, there are both positive and negative impacts of VAT on the attitudes of low-income people. It is important to consider these impacts when developing tax policies that affect low-income households.

1.3 Research Questions

Based on the problem statement and the main research question, “**What is the impact of Value-add tax on the attitudes of low-income people in the Sultanate of Oman?**” three sub-questions were raised:

RQ1: are low-income people aware of VAT?

RQ2: What is the impact of VAT on purchasing power of (low-income people in the Sultanate of Oman?

RQ3: What is the impact of VAT on way of living of (low-income people) in the Sultanate of Oman?

1.4 Research objectives

The main research objective for this study is **“To understand the impact of Value-add tax on the attitudes of low-income people in the Sultanate of Oman.** The three-sub research objectives are:

RO1: To assess awareness of tax among the low-income people.

RO2: To determine the impact of VAT on changing purchasing power of (low-income people) in the Sultanate of Oman.

RO3: To realize the impact of VAT on changing way of living of (low-income people) in the Sultanate of Oman.

1.5

Significant of

the Study:

This study is significant because it sheds light on the ways in which VAT affects the choices and routines of low-income people. For this study, people in Oman who are covered by low-income were selected.

The impact of value-added tax on the attitudes of low-income people is an important topic of discussion. Many low-income people already struggle to make ends meet, and the additional cost of VAT on basic goods and services can make life even more difficult. For example, low-income people do not have the ability to travel in the summer as (Al-Najjar-2022) indicates, even to domestic tourism, like traveling to Salalah or the Green Mountain or other places, in addition to the jealousy of children from their peers in social events, which leads to resentment and frustration, as well as a perception that the government is not doing enough to

support those who are already struggling. At the same time, there may be other factors at play, such as a lack of understanding about how VAT works and the potential benefits it can have for the economy.

1.6 Operation definitions

- **Vat:** Value added tax is an indirect tax that is collecting at a specific point during the sale of a product or service (Folake & Ola, 2021). "VAT is a tax on the supply of goods and services that is collected at each level of the manufacturing and distribution chain before being passed on to the final consumer" (Ahmed & el., 2015). (Shukeri & Alfordy, 2021) stated that VAT as a means of raising money from people and businesses for economic and social development in order to close the wealth gap in their society.
- **Purchasing power:** refers to consumer buying behavior which is the decision processes and acts of people involved in buying and using products, and it is the capacity of an individual consumer or a specific market to buy certain quantities of goods and services (GODWIN & el., 2022)
- **Way of living:** The way a person lives in a society is indicated by the objects in his or her environment, which is referred to as lifestyle. It is shaped by the customer's interests, opinions, and actions, among other things, and it determines his entire pattern of acting and interacting in the environment (K., 2014).

1.7 Dissertation structures

The below chart illustrates the structure of this dissertation.

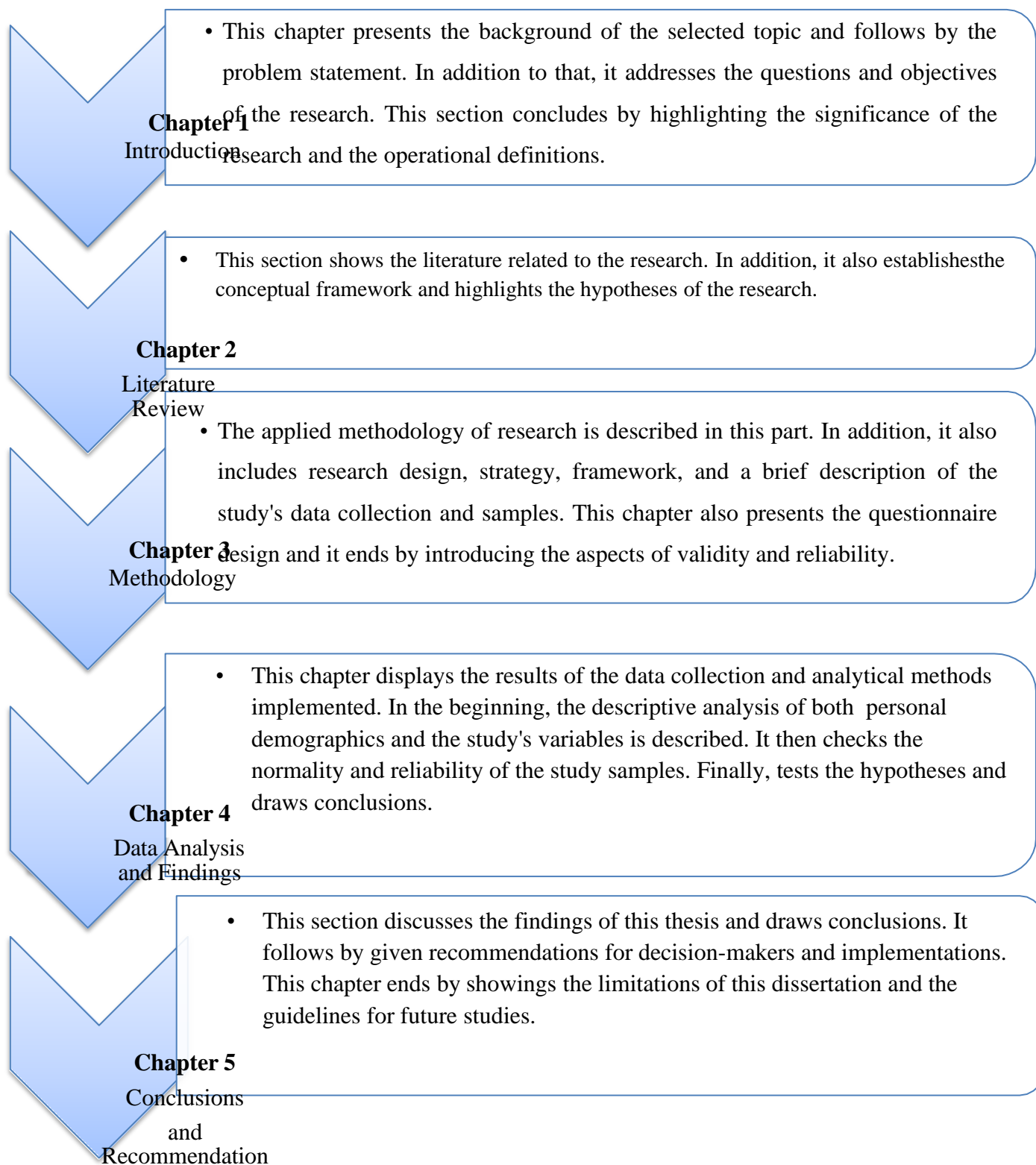


Figure 1 Dissertation Structures

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

By understanding the problem statement, the research objectives, and the research questions, as this chapter reviews the literature related to the research variables for this study, so the chapter presents the research variables and their relationship with other variables, and it also introduces this chapter at the end of the conceptual framework and the research hypothesis.

2.2 Value Add Taxes

➤ The Concept of VAT and its importance:

VAT is a consumption tax that is imposed on a product at every stage of the supply chain, from production to sale. It is usually borne by the product or service's eventual consumer (OLA & FOLAKE, 2021).

The price of this product, minus any prices for the materials used in this product that are already taxed, is the value-added tax that a user pays (Wasim & Alzoubi, 2019). according to (TERFA & el., 2017), Germany introduced the concept of value added tax to the world in the 1960s, and it quickly expanded around the globe.

More than 150 nations now impose a value-added tax (VAT), which contributes to about 20% of global tax revenues. Because VAT makes a considerable contribution to any country's revenue, emerging nations seeking greater money have implemented value added taxes by swapping it out for sales tax.

The purpose of taxation, among other things, is to provide a reliable stream of revenue for the government to meet its ever-increasing obligations and commitments to its citizens. An effective tax system ensures the mobilization of untapped plentiful internal resources, as well as stimulating an atmosphere favorable to a nation's progress (OLA& FOLAKE, 2021). The daily operations of a

government depend heavily on taxes. Taxation by the government is often done with the intention of balancing the economy by transferring wealth and income from the wealthy to the less fortunate (TERFA & el., 2017) .

The fundamental reason for VAT's appeal is that it provides a stable revenue stream that often generates much more income than other consumer taxes (OLA& FOLAKE, 2021).

There are three types of Vat which are categorized according to their treatment of deductibility of capital investment. And there are;

- Gross product VAT The greater tax base in gross product VAT only allows for a few options, such as the cost of raw materials and the tax levies paid for capital projects.
- Income VAT is the only one that enables extra deductions, including those for capital goods and net capital investment purchases, or gross investments less depreciation.
- Consumption VAT Consumptions Although the range of the VAT structures and desperate methods of implementations are examined by broad consensus and of some important issues, the first is the agreement is made if the VAT is essentially a consumption tax. This is because VAT allows deductions of capital investments with business purchases being deducted from and excluded. The final base tax is a consumption tax. In order to support production, a consumption VAT tax is credited on tax capital goods since it won't affect or make the prices of manufacturers' products unavailable to them when they trade goods and services with one another.

This ensures that taxes only have an impact on consumer consumption at all levels of consumption since it is levied at every stage of manufacturing of goods and services on tax levies. Without any gaps in the VAT chain, it will be necessary to assign and complete the input tax credit (Zafarullah, M. (2018).

As (TERFA & el., 2017) stated, The idea of VAT is inextricably linked to the word consumption. VAT typically applies to products purchased for domestic consumption. In actuality, VAT is thought of as a consumption-based tax. A general consumption tax that is exactly proportional to the cost of goods and services is

how the European Commission defined this tax.

➤ VAT in Sultanate of Oman:

The Sultanate of Oman has issued Royal Decree No. 121/2020, dated October 12, 2020, publicizing the long-awaited Value Added Tax (VAT) Law (Deloitte, 2021). Following the UAE, Saudi Arabia, and Bahrain, Oman is the fourth GCC country to implement a VAT system. Despite the fact that all of the region's VAT regimes are based on the GCC VAT Framework Agreement, the four nations have significant variances (MOOSSDORFF, 2021).

We expect the Law to exempt certain supplies from VAT, such as financial services, healthcare and education, bare land, renting or resale of residential property, and so on.

Zero-rating: is likely to be applied to:

- Certain food items (such as dairy products, fruits and vegetables, fresh eggs, water, tea and coffee beans, sugar, salt, bread, cereals, infant food products, fish, and meats) are likely to receive a zero-rating (Deloitte, 2021).
- Medical supplies and equipment.
- Gold, silver, and platinum as an investment.
- International or intra-GCC freight and passenger transit, as well as related services.
- Crude oil, derivatives of crude oil, and natural gas. (Deloitte,2021)

According to analysts, firms may need to set aside money ranging from OMR 10,000 to OMR 40,000 to make their services and environment VAT compliant.

Training the workforce of the organizations to apply VAT and associated processes would account for the majority of the costs (times of Oman, 2021).

In Bahrain and Saudi Arabia, imposing a 5% VAT is estimated to generate revenues equivalent to 1.6 percent of GDP, 1.5 percent in the UAE, 1.4 percent in Kuwait and Oman, and 0.8 percent in Qatar, signifying a large increase in current, non-oil revenues. The GCC countries' non-oil income needs to be enhanced swiftly, as the oil-based economies are experiencing upheaval and fluctuating price fluctuations, and the overall implications on revenue generation are also important

considerations to consider (Slieman, 2016).

2.3 Consumer attitudes

The study of customer attitudes is one of the Consumer behavior buying which focused on consumer purchasing habits (Amandeep & el., 2017) Consumer behavior is a prominent business topic because it allows companies to have a deeper understanding of their customers' preferences, attitudes and experiences (Hj & el., 2020).

The intention to behave is what determines behavior, and attitudes toward subjective behavior and standards are what determine the intention to behave. The first element—attitude toward behavior—is influenced by the consequences that people perceive to be connected to their actions. The second element, subjective norms, is a consequence of people's expectations of the value of recommendations from others and their drive to act on those recommendations (Fathur, M & el., 2022).

In Duisenberg's theory, known as the Relative Income Theory (RIH), rather than just the general standard of living, an individual's attitude toward spending and saving is considered as being governed by the individual's income in comparison to other people's incomes with similar conditions (Hammour & el., 2022).

Consumer behavior, according to researchers, is complex and difficult to anticipate; nevertheless, new research programs such as ethnography and consumer neuroscience provide some insight into how consumers make purchasing decisions (Hj & el., 2020) Consumers' ability to minimize the impact of tax rate fluctuations by "panic buying" or "consumer strikes" would limit the effectiveness of VAT (Kučerová, 2017).

There are many Factors Affecting Consumer buying decisions are influenced by cultural, social psychological, and personal traits, according to Philip Kotler. (Amandeep & el.,2017)

- 1- Cultural factors which include culture, subculture and Social class

- 2- Social factors: Consumer purchasing behavior is influenced by Reference groups, family, role, and status.
- 3- Personal Factors: Consumer behavior can also be influenced by personal variables. Lifestyle, economic status, occupation, age, personality, and self-concept are some of the significant human characteristics that influence purchasing behavior.
- 4- Psychological factors: Consumer purchasing behavior is influenced by four major psychological elements. Perception, motivation, learning, beliefs, and attitudes (K., 2014).

2.4 Attitude toward Value-add tax:

Attitude refers to the emotions associated with the performance of a specific behavior. The evaluation of these emotions can be negative or positive. Attitude is a person's belief about a particular object, and as a result, they behave accordingly (Vatunyou & el., 2022).

A 5% tax will almost certainly raise consumer prices, resulting in higher inflation and lower purchasing power. Fortunately, the VAT law in Oman allows for a wide range of zero-rated products that are essential to daily life, such as some foods, medicines, residential property rentals, healthcare, education, and local transportation. This will lessen the impact of the VAT on pricing, particularly for low-income people (MOOSSDORFF, 2021).

According to (MOOSSDORFF, 2021), The increase in consumer price inflation, which was between 0.6 percent and 0.8 percent, struck the poorest five demographics most. The administration and an opposition party comprised of economists and journalists debated the issue. The topic of discussion was whether VAT is progressive. According to the opposition party, low-income people must spend a lot for their basic requirements and taxes, which implies that a large portion of their income is spent on paying taxes. Contrary to popular belief, the government asserted that VAT is progressive since those with higher salaries spend more, resulting in their paying more tax in accordance with their spending

habits.

This way, they may collect more money from them while also assisting the government in eliminating the deficit budget (Wasim & Alzoubi, 2019).

Businesses must also be aware of how consumers feel about both domestically produced goods and imported goods to properly implement VAT. Therefore, knowing how Omani consumers compare domestic and imported goods on an individual level as well as the factors that influence this behavior requires a thorough understanding of ethnocentrism among Omani consumers (Al-Mamariyah, 2019).

(Shukeri & el., 2021) Highlighted that VAT might be one of the Kingdom's new revenue streams. Despite the criticism leveled at the policymaker, an education program on the value of VAT should be made available to the public in order to encourage economic growth rather than eventually depending on income from oil reserves. The study looks into the driving forces behind younger Saudis' acceptance of VAT. The study determines that VAT is not an effective tax system to be put into place since it does not address economic inequality among the people using five categorization characteristics. However, the results did manage to show that respondents were aware of the government's initiatives and implementation plans for VAT, indicating that the level of VAT knowledge is at a good level.

To emphasize this point even more, it was shown through the evidence that lower-income households and those with five or more occupants had it particularly difficult when the VAT was implemented. The differences in how VAT affects consumer purchasing between income categories and across the different emirates is one area that could benefit from more study. Further analysis should determine whether VAT in the UAE had an influence on savings (Hammour & el., 2022).

The fact that all indirect taxes are incorporated into the selling price and have a direct impact on the final price is a crucial aspect of all indirect taxes. Each rise in the amount of value added tax has an impact on consumer purchases because pricing is one of the most significant elements influencing consumers' purchasing decisions (Kucerova, V., 2017).

➤ Number of social security beneficiaries in Wilayat Bidiyah

Individuals who are entitled to receive Social Security benefits, including retired adults and people with disabilities, as well as their spouses, children, and survivors, get a portion of their previous income that is partially replaced. To become eligible for Social Security benefits, a person must have paid into the system throughout their years of employment and accumulated a total of 40 credits. For many years, persons receiving Social Security payments have been required to pay income tax on those benefits. This provision has the potential to considerably raise the marginal income tax rate for senior citizens. Labor supply, consumer spending, and overall welfare would all rise in a long-run environment with unchanging conditions if the taxation of Social Security payments was replaced with a revenue-equivalent shift in the payroll tax. A change that would be similarly desirable from an ex-ante point of view would be to make the percentage of benefits that are taxable fully independent of any additional income that the recipient may get (Thottoli, 2022).

The number of social security beneficiaries present in Wilayat Bidiyah is shown in the graph below. The table present the number of social security beneficiaries. It has been analyzed that a social security payment of 17.5% is required of workers who are Omani citizens but is not required of employees who are based outside of the country. The individual is responsible for contributing 7% of their wage, while the company is responsible for contributing the remaining 10.5%. About half of those who receive Social Security benefits are subject to taxation on at least a part of those payments. Due to the fact that the income criteria that are used to establish the taxable portion of benefits are not updated for inflation or wage growth, it is anticipated that this percentage will rise over the course of time (Thottoli, 2022).

Regions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Wilayat Bidiyah	1,144	1,441	1,483	1,524	1,542	1,522	1,491	1,442	1,353	1,322	1,342	1,399

Tabel1: number of social security beneficiaries in Bidiyah.

➤ Purchasing power

Consumer purchasing power refers to the capacity of an individual consumer or a specific market to buy certain quantities of goods and services. Consumer purchasing power refers to an individual's ability to purchase specific quantities of goods and services, often influenced by their income and purchasing behavior.

In general, high consumer purchasing power means consumers have high incomes relative to the supply and prices of goods available. Also, it is referring to consumer buying behavior which is the decision processes and acts of people involved in buying and using products. Increases in VAT significantly impact purchasing power, as customers' financial situation influences their purchasing behavior. High income or salary customers tend to buy more products, while low income or salary customers are more likely to buy cheaper products and pay more attention to pricing. The price of goods and services also plays a significant role in purchasing power, with higher prices reducing purchases and lower prices increasing them (Godwin et al., 2022; Shukeri et al., 2021).

➤ Way of living

(Jensen, 2007) conclude that lifestyle is commonly referred to as something that needs to be changed if we want to achieve a sustainable development. to mean how you live your life or how you want to live your life which is very similar to way of life. Also, it is routine practices, the routines incorporated into habits of dress, eating, modes of acting and favored milieus for encountering others; but the routines followed are reflexively open to change in the light of the mobile nature of self-identity (Jensen, 2007).

Lifestyle is a way of life that requires change for sustainable development, as it is influenced by the mobile nature of self-identity. Value-add tax (VAT) has a significant impact on customer lifestyle for low-income or marginalized groups. Higher VAT increases would hit households at a time when they would already be feeling the effects of government spending cuts. Consumers' living habits would be affected by higher VAT, as they have a fixed income and choose to consume rather than save. If prices increase,

customers will pass on it in favor of cheaper options, and consumers often switch products for similar goods or services (Jensen, 2007; Terfa et al. , 2017). The influence of pricing is not immediately apparent if the prices are the same. A consumption tax appears regressive, as the rich consume a lower proportion of their income than the poor. Implementing a tax system in Venezuela, where states have the power to collect VAT, could help provide the population with public goods and services needed to improve their lifestyle by reinvesting resources in education, infrastructure, housing, healthcare, and job creation. (Shukeri et al., 2021; Bazo, 2008)

2.5 The Relationship among Study Variables

2.5.1 value-add tax and purchasing power

Increases in VAT have a substantial impact on consumer purchasing power. Customers' shopping habits are influenced by their financial position. Because most product prices have increased because of the VAT hike, people must be more conscious of price and expenditure. If clients have a high income or salary, they will buy more products and pay less attention to price; but, if they have a low income or salary, they will likely buy cheaper products and pay more attention to pricing (Slieman, 2016). the price of goods and service play importance roles in customer purchasing power. If the price increase, people may reduce purchase it, however, if the price fall, people increase buying it (Shukeri & el., 2021). According to (Anggraini & Yani, 2022) VAT has a favorable impact on consumers' ability to make purchases. The purchase decisions of consumers are significantly impacted by their awareness of the VAT imposition. Given that taxes will be directly assessed against the used goods or services, it can be assumed that customers are aware of the VAT on the goods they purchase, and the risks associated with doing so.

2.5.2 value-add tax and customer way of living

(Ahmed & el., 2015) argued that it was the "wrong tax at the wrong time", because the rise would hit families when they will be under pressure from government spending cuts, they are stressed that the increased VAT would distorted the customers' lifestyle habit.

According to (TERFA & el., 2017) they illustrate that since income of every household are fixed and because of VAT individual's volume of purchase of goods and services with this fixed income reduced. So, there is no probability of saving part of an income for future use. In addition, respondents also depicted that having fixed income, they prefer to consume than saving in addition to the inflation in the country in general and Nekemte town in particular.

(Shukeri & el., 2021) has the similar opinions that if the price increase, the customers would choose a cheaper one to instead. Especially in similar goods or service, consumers often switch the products. If the prices are the same, the impact of price is not obviously.

Since the rich consume a lower proportion of their income than the poor, a consumption tax will take a lower share of their income—that is, it appears regressive (Metcalf, 1995)

For example, In Venezuela, through the implementation of tax system, in which States will have the power to collect the VAT originated within their territory, they should be better able to promptly provide the population with the necessary public goods and services needed to improve their lifestyle by reinvesting those resources in the State, especially on education, infrastructure, housing, health care system and the creation of new jobs (Bazo, 2008).

2.6 Conceptual Framework

in this research paper, the theoretical framework consists of two variables. The dependent variable is attitudes, and it is contained (purchasing power and way of living), independent variable is value add tax.

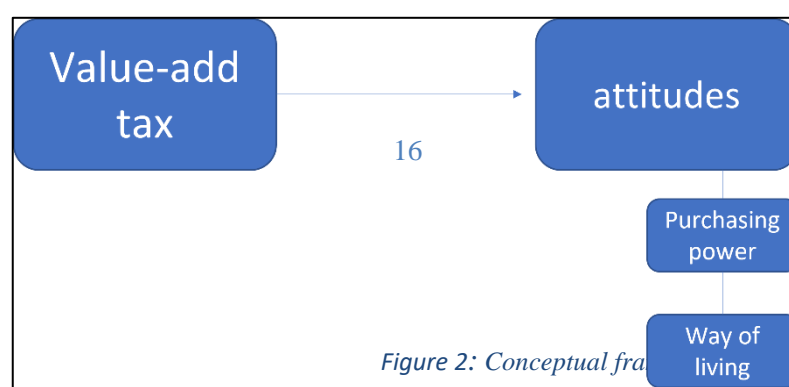


Figure 2: Conceptual fra study

2.7 Research hypothesis:

for this research model, following hypotheses can developed:

H1: VAT increase has significant influence on (low-income people) purchasing power.

H2: VAT increase has significant influence on (low-income people) way of living.

2.8 Summary of Literature Review

Based on the review of the literature and articles mentioned above, it is clear that most of the studies dealt with the methodology of searching for methods of secondary data in VAT, and the literature did not link all the variables mentioned in a study with the primary variable so that this study shed light on the connection between variables through primary data. Besides, this study focuses on the Oman context.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

The main objective of this study is to explore the impact of value added tax on the attitudes of low-income people. Furthermore, it is to evaluate Omani awareness of Vat, purchasing power, and way of living. This chapter therefore highlights and critically evaluates the research methodology chosen for collecting the primary data, and the final analysis of the data to address the objectives of the study. The chapter begins with the explanation of research design and strategy. Also, to explore research design measurement of study variable sampling of research, followed by the analytical method employed to answer the research questions of this study. Next, the questionnaire and the procedures of data collection and sampling will be discussed.

3.2 Research Strategy

There are two types of research according to their purpose and context are basic and applied. Basic research is research that is undertaken purely to understand the processes of business and management and their outcomes. On the other hand, applied research direct and immediate relevance to managers, addresses issues

that they see as important, and is presented in ways that they understand and can act on (Saunders & el., 2012). Based on what was mentioned previously, this study is considered basic research as it examines the value-add tax toward attitude.

There are two dimensions to know the way theory is developed to be able to show why you need to think about this when drafting your research question and research objectives, deductive and inductive. This study follows the deductive approach, where you wish to adopt a clear theoretical position that you will test though the collection of data research (Saunders & el., 2012).

The study follows the type of exploration, as it shows the relevance of the factors affecting Value add taxes in the Sultanate of Oman.

3.2.1 Quantitative and Qualitative Research Methods

Research is divided into two types: quantitative research and qualitative research (Saunders & el., 2012) This study follows both the quantitative and qualitative analysis, where a questionnaire be distributed to Omani people and interview distributed to low-income people.

3.2.2 Research Design

Research design referred to as the reframe work for the collection and analysis of data to answer research question and meet research objectives providing reasoned justification for choice of data sources, collection methods and analysis techniques (Saunders & el., 2012).

This research is based on descriptive approach, which defines the current phenomenon and describes it accurately, then reaches the convenient explanation for this phenomenon, providing information about it as it is using Statistical Package for the Social Sciences (SPSS) to make the statistics, and data sets were formulated to understand the factors affecting the value-add tax in Bidiyah state and to study the relationship between the researches variables.

3.3 Source of data collection

The collection of data is divided into primary source data and secondary sources. This study follows the quantitative and qualitative source, as it used a questionnaire distribution to collect data and distribute it to Omani people. And interviews are to low-income people.

A face-to-face interview was conducted to collect survey data. This technique is preferred over other forms because it allows respondents to clarify questions and it enables them to pick up nonverbal cues from the respondent. Secondary data is collected from official documents, books, and records to relate to the case under the study.

3.4 Questionnaire Procedures and Design

The researcher adopted a survey research method to conduct this study. So, quantitative research tests objective theories by investigating the relationship among variables measured using instruments and a specific procedure for statistical data. This study is also dedicated research because the theory depends on tests objective theories. The questionnaire was given to six academic people in A' Sharqiyah university in the first phase to explore the extent of validity and reliability, and the comments received from them were taken into consideration. For the pilot study phase, the questionnaire was given to 25 Omani people to check their validity and reliability; after testing the validity and reliability, and the questionnaire was distributed to people in Wilayat Bidiyah to collect data related to their factors, purchasing power, and way of living that affect the attitude of low-income people.

3.5 Variables Measurement

The theoretical framework of this research consists of one independent variable which is Value add tax. Furthermore, this study has two dependent variables which are purchasing power and way of living. The measurement of variables and constructs of this research has been carried out based on

statements and measurements from previous literature with adaptations of the researcher based on the existing environment.

The study has three main variables: Value add tax, purchasing power and way of living. According to (Saunders & el., 2012), the Likert five scale rate is used to rate the participant's agreements with the given questions under each variable. 5-Point Likert Scale Measurements (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree) has been used for all variables in the study.

3.5.1 Value-add tax

Value-add tax defined as to an ingestion charge imposed at every phase of the absorption sequence and suffered by the ultimate end user of the product or service (Olatunji, 2009). Furthermore, this study describes Vat as difference between the cost of inputs into the product / service and the price at which it is sold to the consumer.

Value-add tax is an independent variable in this study. It is Measured by 11 it was Adapted from (Mckeown & Hammour, 2021).

Table 2 Measures of Vat Variable

Variables	Adapted
Value add tax	1. I am Familiar with Value-add tax concept
	2. The government has made sufficient clarification for me
	3. Using VAT has become natural for me.
	4. I know that I pay VAT whenever I purchase any product
	5. I realized that earning from VAT is a major source of revenue for any State Government
	6. I know that some part of my tax amount is paid by the manufacturer,

	dealers and after that they levy the same tax on me
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3.5.2 Purchasing power

Purchasing power defined as decision processes and acts of people involved in buying and using products (Godwin & el., 2022). Moreover, this study describes purchasing power as value of money thought of as how much it can buy. Purchasing power is a dependent variable in this study. It is measured by 10 it was adapted from (Godwin & el., 2022)

Table 3 Measures of purchasing power Variable

Variables	Adapted
Purchasing power	1. VAT effect your consumption Pattern.
	2. you are not willing to purchase Goods & Services with VAT.
	3. Your Consumption decreases due to implementation of VAT.
	4. The consumer focuses on purchasing necessary items only
	5. you adjust your needs of goods based on VAT

3.5.3 way of living

is defined as lifestyle and it is based on expression of ones activities, interest and opinions, which are susceptible to influences (Jaryal, 2000). Moreover, this study describes way of living as it is the attitudes and values of a person. It is measured by 12 it was adapted from (Ciliska & el.,1984)

Table 4 Measures of Way of Living Variable

Variables	Adapted
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Purchasing power	1. VAT effects your priorities.
	2. Your social involvement decreases because of VAT.
	3. Value-add tax stopped me paying gifts.
	4. Because of the VAT I stopped saving money
	5. Because of the VAT, I went to purchase alternative commodities.

3.6 Questionnaire Design

(Saunders & el., 2012) says that the researcher should pay attention to the suitability of the content parts of the variable questions and how the questions are worded before distributing the questionnaire. Because the purpose of this validation was to construct a new questionnaire, it was done in accordance with the entire conceptual framework created.

3.6.1 Questionnaire Translation

English and Arabic translations of the generated questionnaire are available. In order to better understand the respondents, a questionnaire survey was carried out in Bidiyah. Prior to the revision, the primary questions were written in English and translated into Arabic so that the survey's addressee would understand them more precisely.

3.6.2 Pre-Testing Procedures

The questionnaire was submitted by six experts, who are familiar with and understand the reality of the topic. They have test the elements if it has covered all the factors related to the three variables. Therefore, it brought more attention to issues regarding reliability and validity. Because of this pilot test was to develop a questionnaire. The questionnaire consisted of (16) items, including (6) VAT, (5) items for purchasing power, (5) items way of living. A new questionnaire was developed after considering all the comments received.

3.7 Final Questionnaire

After analyzing the original questionnaire, a new one was created based on the test results we had received from the knowledgeable individuals. In order to verify the validity and reliability, the final questionnaire was distributed to 25 individuals for the pilot test. Consequently, the following section is the pilot research.

3.8 Validity and Reliability

Twenty-five of low-income people were emailed the survey's questionnaire, which was sent using Google Form, to ensure its Validity and Reliability. To test the respondents' reaction, the data was first converted from Excel to SPSS.

3.8.1 Pilot Study

The purpose of the pilot study, which involved 25 people chosen at randomly, was to determine whether respondents had any questions about any of the items, whether they offered any suggestions for improvement, and the degree of reliability of the data. For the range contained in the suitable sample size. The questions and the respondents' knowledge of developing what is required are made obvious by the pilot study.

3.8.2 Validity

Validity of a questionnaire refers to its ability to measure what its designed to measure (Rust & Golombok, 1999:215) i.e. a good questionnaire should be able to generate significant findings for the research problem (Saunders & el., 2012) , Note that several steps have been taken into consideration to ensure the validity of the questionnaire, such as the questionnaire questions were adapted from the literature, and a pilot study was conducted to confirm the correctness of the answer.

3.8.3 reliability

Reliability in the words of (Saunders & el., 2012) is the quality of data that is gathered without bias and guarantees uniform measurement throughout stability and internal consistency on the item instruments. The dependability measure establishes a trustworthy measurement throughout time and through the many components of the instrument by identifying the range in which it is not biased (error-free). To assess the study's dependability, the researcher used SPSS. The study made advantage of the reliability test that was taken. This method was employed to investigate the study's reliability factors. The study made use of the proper statistical techniques to expose the findings through Cronbach's alpha, which illustrates the degree of compatibility between the factors and the reliability coefficient. The range Cronbach Alpha for the variables is between 0.75- 0.94, The table of Cronbach's Alpha values of this study demonstrates that the Consumers awareness and perception about the VAT category has the lowest value (0.782). The rest of the dimensions have high level of reliability. The reliability of the overall questionnaire is (0.864). This suggests that the questionnaire has a high level of reliability.

Table 5 Cronbach's Alpha for variables

Cronbach's Alpha values for each dimension in the questionnaire (pilot study)			
No.	Dimension	N of Items	Cronbach's Alpha
1	Consumers awareness and perception about the VAT	6	0.752
2	Purchasing power	5	0.937
4	Way of living	5	0.917
Overall questionnaire		16	0.866

3.9 Study Population and Sample

This study examines the variables that affect the attitude of low-income people.

The main variables covered by the study are Consumers awareness and perception

about the VAT, purchasing power, and way of living. The target population for this study is Omani household. The study population is focused on low-income people.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the analysis carried out on the data collected through the questionnaire and interviews using the Statistical Package for Social Sciences (SPSS). The first section of this chapter discusses the descriptive analysis, including personal demographic and study variables like Value-add tax, purchasing power and way of living. Furthermore, it tests the hypothesis for using appropriate tests such as simple and multiple regression, independent samples test and analysis of variance (ANOVA) and summarizes the findings of the hypotheses test.

4.2 Response Rate

In this research, a total of 300 questionnaires were distributed to Omani

household. To achieve a high response rate, these efforts resulted in 200 samples of questionnaires out of 300 questionnaires distributed to the targeted participants. It represents 66.6% of respondents. For qualitative data, the researcher uses six interviews out of ten with people who agree doing interview. It represents 60% of respondents. The reason for this is that the knowledge and understanding of value-add tax is still new to a particular section of the people.

4.3 Distribution of questions

To achieve the study's goal

4.3.1 For questionnaire, it has three dimensions (Value add tax, Purchasing power and way of living). The below table displays that the Demographic Characteristics has seven items. While there is one open question. In total, the questionnaire has 24 questions.

4.3.2 For the interview, the questions also divided into three dimensions, Value add tax, Purchasing power and way of living. It is also having seven items of Demographic Characteristics. In total, the interview questions have 18 questions as table shown.

Table 6 The distribution of questions of questionnaire to the fields

No.	Dimension	No. of Items	Percent %
1	Demographic Characteristics	7	29.2%
2	Consumers awareness and perception about the VAT	6	25.0%
3	Purchasing power	5	20.8%
4	Way of living	5	20.8%
5	Open Question	1	4.2%

Overall questionnaire	24	100.0%
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Table 7 The distribution of questions of interviews to the fields

No.	Dimension	No. of Items	Percent %
1	Demographic Characteristics	7	38.9%
2	Consumers awareness and perception about the VAT	4	22.2%
3	Purchasing power	3	16.7%
4	Way of living	4	22.2%
Overall questionnaire		18	100.0%

4.4 Descriptive Analysis of Personal Demographic Features

4.4.1 The results of below table (No. 8) indicate to Demographic Characteristics of the Study Sample from questionnaire. This study has 200 participants. Most of the participants (85.0%) are female while the rest (15.0%) was male. (40.5%) of them aged between (31-40 years). The findings stated that more than three quarters (76.5%) were married. Moreover, (38.0%) have a Diploma qualification. The outcomes show that, (38.5%) of them job seeker. Approximately, a third of them (30.0%) their monthly household income is (326-600 OR).

4.4.2 The results of interviews conducted by the researcher, where six participants targeted three males and three females. They range in age from 30 to 44. For the educational level, two hold a numerical certificate, two have a high school certificate and one has a diploma, while the latter has a university qualification. four of them are job seekers; one is a housewife while one of them is entrepreneurial.

Table 8 Demographic Characteristics of the Study Sample of questionnaire

variable.		Frequency	Percent
gender	Male	30	15.0%
	Female	170	85.0%
Total		200	100.0%
Age	under 20 years	10	5.0%
	21-30 years	79	39.5%
	31-40 years	81	40.5%
	41-50 years	29	14.5%
	50 years and above	1	0.5%
Total		200	100.0%
Marital Status	Single	41	20.5%
	Married	153	76.5%
	Widowed	2	1.0%
	Divorced	4	2.0%
Total		200	100.0%
Educational attainment	secondary and below	47	23.5%
	Diploma	76	38.0%
	Bachelor Degree	68	34.0%
	Up to high	9	4.5%
Total		200	100.0%
Occupation	Public	61	30.5%
	Private	15	7.5%
	Self-employed	3	1.5%
	Job Seeker	77	38.5%
	lay off from work	1	0.5%
	Others	43	21.5%
Total		200	100.0%
monthly household income	less than 100 OR	25	12.5%
	100-325 OR	33	16.5%
	326-600 OR	60	30.0%

variable.		Frequency	Percent
	601 to 1000 OR	57	28.5%
	More than 1000 OR	25	12.5%
Total		200	100.0%

4.5 Descriptive analysis of Variables

This section provides a descriptive analysis of the research's variables identified in the conceptual framework, including Consumers awareness about the VAT, Purchasing power and Lifestyle. The results indicate that the evaluation criteria that were used to determine the level of evaluation for each statement and question. The questionnaire responses were ranged using a five-point Likert scale (strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, strongly agree = 5). The scale was divided into five equal categories using the period length equation: $(\text{upper bound} - \text{lower bound})/5 = (5 - 1)/5 = 4/5 = (0.80)$. Based on the arithmetic averages, measurement scores are judged.

Table 9 Evaluation criteria used for measuring attitudes' levels

Likert Scale	Means	Decision
Strongly disagree	1.00-1.79	Very low
Disagree	1.80-2.59	Low
Neutral	2.60-3.39	Medium
Agree	3.40-4.19	High
Strongly agree	4.20-5.00	Very high

4.5.1 Descriptive Statistics for the VAT

4.5.1.1 For questionnaire, the below table indicate to the descriptive statistics of consumer's awareness and perception about the VAT. The highest average is (3.71) for statement (I know that I pay VAT whenever I purchase any product) and the standard deviation (1.021). After that, the average (3.51) for statement (I know that some part of my tax amount is paid by the manufacturer, dealers and after that they levy the same tax on me) with standard deviation (1.203). In other side the lowest average (2.86) for statement (Using VAT has become natural for me) and its' standard deviation (1.053). In general, the average of the consumer's awareness and perception about the VAT is (3.33) and the standard deviation is (1.074) with medium level of evaluation.

4.5.1.2 For interview, all the participants reported that they have the knowledge of the term VAT, which is an indirect consumer tax on goods and services that goes to the government and its amount (5.0%). Most of them are of the view that the Government has not provided sufficient clarification on VAT and its application mechanism. few of them considers that the Government has provided such clarifications. In general, participants consider that they pay VAT when buying certain products. Most of participants reported that they are not knowing what products were exempt from tax. While some of them believe that they are aware of products exempt from this tax.

The participant (AlRashdi, Y) who is educated and completes his diploma, knows the concept of tax when the government disclosed it. He aware that he is pays tax when buying any product, he wants. As for (Alwahibi, S) she believes that the government did not give sufficient explanation and what is presented on social media not sufficient, and she says the society not educated enough to see what's going on. There are the elderly, uneducated people, and others.

(Alwahibi, N), (Alfalahi, S) and (AlRashdi, Y) agreed that they are aware that there are products which is tax-exempt, and they are aware of them when they go shopping.

As for (AlHajri, H), she says that when she receives the bill, she sees that there is a tax rate and she has to pays it. And she says the small shops put a tax on most of

the products, so we don't differentiate between the tax-exempt product and other.

Table 10 Descriptive statistics of VAT

No.	The Questions of The First Axis	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Deviation	Decision	order
1	I am Familiar with Value-add tax concept	3.0%	15.0 %	27.5 %	41.5%	13.0 %	3.47	0.997	High	4
2	The government has made sufficient clarification for me	8.5%	19.0 %	44.5 %	23.0%	5.0 %	2.97	0.982	Medium	5
3	Using VAT has become natural for me	13.0 %	21.5 %	35.5 %	27.0%	3.0 %	2.86	1.053	Medium	6
4	I know that I pay VAT whenever I purchase any product	5.0%	7.0%	20.0 %	48.5%	19.5 %	3.71	1.021	High	1
5	I realized that earning from VAT is a major source of revenue for any State Government	8.5%	11.0 %	26.5 %	32.5%	21.5 %	3.48	1.190	High	3

6	I know that some part of my tax amount is paid by the manufacturer, dealers and after that they levy the same tax on me	9.5%	9.5%	23.5%	36.0%	21.5%	3.51	1.203	High	2
All Questions		7.9%	13.8%	29.6%	34.8%	13.9%	3.33	1.074	Medium	

4.5.2 Descriptive Statistics of Purchasing power

4.5.2.1 As shown in table below all statements have a very high level of evaluation except on statement. The statement (VAT effect your consumption Pattern) has the highest average (4.43) and standard deviation (0.937). After that, the statement (The consumer focuses on purchasing necessary items only) has an average (4.37) with standard deviation (0.914). On the other hand, the statement (I am not willing to purchase Goods & Services with VAT) has the lowest average (4.18) and its' standard deviation (0.986). Generally, the average of this dimension is (4.30) and with standard deviation (0.953), the level of evaluation is Very high.

4.5.2.2 For interview, all participants agree that the application of VAT has an impact on their purchase of luxuries such as clothing, home furniture, perfumes, gifts, and other luxuries. All participants were unanimous that their purchases were reduced by the application of VAT. They also see the value of value added tax (5.0%) as a difference as you can buy other items in this amount. Due to VAT, their focus has been on purchasing only essential items such as food, clothing, and other household necessities.

The participant (Alwahibi, Sa) says that the value-added tax affected his purchase of luxuries items that he buys previously, such as perfumes and children's clothes. He said that the amount of 5% makes a huge difference, so he can safely buy a

day's lunch or flour that will last for two weeks and so on.

As for the business owner (Alfalahi, S), she believes that the value-added tax affected her purchase of luxuries items, especially in her field of work, and said that she is limited to purchasing only the necessary items that she needs to run her project.

And she believes that 5% makes a difference for her, since she wants to increase the income of her project monthly, and this makes a difference.

As for (Alwahibi, N) who is released from work, he says that he now buys the necessary things for his children and stopped buying luxuries items, such as changing the head of the hall, which became intermittent, and buying electronic devices for his children to help them study.

(Alhajri, H) agreed with other participants that the value-added tax affected their purchasing life. She considers that raising animals is a second income source for her family, which, after their purchase of fodder with taxed, has become a burden on them and their purchases.

Table 11 Descriptive statistics of Purchasing power

N o.	The Questions of The First Axis	Stro ngly disa gree	Disa gree	Neu tral	Ag ree	Stro ngly agre e	Me an	Std. Devi ation	Deci sion	or de r
1	VAT effect your consumption Pattern	2.0 %	4.0%	7.5 %	22.5%	64.0 %	4.43	0.937	Very high	1
2	I am not willing to	2.0	5.5%	12.5	32.	47.5	4.1	0.986	High	5

	purchase Goods & Services with VAT	%		%	5%	%	8			
3	Your Consumption decreases due to implementation of VAT	2.5 %	3.5%	12.5 %	27.0%	54.5 %	4.28	0.982	Very high	3
4	The consumer focuses on purchasing necessary items only	1.5 %	4.0%	9.0 %	27.5%	58.0 %	4.37	0.914	Very high	2
5	I adjust my needs of goods based on VAT	2.5 %	2.5%	12.0 %	31.5%	51.5 %	4.27	0.944	Very high	4
	All Questions	2.1 %	3.9%	10.7 %	28.2%	55.1 %	4.30	0.953	Very high	

4.5.4 Descriptive Statistics of way of living

3.5.4.1 for questionnaire, the results shown in table below stated that, the highest average is (4.42) for statement (VAT effects your priorities) and the standard deviation is (0.870). Then, the average (4.22) for the statement (Because of the VAT, I went to purchase alternative commodities) with standard deviation (0.913). While the lowest average is (4.04) for the statement (Your social involvement decreases because of VAT) and its' standard deviation is (1.086). The table illustrates that the average of this dimension is (4.19) and the standard deviation is (0.974) with high level of measurement.

3.5.4.2 For interview, most of respondents agree that social participation of them decreased due to the application of VAT. VAT also affected their purchase of gifts. In most of them, they stopped saving money because of the introduction of VAT.

All participants reported that they had gone to purchase alternative goods due to VAT and had waived quality and searched for the cheapest, albeit of poor quality. Such as school bags, shoes, clothing, electronics and foodstuffs, some of them even resorted to the use of normal gasoline instead of excellent gasoline due to the application of the tax.

Participants gather that it is necessary to make society aware of what VAT is and how it is applied. They would also prefer to be abolished or applied to high-income earners. They also demand that shops and commercial centers that impose this tax be monitored to ensure that they are properly applied and not manipulated.

(Alwahibi, S & N) say that their social participation has decreased, as they do not help their families or their friends in their joys and sorrows. So they stopped buying gifts on holidays and limited themselves to certain occasions, in addition to stopping saving money.

On the other hand, (Alrashdi, Y) and (Alfalahi, S) agreed that their social participation did not decrease, and they did not stop buying gifts for their family and friends, and they realized that the tax did not prevent them from saving money.

As for (Alwahibi, S) who was really affected by the imposition of this tax, she says that she went to buy alternative goods. For example, she was buy a Mazoon yoghurt, which is considered an Omani drink, and she resort to buying a cheaper alternative that is

imported and exempt from tax.

In addition to this open ended questionnaire and interview responses also illustrated that since income of every household are fixed and because of VAT individual's volume of purchase of goods and services with this fixed income reduced. So, there is no probability of saving part of an income for future use. In addition respondents also depicted that having fixed income, they prefer to consume than saving in addition to the inflation in the country

Table 12 Descriptive statistics of Lifestyle

No.	The Questions of The First Axis	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Deviation	Decision	order
1	VAT effects your priorities	2.0 %	4.5%	10.5 %	26.0%	57.0 %	4.42	0.870	Very high	1
2	Your social involvement decreases because of VAT	4.5 %	10.0 %	17.5 %	31.0%	37.0 %	4.04	1.086	High	5
3	Value-add tax stopped me paying gifts	3.5 %	9.0%	17.0 %	33.5%	37.0 %	4.09	1.021	High	4
4	Because of the VAT I stopped saving money	3.0 %	7.5%	18.5 %	29.5%	41.5 %	4.18	0.979	High	3
5	Because of the VAT, I went to purchase	2.5 %	6.0%	13.0 %	37.5%	41.0 %	4.22	0.913	Very high	2

	alternative commodities									
	All Questions	3.1 %	7.4%	15.3 %	31.5%	42.7 %	4.19	0.974	High	

4.6 Reliability Test

Cronbach's Alpha is an assessment used to evaluate the reliability of questionnaires used in studies. The table of Cronbach's Alpha values of this study demonstrates that the Consumers awareness and perception about the VAT category has the lowest value (0.782). The rest of the dimensions have high level of reliability. The reliability of overall questionnaire is (0.864). This suggests that the questionnaire has a high level of reliability.

Table 13 Cronbach's Alpha values for each dimension in the questionnaire

No.	Dimension	N of Items	Cronbach's Alpha
1	Consumers awareness and perception about the VAT	6	0.782
2	Purchasing power	5	0.914
4	Lifestyle	5	0.910
Overall questionnaire		16	0.864

4.7 Hypotheses Testing

The hypothesis testing process is carried out according to an evaluation of two sentences about the ~~ppm~~ to determine the best statements

supported by the sample data. There are two types of Hypothesis Null Hypothesis (H_0) and Alternative Hypothesis (H_1) (Saunders & el., 2012). After the ~~model~~ and reliability test, the data further analyze through the regression technique as the model suggested the overall effect on Oman investors, so regression analysis is the best technique for the objective of the research.

4.7.1 Model Summary

Table 14 Model Summary of purchasing power

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.751 ^a	.561	.562	.37509
a. Predictors: (Constant), Consumers awareness and perception about the VAT				

The result of the model summary reported that the correlation between VAT and purchasing power is 75.1%, showing a strong relationship between two variables. Moreover, it is found that the proportional variance of independent variables on the dependent variable, which is measured by r-square, is 56.1%. In addition to this, the Adjusted R-square value of the overall model is 56.2% that denotes the impact of VAT on purchasing power.

Table 15 Model Summary of way of living

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.690 ^a	.475	.473	.41152
a. Predictors: (Constant), Consumers awareness and perception about the VAT				

The result indicates that the correlation between VAT and way of living is very

strong and it equal to (69.0%). Moreover, it is found that the proportional variance of independent variables on the dependent variable, which is measured by r-square, is 47.5%. In addition to this, the Adjusted R-square value of the overall model is 47.3% that denotes the impact of VAT on way of living.

4.7.2 Anova

Table 16 Analysis of Variance (ANOVA) between Vat and purchasing power

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.174	1	43.174	302.847	.000 ^b
	Residual	33.344	198	.141		
	Total	76.517	199			
a. Dependent Variable: Purchasing power						
b. Predictors: VAT						

The findings stated that there is a significant correlation between VAT and T purchasing power at level ($\alpha \leq 0.05$). The values of ANOVA show the statistical significance of independent variables for dependent variables, $F(1, 198) = 302, p < .005$. Therefore, following the Sig value observed in the Table above, it can be seen that the model is significant for further analysis as the value of Sig is less than 5%.

Table 17 Analysis of Variance (ANOVA) between Vat and Way of Living

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.382	1	36.382	214.837	.000 ^b
	Residual	40.135	198	.169		
	Total	76.517	199			
a. Dependent Variable: Way of Living						
b. Predictors: (Constant), Consumers awareness and perception about the VAT						

The findings reported that F value is equal to (214). It indicate that there is significant correlation between VAT and way of living at level ($\alpha \leq 0.05$) because of that the level of significant (Sig.) is less than (0.05).

4.7.3 Coefficients

Table 18 Coefficients between VAT and Purchasing Power

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.802	.175		4.573	.000
	Consumers awareness and perception about the VAT	.787	.045	.751	17.218	.000
a. Dependent Variable: Purchasing power						

This finding corresponds with previous results and confirms there is a significant relationship between consumer's awareness and perception about the VAT and purchasing power. The value of (T) is equal to (17.218). As a result, we can derive the simple regression equation based on column 'B' in the column 'Unstandardized coefficients' as follows:

Purchasing power = (0.802) + (0.787) consumer's awareness and perception about the VAT.

Table 19 Coefficients between VAT and Way of Living

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.167	.185		6.323	.000

Consumers awareness and perception about the VAT	.690	.047	.690	14.657	.000
a. Dependent Variable: Way of Living					

The findings of this table proof that there is a correlation at the level of ($\alpha \leq 0.05$) between consumer's awareness and perception about the VAT and change in people Way of Living. Nevertheless, we are going to formulate the simple linear regression equation between the two variables.

$$\text{Lifestyle} = (1.167) + (0.690) \text{ Consumers awareness and perception about the VAT.}$$

.

H 1: VAT increase has significant influence on change (low-income people) purchasing power.

The hypothesis states that Value add tax influence purchasing power is accepted (Table:14,16 & 18 significant P value less than 5%), as per the findings of this research. The research also indicates that application of VAT has an impact low-income people on the purchase of luxuries such as clothing, home furniture, perfumes, gifts, and other luxuries. All participants were unanimous that their purchases were reduced by the application of VAT. They also see the value of value added tax (5.0%) as a difference as you can buy other items in this amount. Due to VAT, their focus has been on purchasing only essential items such as food, clothing, and other household necessities.

As Previous research (Ahmed, M & els, 2015) indicated that wealth and economic situation influence customers' shopping behavior. Due to the VAT increase, most prices of products increase, people must care the price and their expending. If the customers get high income or salary, they will buy more products and less consider about the price, however if the people get low income or salary, they may buy cheaper products and consider much about the prices.

H 2: VAT increase has significant influence on change (low-income people) way of living.

This research has established a relationship between Value add tax and the **way of living** of the **low-income people**. The hypothesis stating that applying **VAT** affects **way of living** is accepted (Table:15,17 & 19 significant P value less than 5%), as per the findings of this research. It is aligned with the interviews that shown the low income people agrees that social participation of them decreased due to the application of VAT. VAT also affected their purchase of gifts. In most of them, they stopped saving money because of the introduction of VAT.

Low-income people reported that they had gone to purchase alternative goods due to VAT and had waived quality and searched for the cheapest, albeit of poor quality. Such as school bags, shoes, clothing, electronics and foodstuffs, some of them even resorted to the use of normal gasoline instead of excellent gasoline due to the application of the tax.

Consumers could research prices for essential products to get the best post increase prices. They can also take decisions about what luxuries item they still can afford, given that most luxury items are subject to VAT.

There were some similarities between the outcomes of this study and those of previous studies (Ahmed, M & els, 2015). On the strategic implication, it can be concluded that VAT payments represent 12.1% of the disposable income of the lowest household quintile (the bottom one-fifth of earners) compared to 7.4% by the average household. The VAT increase hit these people hard (CRR, 2010).

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section summarizes the most significant findings of the study. This is followed by recommendations and implementations. This chapter ends by presenting the study's limitations and highlighting directions for future studies.

5.2 Discussion and Conclusions

one of the most significant modifications to tax legislation was the introduction of the value-added tax, also known as the VAT. The value-added tax is now implemented in the vast majority of countries. Therefore, it has become highly crucial for researchers to discover elements that affect value-added tax. The Omani government has prioritized Applying Vat as a part of its vision. This study has focused on the factors or variables that affect the value-added tax in the Sultanate of Oman. This research explicitly

targets low-income people. The research has focused on the key areas and obtained data from past studies in the literature.

In order to identify and examine the relationship between all of the variables, a correlation matrix was created using the variables from the questionnaire.

According to the study, the variables and the determinants are merged to determine whether there is a link between them that is either positive or negative. To analyze how low-income people affected, it is essential to explore the variables that impact the value-added tax investment. Therefore, three variables have been included in this research to understand how these variables impact VAT. The two dependent variables are purchasing power and way of living while VAT is the dependent variable. This research indicates that the impact of Vat on both purchasing power and way of living is significant.

As discussed in the literature of this research, We can draw some main conclusions from the findings various elements contribute to the affecting of VAT in society. First, most participants are aware that they pay VAT, but there are still a sufficient percentage of groups that do not know if they pay tax or not or what to expect from tax. After launching the tax for about three years, it's important for Omani citizens to know this. Participants want the government to provide knowledge and sufficient clarification

One of the significant variable is purchasing power were people concur that they are unwilling to use VAT to pay for the goods and services they have acquired. And they, listed the reasons why these clients are hesitant to buy goods and services whose prices contain the VAT rate. The primary explanations have to do with societal knowledge of VAT and purchasing power. The current rise in inflation has an impact on society's purchasing power and makes it evident that consumers need to find products whose costs do not include the VAT. On the other side, there are also customers who make purchases of products and services where the VAT value is purposefully left out of the price by the providers of forged invoices

(Ahmed, M & els, 2015)

Due to the tax, some consumers focus on purchasing necessary items as they do not have sufficient income and are worried about the money that goes for taxable items. All participants agreed that the application of VAT has an impact on their purchases of luxuries such as clothing, home furniture, perfumes, gifts, and other luxuries. All participants were unanimous in saying that their purchases were reduced by the application of VAT. In addition, Most respondents agreed that their social participation decreased due to the application of VAT. VAT also affected their purchase of gifts. In most of them, they stopped saving money because of the introduction of VAT

While way of living is important as other factor were low-income people could research prices for essential products to get the best post increase prices. They can also take decisions about what luxuries item they still can afford, given that most luxury items are subject to VAT(Ahmed, M & els, 2015).

The remarkable point here is that the result shows that lowincome people agree that their social participation decreased due to the application of VAT by cutting their purchases of gifts. For most of them, they stopped saving money because of the introduction of VAT. VAT has an impact on people with limited incomes social participation and purchases; they likely think of low-cost products instead of quality, think of basic stuff for their survivors, and drop some of the items that used to bring happiness to their children

5.3 Recommendations

The results of our investigation provide us with several important takeaways.

First, the government should work on the following:

- * Building people capacity and skills to find work
- * Find them jobs
- * Increase the amount of government allowances and assistantship to make up the

cut that occurred from the taxation over marginalized people

Second, To put more money in households' pockets and increase their spending power, the plan must include some compensatory measures, such as a decrease in income taxes. And in order to make sure that low-income and poor consumers—who might not benefit from lower income taxes because they are likely already exempt from such payments in the first place—do not suffer from VAT, it is necessary to zero-rate some basic necessities and offer other targeted assistance programs.

* it is essential for assessing the effect of both spending and taxation, not just on inequality additionally on poverty, in order to have an accurate picture of how the monetary system influences the standard of living of the general population. For instance, regressive taxes that are effectively crafted can contribute to an increase in poverty even if they are coupled with progressive transfers; this is the case if the payments aren't substantial enough to compensate those who are on lower incomes.

Finally, governments should design their tax and transfer systems in such a way that the poor's incomes (or consumption) after taxes and transfers are not lower than their incomes (or consumption) before fiscal interventions. This is something that should be taken into consideration when designing tax and transfer systems. To summarise, the purpose of fiscal policy should be to assist in enhancing the welfare of those who are least well-off, rather than driving them deeper into poverty or increasing the severity of their deprivation.

5.4 Limitations and Future Studies

This study being a perception study rather than an empirical research study and that one of the Limitations; hence, it limited the researchers from providing further inferential evidences regarding VAT acceptance, and impacts. Also, the main limitation of this study was the lack of response from some of the respondents. The macro-level analysis that this study provides should, ideally, be coupled by comprehensive nation-level research and country assessments comparing similar countries that have adopted a VAT and countries that have not adopted a VAT, utilising more comprehensive incidence data. This would allow for a more accurate

comparison of the effects of the VAT in countries that have adopted it and countries that have not adopted it. It is reasonable to anticipate that the conclusions of a study of this sort will place an even greater focus on the fascinating national disparities that the findings of this article have already brought to the reader's attention.

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Appendix

Appendix I: Study Questionnaire



the impact of value-add tax on the attitudes of low-income people in the Sultanate of Oman: Evidence from Wilayat Bidiyah

Dear citizen,

I present this questionnaire to collect information for my research on the impact of value added tax on the attitudes of low-income people which is part of the MBA thesis requirements of the College of Business Administration at A' Sharqiyah University. This research aims to assess the impact of value add tax on the attitudes of low income people in the Sultanate of Oman.

It may take about 10-15 minutes to complete this questionnaire, your participation and cooperation is greatly appreciated.

Please read the instructions provided with each section. The responses you provide will only be used for research purposes and will be treated confidentially.

Thank you very much for your time and participation

ذو الدخل المنخفض في سلطنة عمان: دراسة حالة من في أثر ضريبة القيمة المضافة على سلوك ولاية بديية

عزيمي المواطن

أقدم هذا الاستبيان لجمع معلومات من أجل بحثي حول أثر ضريبة القيمة المضافة على سلوك المستهلكين ذو الدخل المنخفض. والذي يعد ضمن متطلبات رسالة الماجستير بكلية إدارة الأعمال بجامعة الشرقية. يهدف هذا البحث إلى

تقييم أثر ضريبة القيمة المضافة على سلوك المستهلكين ذو الدخل المنخفض في سلطنة عمان.

قد يستغرق استكمال هذا الاستبيان حوالي 10-15 دقيقة، مقدرا مشاركتك وتعاونك. يرجى قراءة التعليمات الواردة مع كل قسم. لن نستخدم الردود التي ستقدمها إلا لغرض البحث وسيتم التعامل معها بسرية.

شكرا جزيلاً على وقتك ومشاركتك

1- Consumer demographic characteristics:

Gender الجنس

- Female أنثى
- Male ذكر

Age العمر

- under 18 years
- 21-30 years
- 31-40 years
- 41-50 years and above
- 50 years and above

Marital Status (الحالة الاجتماعية)

- Single (أعزب)
- Married (متزوج)
- Divorced (مطلق)
- Widowed (أرمل)

- Educational attainment (التحصيل العلمي)
 - secondary and below (ثانوي وما دون)
 - College Diploma (دبلوم)
 - Bachelor Degree (بكالوريوس)
 - University degree (دراسة جامعية)
- Occupation (المهنة)
 - private (قطاع خاص)
 - self-employed (العمل لحسابك الخاص)
 - public (قطاع حكومي)
 - Job Seeker (باحث عن عمل)
 - lay off from work (مسرّح عن العمل)
 - others (أخرى)
- What is your current monthly household income? الدخل الشهري
 - less than 100 OR (أقل من 100 ريال)
 - 100 to 325 OR
 - 326 to 600 OR
 - 601 to 1000 OR
 - More than 1000 OR
- 7- Do you receive any financial aid from the government?

(هل تتلقى أي مساعدة مالية من الحكومة)

 - Yes, because I am from social security beneficiaries (نعم، لأنني (من مستفيدي الضمان الاجتماعي)
 - Yes, because i am from People with limited income (نعم، لأنني (من أصحاب الدخل المحدود)
 - No (لا)

2- Please indicate your valuable views on the scale of 1- 5 which represents your behaviors. There are not right or wrong answer. Please answer every question:				
1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

item1: Consumers awareness and perception about the VAT (الوعي بشأن ضريبة القيمة المضافة)	1	2	3	4	5
1-1 I am Familiar with Value-add tax concept. (أنا على علم بمفهوم (ضريبة القيمة المضافة					
1-2 the government has made sufficient clarification for me. (الحكومة قمت بالإيضاحات الكافية بشأن ضريبة القيمة المضافة)					
1-3 Using VAT has become natural for me (أصبح استخدام ضريبة القيمة (المضافة أمرا طبيعيا بالنسبة لي					
1-4 I know that I pay VAT whenever I purchase any product. (أنا على علم بأنني أدفع ضريبة القيمة المضافة عند شراء أي منتج					
1-5 I realized that earning from VAT is a major source of revenue for any State Government. (أنا على علم بأن المبالغ المحصلة من (ضريبة القيمة المضافة هي مصدر رئيسي لإيرادات الحكومة					
1-6 I know that some part of my tax amount is paid by the manufacturer, dealers and after that they levy the same tax on me. (أعلم أن التاجر يقوم بتحصيل ضريبة القيمة المضافة مني لصالح الحكومة).					
item 2: Purchasing power (القوة الشرائية)	1	2	3	4	5
2-1 VAT effect your consumption Pattern. (ضريبة القيمة المضافة أثرت (على شرائي للكُماليات التي كنت أشتريها سابقاً					
2-2 I am not willing to purchase Goods & Services with VAT. (أنا (لست على استعداد لشراء المنتجات والخدمات بسبب فرض ضريبة القيمة المضافة					
2-3 Your Consumption decreases due to implementation of VAT. (قلت مشترياتك بسبب فرض ضريبة القيمة المضافة)					
2-4 The consumer focuses on purchasing necessary items only. (بسبب فرض ضريبة القيمة المضافة أصبحت أركز المستهلك على شراء الأصناف)					

(الضرورية فقط)					
2-5 I adjust my needs of goods based on VAT. (بناءً على ضريبة القيمة) (المضافة أقوم بتعديل احتياجاتي للبضائع)					
1- Lifestyle -item3 (نمط الحياة)	1	2	3	4	5
3-1 VAT effects your priorities. (ضريبة القيمة المضافة تؤثر على أولوياتك)					
3-2 Your social involvement decreases because of VAT. (انخفاض (مشاركتك الاجتماعية بسبب ضريبة القيمة المضافة)					
3-3 Value-add tax stopped me paying gifts. (بسبب ضريبة القيمة) (المضافة، توقفت عن شراء الهدايا)					
3-4 Because of the VAT I stopped saving money. (بسبب ضريبة القيمة) (المضافة توقفت عن ادخار المال)					
3-5 Because of the VAT, I went to purchase alternative commodities. (بسبب ضريبة القيمة المضافة توجهت إلى شراء السلع البديلة)					

3- what your opinion about applying the VAT in Oman? (ما رأيك في تطبيق ضريبة)

(القيمة المضافة في عمان؟)

