



Understanding the Impact of VAT on Awareness, Attitude, and Spending Behavior among School Teachers in Muscat

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ABSTRACT:

This study explores the impact of Value Added Tax (VAT) on government schoolteachers in Muscat, focusing on their awareness, attitudes, and the resulting changes in their household budgeting and spending habits. As educators represent a vital segment of society, their experiences offer valuable insight into how ordinary citizens are adapting to economic policy changes. A quantitative approach was used, with data collected through a structured questionnaire targeting teachers in government schools across Muscat. The research investigates the relationship between VAT awareness and financial behavior, including how teachers' purchasing decisions have shifted across different product categories. Findings reveal that while most teachers are aware of VAT, their attitudes vary—some recognize its importance, while others express concern over the rising cost of living. The results show a clear trend of teachers adjusting their household budgets, reducing non-essential spending, and being more cautious with their finances. Although the study is limited to public schoolteachers in Muscat and may not represent the broader population, it provides valuable insight into how a key demographic is managing the transition. The research underscores the importance of effective communication and public education when implementing tax policies and offers a grounded perspective on economic resilience within Omani society.

Keywords: VAT Awareness, Consumer Behavior, Household Budgeting, Muscat Teachers, Tax Policy in Oman.

1. Introduction

Taxes remain a key source of income for governments worldwide. The share, range, and overall amount of taxes vary from one country to another. How taxes are applied depends on the flexibility of the system and the presence of other ways to generate revenue. Globally, developing countries such as the United Kingdom and India rely heavily on VAT as a source of income. According to worldwide economic data, the United Kingdom's tax revenue accounts for over 27% of GDP, whereas India's tax income accounts for approximately 12.02% of GDP. Historically, GCC nations had little or low taxation based on oil revenue. However, the UAE and Oman use the same proportion of VAT, although Saudi Arabia used to do the same but increased the VAT rate to 15% in 2020. The Value Added Tax (VAT) is an indirect tax applied on products and services that has major consequences for family budgets, spending patterns, and overall economic adaptability, with its implementation across Oman, especially Muscat. The Sultanate of Oman imposed VAT in April 2021. 5% Value-added taxes are predicted to raise the cost of living, affecting individuals across a country. Countries with strong economic standing, such as the Sultanate of Oman, can withstand the weight of taxation. It is necessary to investigate the attitudes, financial adjustments, and behavioral responses of schoolteachers, who constitute an important population. The purpose of this study is to investigate the link between VAT awareness, attitudes, and their impact on family budgets and purchasing patterns among government schoolteachers in Muscat.

2. Statement of the Problem

Oman's implementation of VAT has sparked debate over how it will affect all facets of society, particularly schoolteachers, who are middle-class professionals who are vital to the community. Despite VAT's economic significance as a source of income, little is known about the awareness, attitudes, and real-world effects of this tax system among Muscat's school teachers. Additionally, not enough research has been done on how VAT affects their household finances and how they buy both essential and non-essential products. By evaluating schoolteachers' knowledge and attitudes about VAT, examining changes in their spending habits, and analyzing its influence on their financial choices, this study aims to close these disparities. Comprehending these facets is crucial for offering policymakers valuable perspectives on reducing adverse socio-economic consequences.

3. Objectives of the Study

1. To examine the relationship between VAT awareness and schoolteachers attitudes (positive or negative) toward VAT implementation.

2. To analyse the impact of VAT on household budgeting practices of schoolteachers.
3. To explore the association between VAT and changes in buying behaviour across various product categories.

4. Hypothesis

Smolarczyk A, (2018). Convenience, efficiency, security, and problem-solving are the key sources of satisfaction w

Hypothesis 1:

(H₀): There is no significant relationship between demographic factors (such as income, employment type, qualification, etc.) and schoolteachers' VAT awareness and attitude .

(H₁): There is a significant relationship between demographic factors and schoolteachers' VAT awareness and attitude.

Hypothesis 2:

(H₀): There is no significant relationship between VAT awareness/attitude and household budgeting practices of schoolteachers .

(H₁): There is a significant relationship between VAT awareness/attitude and household budgeting practices of schoolteachers.

Hypothesis 3:

(H₀): There is no significant correlation between household budgeting practices and changes in buying behaviour among schoolteachers .

(H₁): There is a significant correlation between household budgeting practices and changes in buying behaviour among schoolteachers.

5. Review of Literature

Tax awareness has been widely recognized as a key factor influencing individuals' attitudes and compliance behavior toward taxation. For example, Paco, Donna Lerma Janica A., and Marissa S. Quezon (2022) found that micro and small enterprises in the Philippines, who demonstrated a strong awareness of VAT and other tax obligations, were largely compliant with tax regulations. Similarly, Damaris Munyao (2021) reported that tax awareness, along with the cost of VAT and audit processes, significantly affected compliance among manufacturing firms in Mire County, Kenya. Her study emphasized the need for enhanced taxpayer education to improve compliance levels. Supporting this, Berhane (2011) showed that tax education positively influenced taxpayers' attitudes; participants exhibited greater willingness to comply with tax laws after receiving structured tax instruction. These findings suggest that improved understanding and awareness of VAT can lead to more positive perceptions and increased compliance with tax policies.

VAT is an indirect tax that often raises prices, reduces disposable income, and disproportionately affects low-income households (Ali, 2024). Studies show it tends to lower aggregate consumption, as seen in the UAE post-2018 (AlGhunaimi et al., 2024), with households cutting discretionary spending and shifting to essentials (Alwahibi et al., 2023). In Oman, VAT has increased financial strain on lower-income groups, contributing to inflation and borrowing (Al-Badi & Elamili, 2022; Hasani, 2019). While most research highlights VAT's regressive effects, Gelardi (2013) argues it can be progressive, depending on tax design and context.

VAT adoption significantly influences consumer purchasing behavior, particularly among low-income and vulnerable groups. Studies such as Al-Ghunaimi et al. (2024) highlight how VAT raises living costs for students, reducing their spending power and prompting calls for exemptions on essential goods. Other research (Al Zadjali et al., 2024) acknowledges both challenges and opportunities for SMEs under VAT, while Hammour and McKeown (2021) and Ahmed (2015) emphasize its regressive nature, showing that lower-income households cut back on spending and are more affected by price increases. Jisana (2014) adds that VAT leads to shifts in consumer preferences toward cheaper items and causes temporary stockpiling before tax hikes. Overall, the literature agrees that VAT changes spending habits, with varying effects based on income, age, and financial literacy, highlighting the need for careful policy design.

6. Research Gap

According to the studies, several studies on the awareness of the impact of VAT implementation from various perspectives have been carried out in numerous nations throughout the world, including Canada, the United Kingdom, and many more. Although VAT has been imposed in many nations, not everyone is aware of its effects and Oman only adopted this tax in 2021. Because of this, there haven't been many studies on this subject in the Sultanate of Oman up to this point, and those that have been done have largely focused on how it affects those with low incomes. Thus, the primary goal of this research study is to comprehend how VAT affects schoolteacher's awareness, attitudes, and spending patterns.



Fig. 1. Conceptual framework

7. Research Methodology

This study employed a quantitative approach, collecting data from 194 government schoolteachers in Muscat, Oman, which is based on a conservative sampling approach. Participants were randomly selected, and data were gathered through an online survey. The study used percentages, tables, charts, and graphs to analyze and present the findings. For hypothesis testing, SPSS was employed as the main statistical tool.

8.Data Analysis

A. Reliability analysis

The consistency and utility of the scale are examined using reliability analysis in order to do the analysis. Research questions are identified, the study's aims and objectives are supported, and the hypothesis under test is validated.

Table 1

Reliability Statistics

Cronbach's Alpha	0.785
Number of Items	15

To conduct the analysis, a reliability test was performed using Cronbach's Alpha, which helps assess the internal consistency and reliability of the scale used in the questionnaire. This method ensures that the items measured are dependable and that the data collected can be considered suitable for further statistical analysis. It also supports research in addressing key questions, fulfilling the objectives, and validating the proposed hypotheses.

Hypothesis Testing:

Hypothesis 1:

H₀: There is no significant relationship between demographic factors (such as income, employment type, qualification, etc.) and schoolteachers' VAT awareness and attitude.

H₁: There is a significant relationship between demographic factors and schoolteachers' VAT awareness and attitude.

	gender	Marital Status	Academic qualification	Monthly Income	Family Member	VAT aware	VAT Knowledge seeking	perceived VAT fairness	positive VAT attitude	Negative VAT attitude
gender	1	0.071	.171*	-0.051	-0.029	-0.058	-0.053	0.113	0.087	-0.012
Marital Status		1	-0.006	-.187**	.144*	-0.03	-.181*	-0.017	0.023	-.145*
Academic qualification			1	0.13	0.004	-0.102	-0.135	.152*	-0.097	-0.003
Monthly Income				1	-0.009	-0.001	-0.046	-0.009	-0.109	-0.043
Family Member					1	-0.038	-0.088	-0.004	-0.012	0.081
VAT aware						1	0.073	0.1	0.125	.172*
VAT Knowledge seeking							1	-0.017	-0.084	0.116
perceived VAT fairness								1	.3222**	0.08
positive VAT attitude									1	.252**
Negative VAT attitude										1

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

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

Correlation analysis revealed significant relationships between demographic factors and attitudes toward VAT in Oman. Academic qualifications were positively linked to gender and negatively to family income. Awareness of VAT showed a significant correlation with negative attitudes, while income

correlated with the belief in VAT fairness. Notably, a strong link between positive and negative attitudes suggests mixed perceptions. All values were within ± 1 , confirming the validity of the results. Thus, the alternative hypothesis is accepted.

Hypothesis 2:

(H₀): There is no significant relationship between VAT awareness/attitude and household budgeting practices of schoolteachers.

(H₁): There is a significant relationship between VAT awareness/attitude and household budgeting practices of schoolteachers .

	gender	Married Status	Academic qualification	Monthly income	Family Member	Budget planning	Spending prioritization	VAT impact on saving	Income is insufficient	Expenses awareness
gender	1	0.071	.171*	-0.1951	-0.029	0.011	-0.115	-0.139	-0.089	0.049
Married Status		1	0.009	-.187**	-.144*	0.038	-0.102	-0.036	-0.074	0.012
Academic qualification			1	0.13	0.024	0.056	-0.052	-0.14	0.088	-0.02
Monthly income				1	-0.006	0.034	-0.053	-0.056	-0.049	-0.02
Family Member					1	0.123	.145*	-0.023	0.096	0.038
Budget planning						1	0.026	-.241**	-.224**	-.152*
Spending prioritization							1	-.196**	-.263**	-.165*
VAT impact on saving								1	-.177*	-.244**
Income is insufficient									1	0.06
Expenses awareness										1

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

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

The results reveal significant relationships at the 2-tailed level. For example, planning household budgets, cutting down on non-essential purchases, and being more mindful of expenses all show meaningful positive correlations with each other. Notably, the belief that VAT impacts monthly savings is strongly linked to reduced spending and increased financial awareness. Since all the values fall within the accepted range of ± 1 and several are statistically significant, the findings confirm that VAT has influenced household financial behavior. Thus, the alternative hypothesis is accepted, showing a significant relationship between the studied variables.

(H₀): There is no significant correlation between household budgeting practices and changes in buying behavior among schoolteachers.

(H₁): There is a significant correlation between household budgeting practices and changes in buying behavior among schoolteachers.

	gender	Married Status	Academic qualification	Monthly income	Family Member	Cutting on non-essentials	Price comparison	Preference for Low-Cost alternatives	Preference for discounts	Change in expensive item choices
gender	1	0.071	.171*	-0.051	0.029	0.013	0.036	-0.31	-0.083	0.041
Married Status		1	0.008	-.180**	-.144*	-0.049	-0.128	-0.078	-0.035	-0.126
Academic qualification			1	0.13	0.024	-0.077	-0.2	-0.009	-0.055	0.011
Monthly income				1	-0.006	-0.059	0.04	-0.03	-0.021	0.025
Family Member					1	0.081	0.084	0.051	-0.016	-0.055
Cutting on non-essentials						1	0.11	.270**	.274**	.244**
Price comparison							1	.223**	.258**	.244**
Preference for Low-Cost alternatives								1	.356**	.173*
Preference for discounts									1	.248**
Change in expensive item choices										1

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

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

To understand how VAT has influenced consumer shopping behavior in Oman, correlation analysis was used. The results show several significant relationships at the 2-tailed level. For instance, being more careful with non-essential purchases is positively related to comparing prices, choosing cheaper options, and altering shopping preferences. The preference for offers, sales, or discounts also shows a strong connection with these behaviors. All values lie within the standard ± 1 range, and many are statistically significant, confirming valid associations between the variables. Therefore, the alternative hypothesis is accepted, indicating a clear relationship between VAT implementation and changes in consumer shopping behavior.

9. Limitations

This study faced certain limitations that should be acknowledged. Due to time constraints, the research could not adopt a longitudinal approach, which may have limited the depth and continuity of the findings over time. Additionally, the sample was restricted to government schoolteachers in Muscat, which may affect the generalizability of the results to other regions or to private school educators. These limitations suggest opportunities for future research to explore broader populations and adopt extended timelines to gain deeper insights.

10. Conclusion

The data analysis reveals that 192 government schoolteachers in Muscat participated in the survey, with females accounting for 64.1% of the overall sample. The majority of respondents had a bachelor's degree and come from medium-sized households with modest incomes, indicating a broad demographic structure relevant to the study's objectives. The reliability study reveals that the data is reliable in meeting the research objectives, with a Cronbach's Alpha value of 0.785 beyond the acceptable level of 0.70. Furthermore, hypothesis testing findings show that the analyzed variables have significant connections. VAT understanding had a significant influence on instructors' opinions, with many participants expressing negative perceptions about the fairness and application of VAT. Furthermore, VAT has had a major impact on household budgeting behavior, with instructors reporting increased financial planning, a focus on necessary purchases, and decreased savings. Furthermore, the data indicate that VAT has a significant impact on consumer buying behavior, including increased price sensitivity and changed purchase patterns. As a result, all three alternative hypotheses are accepted, confirming strong relationships between VAT and respondents' opinions, budgeting techniques, and consumer behavior.

11. Recommendations

The following suggestions are put forth in light of the data analysis and interpretation:

1. Expand Campaigns to Raise Awareness of VAT: A sizable percentage of educators had little knowledge or comprehension of VAT laws. Therefore, workshops and targeted awareness campaigns should be launched to inform public sector workers, especially teachers—about VAT regulations and how they affect their personal income.
2. Incorporate Financial Literacy Programs: Teachers may be better equipped to handle their spending under the current tax structure if financial literacy sessions are incorporated into professional development programs, as many respondents stated that VAT affected their saving and budgeting practices.
3. Examining the Effects of VAT on Lower Income Groups: According to the findings, respondents had reservations about how equitable VAT was for people of all income levels. To ease financial strain, policymakers are urged to review the VAT structure or implement policies that assist lower and middle-income taxpayers.

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