Journal of Economics and Sustainable Development
ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)
Vol.5, No.18, 2014

Impact of Value Added Tax on the Nigerian Economy:A Discriptive Analysis

Dr Igbaekemen Goddy Osa,
Department of Sociology,Faculty of Social and Management Sciences, Nigeria Police Academy, Wudi ,Kano State .Nigeria
igbaekemengoddyosa@yahoo.com

ABSTRACT
The research study has been able to find out that VAT is at a flat rate of 5% of the seller's price. The proceeds from VAT nation-wide is payable into a common VAT account in the Central Bank of Nigeria from where it is to be distributed to all the three tiers of government (federal, state and local government) on an agreed formula.The tax is also very progressive in nature, the more you consume, the more tax you pay. Since tax is tied to consumption, it helps to rationalize the consumption pattern of the society. Value Added Tax affects the masses. Here, it was observed in the course of this study that VAT affects the goods consume and the services rendered to the consumers (masses). Moreover, the Decree that established VAT makes no exemption for pretty traders. All transactions involving the specified goods and services are subjected to the tax irrespective of how small any transaction could be. The federal government allocation would be used to provide social amenities like roads, adequate public transportation. The VAT decree states the offences and penalties relating to VAT .However ,literature from the archives were used to project current strategic implications. Some of the act that constitutes offences include, tax evasion, failure to make tax returns to issued invoices, failure to notify the tax authority about change of address, failure to register with tax authority, failure to keep proper records and accounts etc. All these have different penalties attached to them.
Keywords : Government Policies, Revenue earning ,Provision of amenities, Equitable distribution and Progressive nature

INTRODUCTION

Tax can be defined as a compulsory levy imposed by the government of a country on goods produced and/or services provided by individuals, corporate bodies irrespective of the exact amount of services rendered to the taxpayer in return. It is not imposed as penalty for any legal offence. That is, it is a compulsory payment imposed on goods, persons or a firm by the government with regards to the specific benefit that individual tax- payer must receive. Tax can also be defined as a compulsory levy imposed by the relevant tax authorities on taxable persons to augment government revenue. However, the relevant tax authorities are the accredited government agencies charged with the administration and collection of taxes at local, state and federal level i.e. Federal Inland Revenue Service at Federal level, State Inland Revenue Service at State level and Local Government Revenue Service at Local government level. Taxes could be direct or indirect, depending upon the person on whom the ultimate burden of tax falls.

DIRECT TAX: It is a tax on income, which places the incidence on the tax payer (an individual or limited liability company who bears the burden).
The following are the various types of direct taxes:

- Personal Income Tax
- Company Income Tax
- Capital Gains Tax
- Petroleum Profit Tax

INDIRECT TAX: It is a tax which transmits the tax burden from the initial sufferer (tax payer) to a third party i.e. final consumer who bears the ultimate burden. Types of indirect tax are:

- Stamp Duties
- Custom Duties
- Excise Duties
- Sales Tax
- Entertainment, Pool and Casino taxes
- Industrial Training Fund
- Value Added Tax

The International Monetary Fund (IMF) and the World Bank, the two agencies of the United Nations Organization (UNO) had since 1987 been advising that the tax system in Nigeria be reformed so as to reduce the government's high level of dependence on revenue generated from crude-oil locally. The Value Added Tax

(VAT) was suggested to the government of the Federation to replace the existing sales tax which though was nationally levied; the proceeds from it are collected and retained by the State Government. Value Added Tax (VAT) is an indirect tax on spending. That is, it is a consumption tax imposed on goods consumed and services rendered. It is borne by the final consumer and it is progressive in nature. The Federal Ministry of Finance and Economic Development was mandated to study and make recommendations on the reforms needed on the direct taxes in Nigeria.

A second study on indirect tax set up by the Federal Ministry of Budgeting and Planning was inaugurated on 26th April, 1991 by then Minister of Finance and Economic Planning. Therefore, the genesis of Value Added Tax can be traced to the report of the 1991 study group on the review of direct taxes in Nigeria under the chairmanship of Dr. Sylvester U. Ugoh. It was this study group that out the feasibility study of the new tax regime which government accepted. A Modified Value Added Tax (MVAT) committee headed by Mr. E. Ijewere was set up to look into the possible modification or simplification of the new tax in 1992. The government adopted what we now have as Value Added Tax (VAT) by promulgating the relevant decree. The Value Added Tax (VAT) came on stream on 1st December, 1993 by Decree No. 102 of 1993, although the actual implementation commenced on 1st January, 1994. The VAT decree automatically abrogated the sales tax.

LITERATURE REVIEW

According to Ajakaiye (2000), Value Added Tax (VAT) has become a major source of revenue in many developing countries including Nigeria where it was introduced in January 1994. Also Adebayo *(1995)* defined Value Added Tax as the value which is added to goods and services as they pass through the various stages in the business chain by registered persons in the course of their taxable activities up to the final consumer.

According to Osanyande *(1998),* Value Added Tax can be defined as the incremental value, which a producer, using labor, contributes to his raw materials, or processed goods or services. Here the producer can be a manufacturer, a distributor or a supplier of goods and services. In other words, the original items purchased or stock of material must have undergone some processing or improvement.

COMMENCEMENT OF VALUE ADDED TAX (VAT)

Mr. J.K.Naiye, *a former* chairman of the Federal Inland Revenue Services at a seminar organized by Yaba College of Technology, Professional Accountant Students said that the year 1994 was the first full year of VAT implementation in Nigeria and revealed that the (FIRS) were not only able to do so, their expectations even surprise them. Since independence, this was the first time that a national tax was introduced and vigorously pursued to gain wide acceptance in Nigeria and this was done without foreign assistance in its administration.

Early in 1994, a delegation of Internal Monetary Fund (IMF) experts who came to appraise the extent of preparedness was to learn that government expected revenue from VAT to be in the region of N8 billion in the first year of operation. The expert advised officials of FIRS to scale the estimate down drastically as the projection was too ambitious.

Their advice was based on their experience with other third world countries that introduced Value Added Tax (VAT). The Federal Inland Revenue Services collected over N10 billion which was far above their expectation for the first year. Value Added Tax is the best that has ever happened to the states of the federation with 80% of Value Added Tax proceeds went to them in 1994.

According to *Sunday Champion of January 22, 1995 page 7* "Value Added Tax, a consumption tax of 5% to the price of goods and services, was said to have recorded financial success. In view of the failure of the previous economic policies, many people have commended the Federal Inland Revenue Services for making a success of Value Added Tax program''.

Tax experts in the private sector have also declared Value Added Tax (VAT) as the best implemented economic program in 1994. However many kudos were given to Federal Inland Revenue Service for its unexpected capacity to realize the dream despite the numerous odds against the tax. In the *Guardian of January 14, 1998, page 1* "The Federal Government has continued to report a huge success in the collection and administration Value Added Tax (VAT). The Head of state did not fail to mention this in the budget speech. To allow more efficient and effective administration of Value Added Tax (VAT), additional local Value Added Tax (VAT) offices are to be opened''.

HIGHLIGHTS OF NIGERIA VAT WITH OTHER COUNTRIES

According to the *Business Times* of January 23, 1995, on the breakdown on the budget, Value Added Tax (VAT) was treated under the heading *Ensuring accountability in public project execution,* It was stated thus; Section 36 of Value Added Tax Degree specified that Value Added Tax (VAT) proceeds be shared on the basis of:-

80% to the State Governments and Federal Capital Territory, Abuja.

20% to Federal Government.

However, in view of heavy expenditure incurred in maintaining the agencies associated with collection of Value Added Tax (VAT). Section 36 was amended to read;
25% to the Local Government
25% to the State Government and Federal Capital Territory
50% to the Federal Government
Daily champion of Wednesday March 15, 1995 page 3 reported under the headline "Ogun State demand better VAT share for states". According to the report" the administration of the then Col. Akintonde, said the decision to slash states Value Added Tax (VAT) was wrong since state governments had being collecting Value Added Tax (VAT) in the form of sales tax prior to the introduction of Value Added Tax, they ought to be given a large share of the proceeds". In 1996, the new sharing formular from Value Added Tax was as follows.

- 45% to the State Government and Abuja
- 35% to the Federal Government

In 1997 sharing formula was:

Federal Government	35%
State Government	40%
Local Government	25%

Apparently to compensate the allowances granted by the tax payers, the then Head of State, Late General Sanni Abacha, said Value Added Tax contribution formula will be reviewed in favor of States and Local governments with effect from January1st 1998. In effect, Federal Government share was reduced by 10% while States and Local Government was share was increased by 5%.

However, the Value Added Tax system has been adopted by many countries in the last 40 years. Today in its comprehensive form, VAT is an important part of the fiscal system in over 50 countries.

The first developing country to impose VAT its comprehensive form was the Brazilian State Government in 1997 when it abolished the many various sales taxes and replaced them with a single Value Added Tax as a means of ensuring co-ordination among all the 26 states in Brazil. Demark introduced VAT in 1967, France and Germany came on stream by introducing VAT in 1968, the other members of the European Economic Community (EEC) introduced VAT shortly thereafter to replace the turnover taxes.

VAT AND SALES TAX

Reference to *Decree No 7 1986* VAT is the replacement of the existing Sales Tax which has being in operating under Federal Government Legislative Decree No 7 of 1986, but it operated on the basis of residence. At present, the Nigerian Sales Tax Decree no 7 1986 governs the imposition and collection of sales tax. The Decree imposes 5% tax only on sales and services in registered hotels, motels, catering establishments, restaurants and on goods such as soft drinks, cigarettes and tobacco. Jewels and jewelries, perfumes and cosmetics, excluding electrical and electronics equipment, carpets and drugs excluding linoleum and bottled natural water excluding mineral water and 10% sales tax in wine, liquor and spirits.

Usually, the VAT has replaced the sales tax in almost all the countries that have introduced VAT, because of the weaknesses that are inherent in sales tax some of which are:

	Sales	**Value Added Tax**
I	Includes tax on services	Inclusion of service in the list of taxable items
Ii	Locally manufactured goods	Locally manufactured imported goods
Iii	Goods of lower rate, difficult to administer	VAT is at the rate of 5%
Iv	Poor audit of sales tax revenue	Better audit of VAT
V	Point of collection	VAT is collected at the point of importation and purchaser

However, the following differences exist between sales and tax and Value Added Tax.

- The administration of Value Added Tax is by a single authority (The Federal Inland Revenue Service). Sales Tax was administered by all the State Internal Revenue Service on the basis of their area of jurisdiction, with the FIRS catering for the Federal Capital Territory only.
- Value Added Tax (VAT) covers a broad base of goods with very few exemptions. In contrast, Sales Tax cover nine (9) categories of goods and services in hotels, motels and restaurants.
- The credit system of input tax in the Value Added Tax (VAT) system is absent in Sales Tax.
- Value Added Tax (VAT) carries a single tax rate of 5% while sales tax has dual tax rates of other goods and services.
- The revenue capacity and efficacy as a fiscal tool is more with Value Added Tax (VAT) than sales tax.
- Value Added Tax nation-wide is payable into a common Value Added Tax (VAT) account in the

Central Bank of Nigeria from where the distribution of all the tiers of government takes place on an agreed formula. In the case of Sales Tax, each state collected and kept its proceeds in its territory while the Federal Inland Revenue Services (FIRS) collected tax from the Federal Capital Territory.

IMPACT OF VALUE ADDED TAX IN NIGERIA

According to the African Economic Research Consortium *(AERC, t*he impact of value added tax in Nigeria is that of a coin, what I mean by this is that it has two sides both negative and positive. On the side of Government, it has tremendously increased its revenue earning potential as opposed to the normal system before the advent of VAT, it has reduced the incidence of tax evasion as many people who hitherto used to avoid VAT has been paying as it is an indirect form of tax system. Many goods that people purchase these days has tax tags on them.
VAT paid by a business on purchases is known as input tax, which is different from VAT charged on company's sales, known as output tax. Ifoutputs exceeds input in any particular month, the excess is remitted to the Federal Board of Inland Revenue (FBIR) but where input exceeds output the tax payer is entitled to a refund of the excess from FBIR though in practice, this is not always possible.

A tax payer however has the option of recovering the excess input from excess output of a subsequent period. It should be added at this point that recoverable input is limited to VAT on goods imported directly for resale and goods that form the stock-in-trade used for the direct production of any new product on which on the output VAT is charged. The other side of VAT is that many people have been complaining of price hike in most goods and services provided by government and companies and this is a result of VAT because most services and goods provided by government and goods are taxable.

ADMINISTRATION OF VAT

Basically, the structure of VAT as under the decree establishing it provides features that will simplify the administration of the tax. The broad coverage of goods and services, coupled with the application of single tax rate all contribute to facilitate easy administration. The decree provides for the establishment of a technical committee known as the Value Added Tax Technical Committee which is composed of the followings.
A chairman who shall be chairman of the Federal Inland Revenue Services (FIRS).
Directors in the Federal Inland Revenue Services
A director of the Nigerian Custom Services.
Three representatives of the state government who shall be members of the Joint Tax Board.
The Technical Committee is to advice Federal Inland Revenue Services on the technical matters pertaining to the administration and policy of Value Added Tax in Nigeria.

OVERVIEW OF VAT ADMINISTRATION

Abuja as the head quarters has the VAT Directorate headed by a director and assisted by two deputy directors and other technical hands. The various zonal co-coordinators of the Federal Inland Revenue Service at strategic locations throughout the nation are to co-ordinate the activities of the local VAT offices at state capitals. There are other VAT offices at state levels that report directly to VAT directorate at Abuja. Apart from local VAT offices in state capitals, there are other VAT offices in some commercial towns. With time local VAT offices may be extended to every local government areas.

Non-Remittance of tax

If a taxable person does not remit the tax within time specified in section 13 of the Vat Decree, a sum equal to five per cent per annum (plus interest at the commercial rate of the amount of tax remittable shall be added to the tax and the provisions of the Degree relating to collection and recovery of un-remittable tax, penalty and interest shall apply.
Board should notify the taxable person or his agent due date together with the penalty and interest and if payment is not made within thirty days from the due date of such notification, the Board may proceed to enforce payment as provided in the degree.

OFFENCES, PENALTIES AND DISPUTE RESOLUTION

Registration – S.8 (2)

A taxable person who fails or refuses to register with the board within six months of commencement of business shall be liable to pay penalty an amount of:

- N10, 000 for the first month in which the failure occurs; and
- N5,000 for each subsequent month in which the failure continues

Furnishing of False Documents, etc. – S.21

A person who produces, furnishes or makes statements which is false in any material particular is guilty of an offence and liable on conviction to a fine twice the amount under-declared.

Evasion of tax – S.22
A person who participates in or takes steps with a view to evasion of the tax by him or any other person is guilty of offence and liable on conviction to a fine of N30, 000 or two times the amount of the tax being evaded, whichever is greater, or to imprisonment for a term not exceeding three years.
Failure to make Attribution – S.23
A person who fails to issue tax invoice for goods sold or a service rendered, is guilty of an offence and is liable on conviction to a fine of 10% of the cost of the goods or services for which the invoice was not issued.
Failure to issue tax invoice – S.25
A person who fails to issue tax invoice for goods sold or services rendered, is guilty of an offence and liable on conviction to a fine of 50% of the cost of the goods and services for which the invoice was not issued.
Resisting, etc an Authorized Officer – S.26
A person who resists, hinders or obstructs or attempts to resist or hinder an officer is guilty of an offence and liable on conviction to a fine N10, 000 or imprisonment for a term of six months or both of such fine and imprisonment.
Issuing of tax Invoice by Unauthorized Person – S.27
A person who, other than a person registered under VAT Decree or a person authorized to do so under this Decree issues an invoice purporting same to be attributable to tax, is guilty of an offence and liable on conviction to a fine of N10,000 or imprisonment for a term of six months.
Failure to Register – S27
A taxable person who fails to register under VAT Decree is guilty of an offence and liable on conviction to a fine of N5, 000 and if after nine months the person is not registered, the premises where the business is carried on shall be liable to be sealed up. This provision and that of Section 8(2) appears to be speaking about the same offence.
Aiding and Abetting Commission of Offence, e.t.c. – S.32
An officer of the Board or any other person, who aids and abets the of any of the offences under this decree, is imprisoned for a term of five years. Where a person's conduct during any of the specified period has involved the commission or omission by him of any one or more of the foregoing offences under this Decree, then whether or not the particulars of the offences are known, he shall by virtue of this section be guilty of an offence and liable to a pay a fine of N10,000 or if greater, four times the amount of tax that was or intended to be evaded by his conductor to imprisonment for a term of six months or both such fine imprisonment.
Dispute resolution
Any taxable person, who is a person aggrieved by an assessment or demand notice made upon him, may appeal against the assessment by a notice to the zonal VAT Tribunal where the taxable person is resident, giving notice in writing through the Secretary to the Zonal VAT Tribunal within 15 days. After the date of service upon the taxable person on the assessment or demand notices and the appeal shall be heard by the tribunal. The Board, if aggrieved by the non-compliance of a taxable person to any provision of the VAT decree, may appeal to the zonal tribunal where the taxable person is resident giving notice in writing through the secretary to the zonal VAT Tribunal. Where a notice of appeal is not giving within the period specified, the assessment or demand notices shall become final and conclusive and the board may recover tax, interest penalty, which remain unpaid from any taxable person through the proceeding at the zonal tribunal.
The party seeking to enforce the award of judgment shall enforce an award or judgment of the VAT tribunal as if it were a judgment of the Federal High Court on registration of a copy of award or judgments in the registry of the Federal High Court.

VATABLE SERVICES RENDERED BY FINANCIAL INSTITUTIONS

In arriving at what constitutes vat-able financial services, a distinction should be made between activities that constitute returns on investment and consumption of services rendered by financial institutions. All charges arising from the services of banks and financial institutions will ordinarily attract Value Added Tax and they include among others the following.

- Debt conversation fees
- Fees/Commission on asset trading
- Commission on sales of bank drafts/certified cheques
- Fees chargeable on public/private issues
- Bank charges, commission on turnover (COT), ledger fees etc.

Services of Banks and Other Financial Institution Not Liable To Value Added Tax
A simple criterion for determining whether a service is vat able or not is the identification of those activities that constitute returns on investments as distinct from institutions that will not attract Value Added Tax include:-

- Premium on insurance policies

- Interest on bank deposits
- Interest on Loans/advances and overdraft facilities
-

DETERMINATION OF VALUE
According to Alade (1999) VAT is impose on the value of supply. Supplies mean any transaction whether it is the sale of goods or the performance of services for a consideration that is for money‘s worth.
The supply of goods under the scope of Nigeria.
Supplies made outside Nigeria are outside the scope of Nigerian VAT. The value of the supply will depend on the nature of consideration for supply, which can be:
Wholly in money In this circumstance, the value will be the price payable by the customers plus the tax chargeable. VAT able value + VAT = Consideration
Not wholly in money That is, where payment is partly in money or without the use of money or the transaction is between related persons. In all cases, it is the open market value of the supply.
Imported Taxable Goods and Services. VAT will be charged on imported goods into Nigeria irrespective of whether or not:

- The goods have to attract custom duties, and
- The person importing the goods is registered for VAT.

The VAT chargeable is in addition to custom duties and other charges may be due. The value of such imported goods includes all duties and charges that may be made. VAT is payable on services received from outside Nigeria if such services are supplies to a Nigerian customer.

AT INCREASE AND ITS IMPLICATIONS FOR THE ECONOMY
African Economic Research Consortium (AERC) in a research carried out on VAT system in Nigeria conducted some years ago stated that Nigerian companies treat their VAT expenses as input casts and pass these to the consumers while the government injects most of the VAT revenue back into the system as consumption expenditures, thus causing huge disruptions to the economy. In a country were basic physical infrastructure fotransportation, communications, power and information technology, necessary to strengthen competitiveness and expand productive capacity are lacking, highly distorted Nigerian economy. Nigerian infrastructure is of poor quality by any standard and constraints businesses, even if it is better than average for Africa. In a recent World Bank survey, manufacturing companies in the country ranked infrastructure as their most severe business constraints. Apart from the negative implications of VAT increase as highlighted above, the issues are likely to be the problems associated with the increase;

TOTAL COLLAPSE OF THE REAL SECTOR:
Before now, there has been a sharp drop in capacity utilization in the real sector from about 50 per cent in 2008 to less than 40 per cent in 2010 in manufacturing industries and further increase in VAT rate will further disrupt the sector and lead to astronomical increase in prices of produced goods. The sector which is already grappling with the problems of multiple taxation, poor road network and epileptic and non-functional power supply, an increase will not only lead to higher cost of production but also increase the volume of on unsold goods with its attendant result in reduced capacity utilization. Consequently, it will increase the rate of unemployment and exacerbate the poverty level in the country. Local and foreign investors currently operating in the economy would find the environment much more economically volatile than ever and be discouraged.

RISE IN INFLATION
As a matter of fact, an increase in VAT rates will automatically increase the inflation rate. VAT being a consumption tax, will have further excruciating effects. Manufacturers had already increased their prices of goods and services, even where such goods and services are not expressly subject to VAT
For instance, composite goods producers and service providers may still be indirectly exposed to adverse conditions that could lead them to increase prices because of the spate of uncontrolled hike in prices already being witnessed. Nigerians, who are already living under $1 (dollar) per day with the attendant low purchasing power, will compound the poverty situation in the country. Already analysts are projecting possible rise of inflation to 18 percent arising from the domino effect of the increase of VAT rate.

UNEMPLOYMENT
One of the attendant implications of VAT rate increase for the economy is the high rate of unemployment. Already it is estimated that over 8 million graduates of tertiary institutions find it difficult to secure employment after graduation. Social vices like armed robbery, which are already on the increase, are likely to become more pronounced in the society. And many other social vices will be embraced by the Nigerian graduate. The fact of

the matter is no longer whether Nigerian graduates are responsible for these vices, but the simple truth is that, they are one of the social groups always at the receiving end of bad economic policies.

MERITS OF VALUE ADDED TAX

According to Zukogi (2007), VAT is a tax on domestic consumption and imports. It is not paid when money is saved and invested in productive capacity. VAT has numerous advantages over other forms of taxation. These include:

The comprehensiveness of the goods covered by VAT determines the potential yield which generates large and buoyant revenue because of the taxable goods. Furthermore, VAT is a multi-stage tax and therefore generates more revenue because revenue accrues from at least one stage since the possibility of all the stages in the chain being left over is slim.

VAT is a neutral tax because it does not segregate between economic decisions. For example, it preserves the choice between labor intensive and capital intensive production processes. It also does not discriminate between vertically integrated companies.VAT eliminates cascading characteristics prevalent in sales and some other types of tax.

In VAT, administration enforcement is facilitated between the purchase sales. The sale at a particular point in time is the purchase of othersVAT lessens revenue loss of government because it is collected at source i.e. at the initial stage of transactionVAT encourages industrial growth by allowing credit on imports and capital goods, and encourages exports by zero rating.

The VAT content of any goods and services is clear and documented on each transaction since the tax must be shown on the invoice (see section 9 and 25 the VAT decree). With VAT, relative competitiveness on export is maintained by believing that the exported goods of all the internal taxes (VAT) are paid on the exports.

Since VAT is a consumption tax, it is difficult to evade.

All you need to pay is to buy a Vat-able item

It will reduce dependence on oil with lot uncertainties in the international market.

It is equitable due to the fact that the more you consume, the more you pay

encourages and and cultivates records keeping culture. The record keeping provides up to date and continuous series of statistics for management government in decision making process.

CONCLUSION

Based on the finding of the research work, the following conclusive remarks can be highlighted. The study is concerned with the implementation of Value Added Tax as a tool of fiscal control in our deregulated economy and it has shown a 84% of prospect in recent years.

VAT has been able to generate funds for the government through the Federal Inland Revenue Services VAT section. VAT payment has not seriously improved the standard of living of the citizens. The rates on individual foods should be varied to reflect the quality of the goods.

VAT payment does not have the capacity to generate employment opportunities for the citizen. However, that VAT has replaced sales tax does not mean it can affect the distribution of the income / wealth in the nation. That a great majority of the citizens are aware about the existence of the VAT, but the system lacks the facilities to bridge the gap between the rich and the poor.

VAT is a good source of revenue generation for the government. However, VAT has problems traceable to human factors, which has the greatest limitations to its implementation such as dishonesty among VAT officers with the involvement of some corrupt practices by agents and staffs, inconsistent government policies, inadequate publicity, there is low level of awareness among the tax payers, inadequate human and infrastructural resources.

RECOMMENDATIONS

Based on the findings in this research work and the problems highlighted in this project, the following recommendations are proposed:

Value Added Tax (Vat) should be used as a tool of fiscal control by the government to improve the economy

- The Value Added Tax (VAT) field officer should have direct power of arrest on all defaulters, instead of referring the case to the police
- Government should give enough financial support to the tax system so that its proper implementation will be sustained
- The creation of monitoring teams as the need arise so as to curtail sharp practices by agents and staff members
- The implementation of Value Added tax (VAT) should be targeted at making life of income earner better

- The awareness of the tax system be must improved upon by employing available mass media in the country
- The tax system should be reviewed from time to time probably 5 to 10 years
- The Value Added Tax (VAT) clearance certificate should be introduced and renewed annually

The Federal Inland Revenue Services (FIRS) staff working conditions be reviewed upward which will serve as motivation for them to continue to be diligent and dedicated to their duties.Government should send the members of Federal Inland Revenue Services (FIRS) on regular training programs.

Government should create more collection centers so that Value Added Tax can reach more people.As far the banks are concerned, the Federal Inland Revenue Service (FIRS) should ensure that it regularizes the implementation of Value Added Tax in order that it may not be accused of discriminating practices against banks.The Government should apply strictness in the enforcement activities of Value Added Tax just as it has done to the financial institutions in recent years. By this market force should be allowed to determine the Value Added Tax chargeable, but with or close monitoring.

The government should heed the repeated calls to grant incentives to some companies for seeking and being quoted in the capital market, may be a reduction of above 5% corporate tax for some years.The government should abolish both Capital Gain Tax and Withholding Tax on securities investment. This will no doubt encourage more people to channel their investment and pay Value Added Tax

The Government should also come out with policies that will make it mandatory for some of the indigenous companies in Nigeria to abide by the provision of Value Added Tax decree. The policy could set a ceiling on a company’s share capital, level of turnover, number of years of operation, after which the company must of necessity be assessed for Value Added Tax. Otherwise, it will lose some privileges. It is common knowledge that there are many unreported evasion and avoidance of Value Added Tax to the detriment of economic growth.

The Federal Government should not withdraw its awareness on the VAT policy through the floating of its annual development loan stock. The interest rate of this structure should be raised to make it more attractive.Similarly, state government should be made to finance certain projects through the funds received from the Value Added Tax. This will also ensure their regular patronage and consequently increase the standard of living of citizens in Nigeria thus facilitating economic growth.

The government should resist the temptation of administering Value Added Tax since this will not augur well for tax control developments. The Government’s control or regulation through its agencies should be as flexible as possible.

As for the duty of surveillance, the Federal Board of Inland Revenue (FBIR) should try to guide against any future occurrence of fraudulent tendencies and other ways of manipulations by the vat-able persons.Other ways and means should be sought to increase the loopholes noticed on the Tax laws especially now that the Unit Trust Scheme is well established.

For the Value Added Tax, it is now time for the immediate implementation of other electronic gadgets after Automated Trading System (ATS) that will improve the accountability on the Value Added Tax. This is the only step towards globalization. Concrete effort should be made to tackle the problems associated with the Central Securities and Clearing System.The tax administrator should step up action to complete the machinery needed to be fully internationalized. They should allow foreign securities to be assessable to Nigerian investors.

The Federal Inland Revenue Service should evolve and develop a new Management Information System (MIS) to improve on its information management. This will increase the level of efficiency and maintenance of public confidence.The call for the encouragement of risk capital through the assistance of venture capital companies with a view to gaining more finance for business organizations have not been heeded. The government as a matter of urgency should consider this call.

REFERENCES

Adebayo, A. (1995), “The Impact of Value Added Tax on Nigeria Economy” Vol. 2, Bp Publication, Lagos.
Naiye,J.K. (1994), Modified Value Tax, The Accountant (ICAN Journal) April/ June 1993 Vol. XXXVI No. Pg 4-6 Central Bank of Nigeria (2004), “Annual Report”
Federal Inland Revenue Services (1993), Value Added Tax, Information circular number 9304 (1993)
Federal Inland Revenue Services (1993), Value Added Tax, Information circular number 9305 (1993)
Federal Inland Revenue Services (2004), “Annual Reports and Accounts”
Alade, A. (1999),”The Concept of Taxation” Vol 3, Longman Publishing Lagos
Osayande P.O. (1998), “ The Value Added Tax in Nigeria”,Shepherd publication Investment Ltd,lbadan
Ajakanye, S. (1998), Elements of Tax Management and Practices in Nigeria, 1st Edition, Sagibra tax Publication, Ikorodu, Lagos
Zukogi, M. (2007), Tax in Nigeria Vol. 1,2nd Edition,Pumarks Publications,Agege,Lagos

Value Added Tax Act 102, 1993
Daily Champion,March 15th ,1995.
Sunday Champion,January 22nd,1995.
Guardian,January 14th,1998.
Business Times,January 23rd,1995.