INDIVIDUALS PERCEPTION ABOUT INTRODUCING THE VALUE ADDED TAX (VAT) IN KUWAIT

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ABSTRACT

The purpose of this study is to examine the perception of individuals towards introducing the Value Added Tax (VAT) in Kuwait. This research uses both quantitative and qualitative data analysis techniques to analyze the data collected from primary and secondary sources. The quantitative data analysis was applied to explore prospects and identify possible problems in introducing and administering the VAT. The collected data are analyzed by using descriptive statistics and performing a one-way ANOVA on ranks, Kruskal Wallis H test to determine whether the samples originate from the same distribution. Regression analysis was performed to identify the main factors behind supporting the introduction of VAT. The results show that the participants disagree with the perceived advantages of the VAT especially for businesses and final consumers. There was consensus that small businesses and end customers would be most affected by the introduction of the VAT system in Kuwait. The regression analysis showed positive association between the support for introducing VAT and the its perceived advantage to the economy. A positive association also appeared between the support and the participants place of work. However, significant negative association emerged between the support for VAT and the participants' nationality.

Keywords: Individuals perception; Value added tax (VAT); Kuwait.

INTRODUCTION

The Kuwaiti Government announced that it would introduce the VAT in 2018 as an attempt to generate income and increase the country's economic growth. VAT is an indirect consumption tax collected from the consumer, who pays a fixed percentage of the final purchase price of a product. VAT is paid on what individuals buy rather than on their earnings, savings, or investments.

Previous studies disclosed that individuals as well as institutions have different perceptions toward VAT. They showed negative perception about the fairness of the payment across the businesses, weak culture of taxpayers, poor VAT administration system, and poor knowledge of VAT law. However, they concluded that taxpayers' perceptions are the reason why tax evasion occurs. Therefore, the current study attempts to explore the perceptions of individuals towards VAT and identify the major problems and prospects of its implementation in Kuwait.

Understanding the perception of individuals toward VAT in the State of Kuwait is of interest for both policy makers and researchers. For the former, VAT is considered a powerful tool for guiding resources allocation by highlighting the basic elements that need to be considered in designing proper policies. Since the Kuwaiti authorities are in the stage that precedes the introduction the VAT system, the results of the study will help them to avoid some

of the problems that may be encountered when introducing it based on the perception of the Kuwaiti individuals. For the later, the study provides reliable data whenever they refer to its findings and recommendations and stimulates further research in the area of VAT.

The remainder of this study is organized as follows. In the next section, a brief review of related literature and research hypotheses are presented. The third section presents data collection and research methodology. The findings and analysis are offered in section four. The paper ends with a conclusion.

RELATED LITERATURE AND STUDY HYPOTHESES

The introduction of VAT has spread throughout the world in 1955 (Abay, 2013). VAT is an attractive avenue for governments to raise revenues (Gholami and Abasinejad, 2016). According to Al-Hadrami and Al-Moosa (2019) the weak knowledge of VAT can be due to the low awareness campaigns conducted by the government to make individuals ready.

In the literature, several studies have been undertaken to explore individuals and institutions opinions toward VAT implementation (Ethiopia: Abay, 2013; Kenya: Marti et al., 2010; Nigeria: Taiwo, 2016; Malaysia: Zainol et al., 2013. Ishak et al. 2015; Yusri and Yee, 2015, 2015; Ramli et al., 2015. Ling et al., 2016; Urif, 2016; Iran: Haghigha, 2014; Rozbeh, Khazdouzi, Soltanpanah, Hasani and Khoiani, 2014; Asadpour, 2016; Gholami and Abasinejad, 2016; India: Jayakumar, 2012; Komal, 2013. Sudan: Obeid, 2015; Turkey: Giray and Gerçek, 2015; Jordan: Shakkour et al., 2021). The following section reviews in brief these studies.

Abay (2013) attempted to explore the major problems and prospects of VAT implementation in Mekelle City Administration. They found that the government is the sole beneficiary of VAT and the willful registration of the businesses has not yet come to the desired level. They also found that there is a negative perception about the fairness of the payment across the businesses and significant decline in the number of the customers following the implementation of VAT. Marti et al. (2010) examined the taxpayers' attitudes and tax compliance behavior in Kenya. They found that most taxpayers view the Kenyan tax system as unfair. They also found that most taxpayers in the district have never paid penalties. They also found that the main reasons behind tax non-compliance are the inability to understand tax laws, a feeling that they are not paying a fair share of tax, positive peer attitude and rewarding. Taiwo (2016) examined the determinants of VAT in South Western Nigeria and the influence on revenue profile of the sampled states. The researcher found that VAT has the potential of positively enhancing revenue generation of the sampled states. He also found that sales tax structure is elastic with total revenue of the South Western States. He suggested that it is about a time to apply policies that lead to industrial development.

Zainol et al. (2013) explored the perception of tax agents towards the proposed goods and services tax (GST). They found that tax agents in Malaysia have good perception towards the Government intention to introduce GST. They also suggested that the attitude, awareness, understanding and preparedness of tax agents are positive towards the implementation of GST in Malaysia. They provided valuable inputs for the government to implement strategic plan to enhance the level of understanding to taxpayers so that GST can be introduced without obstacles. Ishak et al. (2015) distributed a questionnaire to 242 students at the International Islamic University Malaysia to examine students' perception towards the newly implemented GST in Malaysia. They found that majority of the students disagree with the methods taken to implement the GST. Another study conducted in Malaysia by Yusri and Yee (2015) who examined the

perception of individual taxpayers toward the implementation of GST. They found the attitude and perceived behavioral control variables to be positively related to behavioral intention while subjective norm variables have a weak influence towards the behavioral intention. An additional study performed by Ling et al. (2016) who examined the factors behind influencing the acceptance and compliance of GST system among the general people in Malaysia. They found that a negative relationship between price stability and acceptance and compliance of GST. They also found that a weak positive relationship between government subsidies and acceptance and compliance of GST.

Ramli et al. (2015) explored the estimated cost of implementing GST and investigate whether small and medium enterprises (SMEs) are prepared to comply with GST regulations. They found that the majority of the SMEs need to allocate extra fund on human resource training during the early stage of GST implementation, which is considered as an additional burden to small and medium enterprises. Moreover, Urif (2016) examined the employees' attitudes toward GST in Open University Malaysia. They found that citizens are not ready to the implementation of GST and the time for the implementation of GST is not suitable. They also found that GST leads to an increase in the cost of living. Another study conducted by Haghigha (2014) examined the relationship between implementing VAT and reporting in accounting. He argues that correct implementation of value added tax law can help greatly to improve the technology of tax system and tax accounting. Rozbeh et al. (2014) examined the inflationary effects of VAT implementation in Iran's economy. They found that VAT impact on tax performance evaluation indicators and the amount of increases in government sustainable revenue are determined by an Input-Output.

Gholami and Abasinejad (2016) examined the response of macroeconomic variables to monetary shocks and the impact of VAT changing from exempt status to full taxation. They found that imposing value added tax on banks services through reducing their costs will lead to increasing in bank resources and lending power.

Jayakumar (2012) examined the importance of value added tax in the Indian society. He showed the requirement of transparency in VAT in all the states of India and found equal channel of distribution of VAT among wholesalers, retailers and consumers. He also found the tax applicability and e-filing play a vital role in the VAT system since it gives mutual benefits to the consumers and government. Service tax, sales tax and other taxes can be easily vivid due to its implementation process. He recommended that the tax consultant and the government should periodically monitor the procedure. Another study implemented by Komal (2013) who examined the impact of VAT on business enterprises in India. The researcher noticed that the tax applicability plays a vital role in the VAT system. He found that equal channels of distribution of VAT are prevailing among wholesalers, retailers and consumers. He suggested that the requirement of transparency in VAT is needed at all Indian states.

Obeid (2015) identified the causes for people not paying taxes and highlight taxpayers' perceptions towards taxation in Sudan. She found that respondents did not mind paying taxes but they feel that the government needs to be more transparent about spending tax revenues. She also observed that the majority is discontented with the amounts that they are paying and feel that that is no tangible services provided in comparison to the tax collected. She suggested simplification of tax rules and systems, increasing the transparency with regards to spending tax collections and provide more services focus on infrastructure and sectors related to education and health.

Giray and Gerçek (2015) examined the relationship between tax compliance and fairness from the point of view of taxpayers' perception. They found that the perceived fairness of the tax

system depends on the structure of the tax system, interaction with the tax administration, inefficiency in the tax system, tax morale and the using of public expenditures.

Shakkour et al. (2021) examined the factors influencing the value added tax compliance in small and medium enterprises in Jordan. They observed a strong positive relationship between personal characteristics. They further observed that VAT education and tax compliance demonstrated a positive correlation between VAT compliance cost, audit system and VAT compliance in Jordan.

As far as the Gulf Co-operation Council (GCC) region is concerned, few studies were undertaken to find out the role of VAT (see for example, UAE: Saderuddina and Barghathia, 2018. Bahrain: Al-Hadrami and Al-Moosa, 2019. Kuwait: Lawler and Al-Sayegh, 2019). These studies are briefly reviewed in the following section.

Saderuddina and Barghathia (2018) used semi-structured interviews to examine the impacts of introducing VAT on the audit profession and the economy of the UAE. They found that VAT would not result in an increase or decrease in audit quality as the quality is something that cannot be compromised. They also observed that VAT is just an additional area of work which increases the auditors' responsibilities and timeline. Al-Hadrami and Al-Moosa (2019) used a questionnaire survey to examine the consumers' perception and awareness of VAT in the Kingdom of Bahrain. They found low awareness among the respondents with regard the implementation of VAT in Bahrain. They also revealed that there is neither positive nor negative perception towards VAT among the participants. They concluded that it is important to spread the awareness towards VAT among all consumers regardless of their level of education or income. Lawler and Al-Sayegh (2019) examined whether tax reforms are viable in Kuwait in order to create more government income from sources other than oil. They found that the impact of changes in tax revenues on changes in the GDP of Kuwait is insignificant. They recommended that the government could viably utilize tax reform policies and introduce new taxes to generate income from sources other than oil.

It is appeared that there has been a relatively little research on the VAT in the GCC countries in general and Kuwait in particular. This suggests the need for empirical testing to enhance our understanding for the implementation of VAT in Kuwait. Therefore, the current study is undertaken and built the following hypotheses:

H1: The perception of individuals about introducing the VAT system is determined by its effect on the economy.

H2: The perception of individuals about the introducing the VAT system is determined by its effect on businesses.

H3: The perception of individuals about the introducing the VAT system is determined by its effect on the consumers.

H4: The opinion of individuals about the introducing the VAT system does not vary with the respondents place of work.

H5: The opinion of individuals about the introducing the VAT system does not vary with the respondents nationality.

H6: The opinion of individuals about the introducing the VAT system does not vary with the respondents gender.

DATA COLLECTION AND RESEARCH METHODOLOGY

To obtain research data, a questionnaire has been developed and distributed, during the period between May and June 2021 to 300 individuals who are potential taxpayers. 200 of the distributed questionnaires returned completed; resulting in 67% usable response rate. The questionnaire contained six sections. The first section seeks background information about the participants in the survey. Sections two to six contained statements about the advantages and disadvantages of introducing the VAT system, and the participants were asked to express their level of agreement with each of them at 5-Likert scale where 1 denotes strongly disagree and 5 denotes strongly agree. To assess internal consistency of the participants' answers, Cronbach's Alpha coefficient of reliability test was performed and came out to be 0.796. This implies that the participants' answers carry high internal consistency. A reliability coefficient of 0.70 or more is considered acceptable in social science research. Descriptive statistics are also employed to identify the extent of the participants' agreement with the advantages and disadvantages of introducing the VAT system in Kuwait. To explore whether the participants' place of work affects the level of agreement they attach to the advantages and disadvantages of introducing the VAT system, the Kruskal-Wallis H test is undertaken. The test is used to identify statistically significant differences between the place work of the participants (public or private sector) and their perception towards different aspects of the VAT system.

To establish the relationship between the participants perceived support and the advantages and disadvantages of the VAT system, the following regression model will be tested.

$$SUPPORT = \alpha + \beta_1 ADECON + \beta_2 ADGOV + \beta_3 ADBUS + \beta_4 DACONS + \beta_5 DABUS + \varepsilon$$

Where
α = Constant
SUPPORT = Support to the introduction of VAT
ADECON = VAT advantages to the economy
ADGOV = VAT advantages to the government
ADBUS = VAT advantages to the businesses
DACONS = VAT disadvantages to the consumers
DABUS = VAT disadvantages to the business
β1 – β5 = Parameters of the model
ε = Standard error

FINDINGS

Participants' Background

Table 1 includes a summary of general information relating to the surveyed participants. It is clear from the table that 86.5% of the participants are Kuwaitis, 51% of them are males, and 65.5% are married. The table also shows that 48% of the participants are aged between 25-35 years and 59% of them have more than 8 years of work experience. Finally, the table shows that 60.5% of the participants hold university degrees and 75% of them work in the public sector. The diversity in the background of the participants in the survey assist in obtaining different views about different aspects of the VAT system to be introduced in the State of Kuwait. This will give more credibility to the results of this study.

TABLE 1 RESPONDENTS BACKGROUND					
Nationality	**Frequency**	**Percent**	**Gender**	**Frequency**	**Percent**
Kuwaiti	173	86.5	Male	102	51
Non-Kuwaiti	27	13.5	Female	98	49
Total	200	100	Total	200	100
Age			**Work experience**		
less than 25	36	18	Less than 3 years	44	22
26 – 35	60	30	from 3-7	38	19
36 – 50	76	38	from 8-10	9	4.5
More than 50 years old	28	14	More than 10 years	109	54.5
Total	200	100	Total	200	100
Academic Qualification			**Marital Status**		
Less than High school	15	7.5	Not marred	69	34.5
High school	21	10.5	Married	131	65.5
Diploma	43	21.5	Total	200	100
Bachelor's degree	88	44	**Place of work**		
MA	20	10	Public	150	75
PhD.	13	6.5	Private	50	25
Total	200	100	Total	200	100

Advantages of Introducing VAT to the Economy

Possible advantages of introducing the VAT system that have been frequently mentioned in previous studies were categorized into three main areas: the economy, government and businesses. The questionnaire asked the participants to indicate their level of agreement with each of them on 5 point Likert Scale where 1 denotes strongly disagree and 5 denotes strongly agree. The results of the participants' opinions are summarized in Table 2.

TABLE 2 THE EXTENT OF AGREEMENT THE PARTICIPANTS' ATTACH TO THE ADVANTAGE OF VAT TO THE ECONOMY							
	Mean	**Median**	**Std. Dev.**	**Min.**	**Max.**	χ^2	*Sig*
Introducing VAT leads to a new reallocation of resources among sectors in all the economy	2.29	2	1.27	1	5	4.29	0.038
Introducing VAT is expected to lead to an efficient taxation system	2.37	2	1.41	1	5	0.44	0.51
Introducing VAT increases the demand for professionals and creates new job opportunities	2.67	2	1.48	1	5	2.03	0.15
Total	2.44	2..00	1.18	1	5	2.07	0.15

It is evident from the table that the participants in the questionnaire survey disagreed with almost all possible advantages listed in the questionnaire. The vast majority of the participants

strongly disagreed with possible advantages such as introducing VAT leads to a new reallocation of resources among sectors in all the economy, and introducing VAT is expected to lead to an efficient taxation system. However, the participants seem to partially agree that introducing VAT increases the demand for professionals and creates new job opportunities.

The result reflects the nature of Kuwaiti society, which considers that the state generates large revenues from the oil sale, especially since the idea of introducing the VAT system coincided with fluctuations and sharp decline in the international oil prices. However, the significant rise in oil prices over the past few months has dampened enthusiasm towards the introduction of the VAT system. There is also a general impression among the Kuwaitis derived from the role of the State in providing citizens basic needs including free health, education at all levels, subsidized food prices, financial and housing support for all families. Thus, Kuwaitis are used to being paid by the government and they are not willing to pay for the government. Therefore, Kuwaitis are not yet convinced of the idea of introducing the VAT system.

This result was reinforced by the examination of Kruskal Wallis H test presented in Table 2. The test revealed that there were no significant differences in the opinion of the participants except for introducing VAT leads to a new reallocation of resources among sectors in all the economy. The significant differences in the participants opinion about this advantage was mainly due those who strongly disagreed and disagreed. In other words, there was consensus on disagreeing to the advantages associated with the introduction of the additional tax system. The differences were between those who strongly disagree and those who do not agree to the realization of such benefits.

Advantages of Introducing VAT to the Government

Possible advantages of introducing the VAT system to the government that have been frequently mentioned in previous studies have been included in the questionnaire and the participants were asked to express their level of agreement to them. The result of the participants' answers is given in Table 3.

TABLE 3 THE EXTENT OF AGREEMENT THE PARTICIPANTS' ATTACH TO THE ADVANTAGE OF VAT TO THE GOVERNMENT							
	Mean	**Median**	**Std. Dev.**	**Min.**	**Max.**	χ^2	*Sig*
Collecting VAT will increase government revenue and reduce its deficit	2.85	3	1.547	1	5	1.19	0.275
Collecting VAT increase the scope of government expenditures	2.39	2	1.362	1	5	3.76	0.053
Collecting VAT revenue will contribute to the continuous delivering high-quality public services	2.52	2	1.466	1	5	6.2	0.013
Total	2.58	2	1.28	1	5	4.8	0.03

It obvious from Table 3 that the participants are partially disagreed with all possible government benefits from introducing the VAT system in Kuwait. The highest level of disagreement, however, was to the possible benefit that the collected VAT will increase the scope of government expenditures and collecting VAT revenue will contribute to the continuous

delivering high-quality public services and introducing VAT will benefit the audit profession. The result of the Kruskal Wallis test pointed to a significant level of disagreement among the participants on the suggestion that collecting VAT revenue will contribute to the continuous delivering high-quality public services. In addition, the test pointed to a partially significant difference among the participants about the proposal that collecting VAT increase the scope of government expenditures.

This result confirms the prevailing impression among Kuwaitis that the government does not need to introduce the VAT to increase its revenues, reduce its budgetary deficit and expand the scope of its expenditures. Needless to say, that, the questionnaire was distributed during a period when the international oil prices witnessed a noticeable rise. Therefore, the participants in the questionnaire do not see the need to introduce the VAT system at the current time. Kuwait enjoys large revenues from oil and its population is relatively small. This will assist the government to continue providing the same level of services to its citizens without the need to impose the VAT.

Advantages of Introducing VAT to the Businesses

Possible advantages of introducing the VAT system mentioned in previous research have been included in the questionnaire and the participants were asked to express the extent of their agreement to them. The result of the participants' answers is given in Table 4.

TABLE 4 THE EXTENT OF AGREEMENT THE PARTICIPANTS' ATTACH TO THE ADVANTAGE OF VAT TO THE BUSINESSES							
	Mean	Median	Std. Dev.	Min.	Max.	χ^2	Sig
Introducing VAT is expected to promote corporate transparency	2.55	2	1.52	1	5	1.642	0.2
Introducing VAT would lead to proper corporate records management and reduce fraud and corruption risk.	2.49	2	1.47	1	5	1.788	0.181
The Kuwaiti government should provide financial assistance to small businesses to encourage them to install an IT system compatible with the VAT system	3.53	4	1.43	1	5	0.004	0.952
Introducing VAT will motivate high schools and universities to adjust their curriculum.	2.55	2	1.445	1	5	5.445	0.02
Introducing VAT will benefit the audit profession	2.81	3	1.538	1	5	4.686	0.03
Total	2.78	2	1.2	1	5	3.1	0.08

Table 4 pointed to disagreement among the participants about almost all possible benefits that the businesses can attain from the introduction of the VAT system in Kuwait. However, the participants agreed that small businesses can benefit from receiving financial assistance from the Kuwaiti government to encourage them to install an IT system compatible with the VAT system. The participants also partially agreed that introducing VAT will benefit the audit profession. The Kruskal Wallis test reported in Table 4 showed consensus among the participants about most possible advantages businesses may get from the introduction of the VAT system, except for the likely benefit of the audit profession.

Disadvantages of Introducing the VAT to Consumers

The questionnaire includes a set of possible negative effects of introducing the VAT on the final customers, and the respondents were asked to determine the extent of their agreement with each of them. Table 5 summarizes the analysis of their answers.

TABLE 5 DISADVANTAGES OF INTRODUCING THE VAT TO CONSUMERS							
	Mean	Median	Std. Dev.	Min.	Max.	χ^2	Sig
Introducing VAT affects consumers' purchasing decision	3.39	4	1.479	1	5	0.025	0.874
Introducing VAT places a burden on the final consumer to bear the cost	3.54	4	1.536	1	5	0.481	0.488
Introducing VAT burdens the low income consumers more than the higher income ones	3.71	4	1.523	1	5	0.003	0.96
Total	3.55	4	1.37	1	5	0.06	0.81

Table 5 affirmed that the participants agreed with all possible disadvantages of introducing the VAT on the final consumers. The participants assigned the highest level of agreement to the disadvantage that introducing VAT burdens the low-income consumers more than the higher income ones. The participants agreed that VAT negatively affect the purchasing power of the final consumers and places a burden on them.

This result shows that the participants are not interested in introducing the VAT system in the State of Kuwait, because it constitutes a big burden on the final customers. Since the VAT is a purchase tax and does not consider the average income of the consumer, this will greatly affect those with low or limited income. The participants, therefore, believed that the introduction of the VAT would be unfair to those with low or limited incomes. In this context, it must be mentioned that Kuwait is one of the high-income countries. The vast majority of Kuwaiti citizens have a high income, but the country hosts are a large number of non-Kuwaitis with low salaries. These are expected to be negatively affected by the introduction of the VAT system. What attracts attention in Table 4 is the result of the Kruskal Wallis H test. The test confirmed that the participants were consistent in their opinions.

Disadvantages of Introducing the VAT to Businesses

The questionnaire included a number of disadvantages of introducing the VAT system that were mentioned in previous studies on small projects and the participants were asked to express their agreement with each of them. Analyses of their answers are presented in Table 6.

TABLE 6 DISADVANTAGES OF INTRODUCING THE VAT TO BUSINESSES							
	Mean	Median	Std. Dev.	Min.	Max.	χ^2	Sig
Introducing VAT increases compliance costs for businesses	3.29	3	1.45	1	5	1.196	0.274
Introducing VAT would result in decreases in economic activity,	3.33	3	1.4	1	5	0	0.994

increases in unemployment and rise in inflation.							
Introducing VAT would result in decreases cash flows	3.47	4	1.28	1	5	2.55	0.11
Introducing VAT would result in decreases profit	3.7	4	1.37	1	5	2.37	0.12
Total	3.49	4	1.18	1	5	1.18	0.28

The Table 6 revealed that the participants are in full agreement with all possible disadvantages to small business as a result of introducing the VAT as reflected by the resulted means, medians. The Kruskall Wallis test appeared in the table pointed to consensus.

Correlation among the Variables

To identify possible correlations between the explanatory variables employed to estimate the regression model, the Pearson correlation has been performed and reported in Table 7.

TABLE 7
THE RESULTS OF THE CORRELATIONS AMONG THE VARIABLES USED IN THE REGRESSION MODEL

	SUPPORT	ADECON	ADGOV	ADBUS	DACONS	DABUS	Nationality	Gender	Place of work
SUPPORT	1								
	0								
ADECON	0.387**	1							
	0	0							
ADGOV	0.356**	0.894**	1						
	0	0	0						
ADBUS	0.311**	0.867**	0.868**	1					
	0	0	0	0					
DACONS	0.160*	0.179*	0.157*	0.252**	1				
	0.024	0.011	0.027	0	0				
DABUS	0.115	0.074	0.065	0.163*	0.741**	1			
	0.106	0.296	0.362	0.021	0	0			
Nationality	-0.045	0.112	0.102	0.140*	0.021	0.127	1		
	0.529	0.113	0.151	0.049	0.769	0.073	0		
Gender	0.103	-0.028	0.004	0.039	0.166*	0.230**	0.023	1	
	0.146	0.696	0.956	0.585	0.019	0.001	0.751	0	
Place of work	0.0.117	0.097	0.125	0.12	0.015	0.125	0.549**	-0.081	1
	0.099	0.172	0.078	0.092	0.835	0.078	0	0.255	0

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The table pointed to significant association between the VAT advantages to the economy at large and advantages to the government, advantages to businesses and advantages to

government, advantages to businesses and disadvantages to consumers. Controlling variables such as the nationality appeared to have significant association with the place of work and gender with the disadvantages to the businesses. The resulted significant associations between several independent variables may possess serious collinearity problem. It was, therefore, important to perform the Variance Inflation Factor (VIF) to measure of the extent of multicollinearity in a set of multiple regression variables. Identifying multicollinearity is important since its existence reduces the statistical significance of the independent variables. An association with VIF = 10 or more is considered a serious collinearity problem.

Regression Analysis

The results of the regression analysis are reported in Table 8. What attracts attention in the table is the resulted VIFs for the independent variables used to estimate the regression model are al less than 10. This implies that collinearity is not a serious problem. The table further pointed to significant and positive association between the participants support for the introduction of the VAT system in Kuwait and the perceived advantages to the economy. Participants' place of work also showed positive and significant support for the introduction of the VAT system. A marginally significant association appeared between the support for introducing the VAT system and the gender of the participants. However, the nationality factor demonstrated a significant and negative association with the support to the introduction of the VAT.

TABLE 8 RESULTS OF THE REGRESSION ANALYSIS				
	Beta	*t*	*Sig.*	*VIF*
(Constant)		0.906	0.366	
ADECON	0.469	2.953	0.004	6.111
ADGOV	0.088	0.554	0.58	6.168
ADBUS	-0.197	-1.342	0.181	5.198
DACONS	0.077	0.776	0.438	2.37
DABUS	0.02	0.204	0.839	2.406
Nationality	-0.195	-2.495	0.013	1.472
Gender	0.126	1.886	0.061	1.087
Place of work	0.197	2.515	0.013	1.492
	R = 0.46	*F = 6.392*	*Sig. = 000*	

The results of the regression analysis indicate that the participants recognize the benefits from introducing the VAT to the economy. The significant positive association between the place of work and the support for the introduction of the VAT is explained on the ground that most the participants are Kuwaitis and they work for the public sector. As a result of the Kuwitization policy adopted by the Kuwaiti government, most of the public sector employees are Kuwaiti nationals. The private sector is also given incentives from the government to employ Kuwaiti nationals. Kuwaitis salaries together with subsidies and allowances they received from the government result in high income. Hence, the proposed VAT will not significantly affect their purchasing power. On the other hand, non-Kuwaitis are very likely to work for the private sector with relatively low salaries and without free access to social services. Introducing VAT will affect their purchasing power and forms a burden on their budgets.

CONCLUSION

This study is set out to explore the advantages/ disadvantages of introducing the VAT system in Kuwait. To achieve this objective, a structured questionnaire was distributed, during May- June 2021, to 300 individuals and 200 returned completed; resulting in 67% usable response rate. Analyses of the participants' answers showed that they acquire different personal backgrounds in terms of their nationality, gender, age, work experience, academic qualifications, material status and the work place. In addition to the personal background information, the questionnaire included five section that cover possible advantages and disadvantages of introduction the VAT system in Kuwait and the participants were asked to express their level of agreement with each of them on 5-point Likert scale where 1 denotes the participants strongly disagree and 5 denotes strongly agree.

The participants did not endorse any of the possible advantages of the VAT system in Kuwait. They disagreed with the proposal that introducing VAT results in reallocation of resources among sectors within the economy and it is expected to lead to an efficient taxation system. They also disagreed with the proposal that collecting VAT increase the scope of government expenditures. The participants, however, showed some agreement with the hypothesis that collecting VAT increase the scope of government expenditures and introducing VAT will benefit the audit profession.

On the other hand, the participants expressed their agreement with all possible disadvantages of the VAT system repeatedly mentioned in the literature. They expressed the highest level of agreement with the proposal that introducing VAT burdens the low-income consumers more than the higher income ones and it places a burden on the final consumer who bears the cost.

The result of the regression analysis pointed to positive and significant association between the participants support for the introducing VAT and the possible advantages to the economy. The place of the participants' works also showed positive and significant association with the support to introducing VAT. This emphasized the fact that VAT is unlikely to affect high income consumers. The negative and significant association between the participants support to the introduction of the VAT and nationality also reflects that the non-Kuwaitis with low income groups are against introducing VAT.

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