TITLE PAGE

AN ASSESSMENT OF VALUE ADDED TAX (VAT) AS A FISCAL POLICY MEASURE FOR ECONOMIC RECOVERY IN NIGERIA.

BY

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A PROJECT SUBMITTED TO THE POST GRADUATE SCHOOL, AUMADU BELLO UNIVERSITY ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA) OF AHMADU BELLO UNIVERSITY ZAR1A.

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DEDICATION

This research work is dedicated to my beloved wife Mrs. Dora Audu who laboured strenuously for my education, may you live long to reap the fruit of your labour.

DECLARATION

I hereby declare that this project has been written by me, and that it is a record of my research work. It has not been previously presented in any applications for higher degree.

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CERTIFICATION

This project report entitled An Assessment of Value Added Tax as a Fiscal Policy Measure for Economic Recovery in Nigeria by Ibrahim Kyakse Audu meets the regulations governing the award of the degree Masters in Business Administration (MBA) of Ahmabu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

Supervisor — Date

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Dean Post Graduate School — Date 19/8/98

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ABSTRACT

Since the early 1990 when Nigeria found a new money spinner in oil, othcr sectors of the economy like agriculture and manufacturing were relegated to the background. Thus Nigeria became a rnonocultural economy, with oil accounting for more than ninety percent of its total foreign exchange earings.

With the collapse of International oil price of 1981 and persistent softening of the International oil since then, and partly in domestic lapses led to internal and external debt crises.

The failuare of structural adjustment programme and other rnonetary measures to rectify the fiscal imbalances made the governmenl to introduce Value Added Tax as a means of not only diversifying tlie revenue base of government but to generate revenue to improve the quality opf life of Nigerians. The use of taxation like Value Added Tax and the effort towards accountability and transparency on the the part of government lias contributed to the fiscal surplus recorded in the first quarter of 1995. Asa result of these, sound fiscal policy measures have been recognized as a key factor in the economic recovery of Nigeria. Their role in the economic history of the country cannot be overemphasized, They are found in all spheres of government policy formulation leading to macro-economic stability in the country.

Sound, important techniques for examining a country's economic performance GOP, Domestic Price. Growth or Money stock, Growth or Credit, Balance of payments and Foreign Exchange flow have come to the forefront.

issues pertaining to Fiscal Policy formulation, implementation, execution. evaluations are being scrutinized by policy makers the public and academicians.

However, Value Added Tax being a new innovation in Nigeria, there exists the problem of inadequate publications on VAT to educate the public on the need to live upto their civic responsibilities thereby contributing their quota to the economic recovery of Nigeria. The few publications that arc available arc complex and not easily understood by the public.

The shortcoming in this sector of the economy has led to many research being conducted in this area. The nature of taxation is complex itself and has always made research into the area not only difficult but challenging.

Improving the quality of Fiscal Policy measures will not only lead to economic recovery but macro-economic stability, it is for this reason that the focus of this study is upon the assessment of Value Added Tax as a Fiscal Policy measure for economic recovery in Nigeria.

TABLE OF CONTENTS.

TITLE PAGE i
DEDICATION ii
DECLARATION iii
CERTIFICATION iv
ACKNOWLEDGMENT v
ABSTRACT vi
TABLE OF CONTENTS viii

CHAPTER ONE 1
1.0 INTRODUCTION 1
1.1 STATEMENT OF THE PROBLEM 4
1.2 HYPOTHESIS 4
1.3 OBJECTIVE OF THE STUDY 5
1.4 SIGNIFICANCE OF THE STUDY 5
1.5 JUSTIFICATION OF THE STUDY 5
1.6 SCOPE OF THE STUDY 6
1.7 RESEARCH METHODOLOGY 6
1.8 DEFINITION OF TERMS 6
CHAPTER TWO 8
2.0 LITERATURE REVIEW 8
2.1 OBJECTIVES AND INSTRUMENTS OF FISCAL POLICY. 12
2.2 INSTRUMENT OF FISCAL POLICY 12
2.2.1 TAXATION 12
2.2.2 EXPENDITURE 14
2.3 FISCAL POLICY AND ECONOMIC DEVELOPMENT 15
2.4 FISCAL POLICY IN NIGERIA 16
2.5 FISCAL OPERATIONS AND ECONOMIC PERFORMANCE 18

2.6 CANONS OF TAXATION 19
2.7 TYPES OF TAXATION 20
2.8 THE PROBLEMS OF REVENUE GENERATION IN NIGERIA..... 21
CHAPTER THREE 23
3.0 THE PROFILE OF VALUE ADDED TAX (VAT) 23
3.1 MODIFIED VALUE ADDED TAX (MVAT)..... 25
3.2 OBJECTIVES OF MODIFIED VALUE ADDED TAX (MVAT)..... 25
3.3 VALUE ADDED TAX VERSUS SALES TAX..... 26
3.4 TYPES OF VALUE ADDED TAX. 27
3.5.1 ADMINISTRATION OF VALUE ADDED TAX (VAT) 28
3.5.2 VALUE ADDED TAX TECHNICAL COMMITTEE 29
3.5.3 VAT DIRECTORATE 29
3.5.4 VAT OFFICES NET-WORK 30
3.5.5 THE MINISTER OF FINANCE..... 30
3.5.6 RETURNS..... 30
3.5 THE OPERATIONS OF VAT 31
3.6.1 ASCERTAINMENT OF TAX PAYABLE. 31
3.6.2 REGISTRATION FOR VAT 32
3.5.3 ACCOUNTING FOR VAT. 33
3.6.4 VATABLE GOODS AND SERVICES AND THE RATE OF TAX 34
3.7 PROBLEMS IN THE OPERATION OF VAT IN NIGERIA 35
3.8 *GUIDELINES FOR AN EFFICIENT* VALUE ADDED TAX..... 36
CHAPTER FOUR 39
4.0 DATA PRESENTATION AND ANALYSIS 39
4.1 THE EFFECTIVENESS OF VALUE ADDED TAX SYSTEM..... 39

4.2 VALUE ADDED TAX; A BOOST TO GOVERNMENT REVENUE 44
4.3 TRENDS IN FISCAL OPERATIONS FOR THE FIRST QUARTER OF 1995 46
4.4 THE IMPACT OF VALUE ADDED TAX ON CONSUMERS 48
4.5 THE IMPACT OF VAT ON INDUSTRIES 49
4.6 THE CHALLENGES OF AN EFFECTIVE VALUE ADDED TAX. 51
4.6.1 CHALLENGES TO GOVERNMENT 52
4.6.2 CHALLENGE TO CENTRAL BANK OF NIGERIA 54
4.6.3 CHALLENGE TO FEDERAL INLAND REVENUE SERVICE 55
4.6.4 CHALLENGE TO TAX PAYERS. 57
CHAPTER FIVE 58
SUMMARY RECOMMENDATION AND CONCLUSION 58
5.0 SUMMARY 58
5.2 RECOMMENDATIONS 61
5.3 CONCLUSION 62
BIBLIOGRAPHY 64

CHAPTER ONE

1.0 INTRODUCTION

Since the early 1970s when Nigeria found a new money spiner in oil, tax collection which had hitherto been the main revenue earner has been relegated, most often without government bothering about its administration. The result has been that taxes are either evaded completely by affluent Nigerians; or at best, under-valued for some others who care to pay at all. Thus Nigeria completely neglected the revenue potential inherent in an effective tax administration in the country.

This fortune changed with the collapse of International oil price in 1981 and the persistent softening of the International oil since then coupled with domestic lapses Nigeria has been experiencing serious economic problems. Thus the oil price collapse of 1981 led to serious external payment problems.

Consequently it was government's intention to adjust public expenditure to reflect the revenue constraints with the ultimate aim of containing budgetary deficits within 3.5 percent of GDP[1] hence the introduction of Structural Adjustment Programme in 1986.

According to Aboyade the acid tests of a good development plan is the effectiveness of the nations fiscal policy as reflected in the annual budgets. He observed that unless proper liason between the development planners and financial administrators; there is likely to be serious discrepancy in the balance of payments and the magnitude of realised foreign investment and external loans.[2]

1 The Financial post December 4 1994.
2 Integrated economics by O. Aboyade.

After more than a decade of harrowing deficit trap, Nigeria is yet to fashion out a panacea to this problem which now constitutes a bane of her economic development. The deficit crises reached a crescendo compounding the problem of fiscal and monetary variables. A survey of the Federal Government fiscal operation from 1972 to 1992 shows that the overall deficit as a percentage of GDP ranged from 4.1 percent in 1984 to 17.5 percent in 1992. From 1988 for example the nation appeared to have lost complete control over fiscal management from 8.6 percent of GDP that year; the deficit jumped to 9.5 percent in 1990 to 12.7 percent in 1991 and hitting an all time high record of 17.5 percent in 1992.[3]

Out of the options available to the authority to finance her fiscal deficit including printing of money through the Central Bank of Nigeria, borrowing from the banking system, borrowing from non-bank public; borrowing from abroad or depleting reserves; it showed preference to Central Bank financing through creation of money.

Each of the modes of financing fiscal deficit has some consequences on the economy. Marco-economic theory predicts that Central Bank financing through money creation will lead to inflation. Domestic borrowing leads to credit squeeze, while external borrowing leads to a current account deficit and an appreciation of the real exchange rate. Running down of foreign reserves leads to balance of payment crises.

The failure of the above measures to correct the fiscal imbalance led the government to introduce the value added tax (VAT) to diversify its revenue base. The prerequisite for a good fiscal management is responsible, responsive and efficient management.

Taxation played and performed vital role in the economic development of any nation. Countries like France, United States of America; Britain that introduced

3 The Financial Post December 1 1994

the value added tax has raised substantial amount of government revenue for economic development. Taxation in every sense is a tool of economic reformation. Government the world over; have always found ways of imposing various levies (taxes) on their subjects. This is done with a view to raising revenue for its expenditure. Hence, taxation is a method of transferring revenues from the private sector to the public sector. Although there are other methods governments can generate money; taxation is often the most important, dependable and regular source of their revenue. This is why it constitutes a veritable instrument of shaping and directing economic activities.

Increased taxation withdraws money from circulation in the private sector. This ordinarily may keep inflation under check. On the other hand; reduced tax or tax abolition for certain areas automatically increase money supply to the private sector. It also increases or stimulates investment in the areas affected with the attendant benefits.

Efficient management of fiscal policy will result in increased employment; increase production; low inflation rate and higher standards of living. These are some of the high points for which any government will justify its continued existence.

The implications of issues examined here for value added tax (VAT) in a country like Nigeria in dire need to diversify her revenue based and save her from the instabilities inherent in a monocultural economy are far reaching to warrant the attention of not only policy makers but also academicians. The merits of such a course of action are very compelling because value added tax did not only realise its budget objective of six billion Naira, it overshot the target by thirty percent or two point one billion Naira total yield.[4]

[4] Nigerian Tax News.

The government is interested because value added tax is viewed as a major source of revenue for financing public expenditure to improve the quality of life of the citizenry.

1.1 STATEMENT OF THE PROBLEM

In a monocultural economy like Nigeria now witnessing a balance of payment problems characterised by fiscal deficits one may ask; can the imposition of value added tax be expected to make any contribution to the economic development of the country?

Will the adoption of modified value added tax against wholesale adoption of VAT provide the needed financial resources to finance the fiscal imbalance of the government?

Although the imposition of value added tax as a viable means of revenue to government, is important for economic development; it is bedeviled by a number of problems such as poor-record-keeping; large number of illiterate small retailers; leakages in the tax system. However solutions to these problems will accentuate the economic development of the country.

1.2 HYPOTHESIS

Giving the magnitude of the economic problems facing the Nigerian economy the following hypothesis can be drawn. That there is a relationship between fiscal policy measures and economic recovery.

The oil glut seem to hit Nigeria more because of her monocultural product.

The imposition of value added tax wholesale will be impracticable at present because the preponderance of the informal sector in the distribution chain and the likely cost of VAT from large number of vatable retailers.

Government has adopted structural adjustment programmes as a means of realigning the fiscal imbalance.

A single stage VAT that is at manufacturer/wholesaler; exporter/importer is only a form of modified value added tax which is on the way of being developed into a full VAT.

1.3 OBJECTIVE OF THE STUDY

In Nigeria the emphasis is to diversify her revenue base for economic recovery and sustainance. It is therefore the objective of this study to look at the current economic development in the country and recommend appropriate fiscal policy measures that will yield adequate financial resources; cut down on expenditures and debts for speedily economic recovery.

1.4 SIGNIFICANCE OF THE STUDY

The significance of fiscal policy measures cannot be over-emphasized. An efficient fiscal policy is an instrument of development to cope with volume of public investment. It also consist of the manipulation of various tax, expenditure, exchange, price or rate fixing and other instrument in such a way as to provide the private sector with sufficient incentives to generate the volume of savings required for economic development and to effect the corresponding investments. It is obvious to the ordinary man that if Nigeria is to overcome the economic crisis that is facing the country for over a decade now; a dynamic fiscal policy; back up by administrative and other instrument measures will not only diversify the revenue base of the economy but will serve to remove the structural bottlenecks in the economy.

1.5 JUSTIFICATION OF THE STUDY

The improvement of the quality of fiscal policy measure will strengthen the important sectors of the economy and also contribute to the success of individual businesses. In the country - appropriate fiscal policy measures is an important tool in determining the effective management of the Nigerian economy.

1.6 SCOPE OF THE STUDY

This study is intended to cover an assessment of value added tax as a fiscal policy measure in Nigeria. To be covered also is the current trend in the fiscal policy measures and the economic problems facing the country. This study is not concerned with monetary policy and other indirect tools of economic control.

This humble study does not claim to be exhaustive discussions or competence in the analysis of an assessment of VAT as a fiscal policy measure for economic recovery. However it should serve to stimulate further inquiry or investigation in this area.

1.7 RESEARCH METHODOLOGY

This study is basically historical and descriptive - the major sources of data and information will be both primary and secondary data. The study will make use of personal interviews, various relevant books, magazines, Central Bank of Nigeria publications, Newspapers, other publications in the library and other organisations relating to fiscal policy measures and value added tax.

Other aspects of the study are largely theoretically will be drawn substantially from the works of prominent scholars and authors.

1.8 DEFINITION OF TERMS

VALUE ADDED TAX (VAT)

Value added tax is a tax imposed on value which the supplier or tax seller of a good or service adds to the good or service before selling it. The selling price is a function of the following:

(i) The cost of raw materials (or immediate) inputs, rent, time e.t.c. used in the production of the good or service.

(ii) The wages paid to employees in respect of the production and the sale of the good or service.

(iii) Profit made by the supplier or seller of goods or services to the final consumer.

TAXATION

A compulsory contribution or levy imposed by a public authority; irrespective of the exact amount of service rendered to the tax payers in return and not imposed as a penalty for any legal offence.

TAX EVASION AND AVOIDANCE

Tax evasion is a contravention of tax laws; whereby a tax payer neglects to pay the tax due, or reduces the tax liability by making fraudulent or untrue claims on the income tax form; while tax avoidance on the other hand, denote those various devices which have been adopted with the aim of saving tax and thus, sheltering the tax payers income from greater tax liability which would have been incurred but for the tax avoidance device.

ZERO RATED

Mostly exports of goods; if a supply is zero rated, it means no tax is charged on the supply but credit is given to the trader for all tax on his in-put relating to that supply.

TAXABLE SUPPLY OF GOODS/SERVICES

Means simply sale of goods and services subject to VAT

TAXABLE PERSON

Include a trader, a producer, a wholesaler e.t.c. in the course or furtherance of business.

CHAPTER TWO

2.0 LITERATURE REVIEW

The term "fiscal policy" is derived from the Greek word 'fisc" which literally means the revenue or tax activities of the treasury. In functional usage however, fiscal policy, today, consists of steps and measures which government might take both on revenue and expenditure sides of its budget. Haladu I. Abubakar sees fiscal policy as "comprising the deliberate use of taxes, government spending or public expenditures and public debt Operations to influence economic activity in desired ways."[1]

John Hokins defined fiscal policy as the "whole body of measures relating to the tax system; public expenditure, contracting of internal and external debt by the state and the operations and financial situation of the autonomous and semi-public agencies and bodies; through the medium of which the amounts of distribution of investment and public consumption as components of national expenditure are determined and the amount and consumption of private investment and consumption are influenced directly or indirectly."[2]

The Nigerian Tax news defined Fiscal Policy as ". Pertaining to Public revenue and expenditure. A fiscal policy or instrument is a measure taken by a government to influence public or private revenue and expenditure." Compare monetary Policy: a measure aimed at influencing the workings of a financial system.[3]

For my purpose therefore, fiscal policy can be defined as "the use of taxation and expenditure in the budget to influence or direct the economy of a country."

1 Public Finance and Bubgeting by Halidu I. Abubakar.
2 Fiscal Policy for Economic Growth by John Hopkins.
3 The Nigerian Tax News.

The collapsed of the world oil market which resulted in Nigeria's oil earnings falling dramatically from a peak of ten billion Naira in 1979 to about five billion Naira in 1992 immediately triggered a major crises in the Nigerian economy.[4]

One of the major lessons in this circumstance is the futility of a centrally planned economy dominated by oil, a commodity on which Nigeria had come to depend for more than ninety percent of its foreign exchange earnings - having enjoyed a favourable payment position for much of the 1970's the state began to suffer serious deficits in its external payments. For example it was estimated that between 1981 to 1992 the overall deficit reached a record of seventeen point five percent (17.5%) of the gross domestic product.[5]

Nigeria had to borrow excessively to finance its budget deficits. This borrowing spree was to lay the basis for the country's debt crises which has served to compound the problems affecting the wider economy.

Unable to sustain its expenditure at it's Pre-crises levels; the country started to run huge deficits in its budget. Whilst at the same time embarking on foreign borrowing from private and official International sources to sustain some of its spending programmes.

The lesson of the 1980s for Nigeria is not just the adoption of structural adjustment programmes but also fiscal policy measures like taxation to diversity the revenue base of the government. It is therefore an indisputable fact that the recovery of the Nigerian economy and future economic prosperity lies in the operation of sound fiscal policy measures.

Fiscal policy as a concept and body of doctrine came into prominence in the western world with the "Keynesian revolution" in the 1930s. Prior to this period, the views of the classical and neoclassical dominated government attitudes towards

4 The Policies of SAP in Nigeria Edited by Adebayo O. Olukoshi
5 The Financial Post December 4 1993.

its 'fiscal powers'. The neoclassicists are of the view that governments have no business participating in the economy except to the provision of social infrastructure necessary for the private sector to function thereby leading to a balanced budget - raising taxes just enough to offset expenditure on the provision of the basic infrastructure. On the other hand the classicists objected on the grounds that if government was to engage on deficit financing; invariably the money would come from private sources which in effect would have been channelled into productive investments by the private sector would now be diverted to non-productive and wasteful government spending. They also argued that if government resorts to deficit spending it could be an indication that it was spending outside its traditional boundaries. Maynard Keynes and his "new economics" change all that

Keynes is of the view that one of the most deadly evils that could afflict any economy was the unemployment of resources. He maintained that government had a more positive role to play in the economy and that it was no sign of profilgacy on the part of government to maintain a balanced budget. In other words Keynesian economics established that government had more role to play in the economy and that its most portend instrument in playing this role was its fiscal power to raise revenue through taxes and to borrow as well as its own spending. By working through these fiscal powers government can direct and regulate the level of economic activity. The Keynesian view the state implied that it had both an obligation and an ability to control any instability in the economy and to restore functioning order.

The ascendancy of fiscal policy, which has followed the repaid and widespread influence of Keynesian economics since the second world war, has led some cynics to observe that the notion of the economic government in the second half of the twentieth century has now replaced the nineteenth century notion of the economic man, as all-knowing, rational, calculating, socially maximsing, far-sighted,

timeless, sensitive and conscientious. In the developing countries particularly, it is easy to appreciate why the objectives of development can be best achieved by active government intervention (government being the best and indeed often the only organised indigenous decision unit) and why fiscal policy becomes the most portend of instruments for social intervention. Development planning comes alive when fiscal policy makes suitable provision for the construction and maintenance of social overhead capital: when the national budget covers development expenditure in its widest possible sense, and when public financial programmes establish some balance among various sources, instruments and institutions in the money and capital markets.

The Keynesian economics in-turn gave rise to what was in the early days of the 'Keynesian revolution' known as functional finance which was later known as 'compensatory fiscal policy' of using public finance as a balancing factor in the management of the economy, have come to be widely accepted as an integral part of over-all macro-economic policy in combating short run instability. The possibilities and efficiency of compensatory fiscal policy are however more limited in the developing countries than in the industrially advanced world. This is because there are significant differences in the nature and origin of economic fluctuations and in other socio-economic characteristics between the developing countries and their developed counterparts.

The main sources of economic fluctuations in developing countries include variations in harvest due to weather and natural conditions drought, (pest invasion): changes in relative prices of exports like oil and other mineral resources on which many developing countries depend for the bulk of their foreign exchange earnings.

Industrialized countries, the leading of business cycles is fluctuations in the level of investment. This is not however to suggest that a developing country should not take advantage of the major points of fiscal policy. On the contrary such

a country should pursue a dynamic fiscal policy backing it up using administrative and other policy instruments while at the same time using other measures to remove or marginalised the structural bottlenecks in the economy.

Even though it has been shown that fiscal policy is less likely to be effective in a developing country than in a developed one, most nations have come to see fiscal policy measure as indispensable in their endeavour to develop the infrastructural and technological base for that visionary stage of economic take-off. With the increasing incidence of huge foreign and domestic debts in recent years, most developing countries have found it necessary to review the extent to which they can rely on deficit financing to finance development projects and thus the balancing role of fiscal policy can be said to be currently undergoing and indeed necessary review.

2.1 OBJECTIVES AND INSTRUMENTS OF FISCAL POLICY.

One of the fundamental objectives of fiscal policy as an instrument of development is to create sufficient public savings to cope with the estimated volume of public investment and to collect, by means of internal and external borrowing, such resources as it may be prudent to obtain from private savings or form foreign savings. Another basic aim consists in absorbing from the private economy, by the most equitable and efficacious means, the income required to cover the provision of those public services which the community regards as indispensable or desirable. A third objective consists in the manipulation of various tax, expenditure, exchange, price or rate-fixing and other instruments in such a way as to provide the private sector with sufficient incentives to generate the volume of savings required for economic development and to effect the corresponding investments.

2.2 INSTRUMENT OF FISCAL POLICY

2.2.1 TAXATION

Taxation is one of the oldest and commonest sources of revenue to governments the world over. Taxation is however, not only a source of revenue, it also represents a potent instrument of public policy which serves a diverse role in the modern society. Lord Lugard saw it as a necessity to any nation seeking civilization and that there is no civilized state in the world where some form of taxation has not been found a necessity, as such communities which aspire to be regarded as civilized should share common burden of civilization[6] which is taxation.

There is no universally accepted definition of the concept of taxation. However the International Encyclopedia of the social sciences defines taxation as "a general concept for devices used by government to extract money or other valuable things from people and organizations by use of law." The Dictionary of Economics defines Taxation as a "compulsory transfer of money from private individuals, groups or institutions to the government". It may be levied upon wealth or income in the form of a surcharge on prices.

Another author also defines taxation "as a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payers in return and not imposed as a penalty for any legal offense.

From the forgoing definitions therefore taxation is a compulsory levy in which the government uses to extract money payment from citizens and corporate bodies of a country. A tax contains at least three elements (i) the definition of the tax base, (ii) the rate structure and (iii) the identification of the legal tax payer.

6 Public Finance and Budgeting by Halidu Abunabakar.

A tax is an important tool of fiscal policy and it is used extensively in all spheres of government policy to achieve the following.

RAISING REVENUE: Taxation is an important, dependable and elastic source of revenue to government. Through a multiple system of taxes on incomes, wealth and consumption, government can raise large sums of money to help in offsetting expenditures incurred in the course of discharging its responsibilities to the general public.

INCOMES REDISTRIBUTION: Through a system of progressive income taxes, government attempts to 'redistribute' incomes between individuals by taxing incomes in excess of certain levels from taxation. Progressive taxation is indeed universally acknowledged important as a deliberate corrective to spontaneous economic, social and political forces which produce steadily growing income inequality in any modern society.

STABILIZATION: Taxation is also used in the area of demand management and supply stimulation to stabilize the economy from undue economic upheavals and to maintain a 'reasonable' price level. Government can tax (or increase tax) the consumption production and importation of certain line of goodS and services. It can also promote exports by giving a package of incentives. The government can also contain inflation by the use of variety of indirect taxes.

2.2.2 EXPENDITURE

Government expenditure is nothing more than a reflection of carefully formed plans and projects expressed in the form of the annual budget; if such plans and projects do not exist or are drawn up in an incomplete or vague fashion public expenditure will reflect the fact. As part of fiscal policy and in accordance with its other aspects, public expenditure must be in line with investment requirements in the public sector; with the extension and improvements of the educational, agricultural,

health and other services as well as the administrative and defense services; and with the policy of transferring funds to the private sector (in the form of subsidies etc.) and all this must be done within the framework of overall and sectoral targets.

Consequently the only way of rationalizing public expenditure is to prepare long term plans based on projects of the investments needed in the public sector and of current expenditure requirements; especially those that increase the population's productive capacity.

Despite huge annual expenditures government is able to satisfy only a very small proportion of overall societal demands at any given point in time. This is because financial resources like any economic good, are scarce relative to demand. In order to cope efficiently with this reality, governmental authorities even the wealthiest of them are usually faced with the task of having to make a number of choices on how best to allocate available resources in order to meet as much as possible, the multiple demands of society.

No general; a priori criterion can be laid down governing the desirable scope of government's expenditure, wether in the form of current expenditure or investment. It can be determined only in the light of all the annual plans and programmes for investment and expenditure in the public sector and of the growth requirements and short-term considerations that may make it advisable to provide a stimulus in a greater or lesser degree to particular programmes.

2.3 FISCAL POLICY AND ECONOMIC DEVELOPMENT

The main task of fiscal policy in economic development cannot be over emphasised. As fiscal policy provide alternative sources for financing large and growing government expenditure in an orderly, efficient and equitable manner, limit private expenditures on non-essentials, and ensure equitable distribution of costs and benefits accordingly in the economy in the course of development. Musgrave

in his book gave an outline of roles in which fiscal policy can play in the development process.[7]

1. The level of taxation affects the level of public saving and thus the volume or resources available for capital formation.
2. Both the level of and the structure of taxation affect the level of private saving.
3. Public investment is needed to provide infrastructure types of investment.
4. A system of tax incentives and penalties may be designed to influence the effeciency of resource utilization.
5. The distribution of tax burdens (along with the distribution of expenditure benefits) plays a large part in promoting an equitable distribution of the fruits of economic development.
6. The tax treatment of investment from abroad may affect the volume of capital inflow and the rate of reinvestment of earnings therefrom.
7. The parttern of taxation on imports and exports relative to that of domestic products will affect the foreign trade balance.

2.4 FISCAL POLICY IN NIGERIA

It is generally agreed that fiscal policy, inspite of its inherent limitations, has played a key role in the management of the Nigerian economy since independence. In the earlier days, fiscal policy in the country reflected more the financial requirements of government and that of maintaining a 'healthy' balance of payments account.

In later years however, the relative importance of fiscal policy measures in other areas particularly in maintaining economic stability became recognized and fiscal policy became the centre piece of government macro-economic policy

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7 Public Finance by Richard A. Musgrave and Peggy B. Musgrave

in the country. Infact during the Civil War years, government had to rely almost entirely on fiscal measures to harness resources and stabilize the economy. Overall, there is no doubt that fiscal policy have played a vital role in creating a favourable climate for rapid development in the country.

The main focus of fiscal policy in Nigeria has centred around the attainment of three basic objectives which are essentially organized to:-

i. Mobilize financial resources for financing econmic development.

ii. Maintain 'reasonable' economic and price stability, a healthy balance of payments account and,

iii. Minimize existing inequalities in wealth, income and production efficieny, offend a sense of social justice and endanger political stability.

In recent years these objectives have been expanded to include its (fiscal policy's) use in promoting a rapid expansion of agricultural and manufacturing production as well as promotion of exports and the use of local raw materials in industrial production, protection of infant industries and the dispersal of industries.

Fiscal policy is formulated and implemented by the three tiers of government that is Federal, State and Local Governments. Each having their defined areas of competence and tax jurisdiction within which to legislate on aspects of fiscal policy.

In Nigeria, fiscal policy measures have not achieved its designed objectives. The potential of fiscal policy in stimulating domestic production for instance remains to be exploited. So also its role in diversifying the base of the economy and bridging the gap in income distribution. The fault is however not much on inherent inadequacies of fiscal policy but the haphazard way in which it is designed and implemented. Also connected to this are the structural, social, economic and political bottlenecks. However these bottlenecks are surmountable and Nigeria like any other country can experience an effective fiscal policy.

2.5 FISCAL OPERATIONS AND ECONOMIC PERFORMANCE

When the fiscal operations of the Government result in a deficit, the mode of financing such budgetary gaps has implications for economic performance especially in the areas of macro economic stability and growth. For instance, if the financing of such budget deficits from domestic sources is from non bank public, there is a reduction in aggregate domestic demand as the disposable incomes of households are shared between consumption and investment in government securities. On the other hand, the resort to the CBN for Credits represents a fresh injection of money into the economy through bigger credit expansion by the banks. This development results in excess demand for foreign exchange by contractors and firms handling public sector projects and consequent depreciation of the Naira exchange rate. Pressure in the money and foreign exchange markets are transmitted to the real sector or the market for goods and services through the effects of interest rate on private investments and the impact of foreign exchange inputs for production of goods and services. The escalation of these imported costs results in higher production costs leading to reduced production.

For instance, between 1988 and 1993, net credit to the Federal Government increased on the average by 58.9 percent while CBN credit accounted for an average of 81.2 percent. Net credit to the domestic economy rose by 38.7 percent while narrow supply increased by 41.3 percent.[8] The high level of monetary expansion in the financial market should be seen against the low increase in national output during the same period. The consequence is the build up of inflationary pressures and expectations which we have experienced in the last five years.

Available data show that economic performance on the attainment of macro economic objectives of growth, price stability, full employment and balance of

8 Billion of July/September 1994 Vol. 18 No. 3.

payments equilibrium have been mixed during the period under review (1980 - 1993) Real domestic output fell by an average of 5.4 percent between 1980 and 1984 and fell by 5.1 percent between 1985 and 1993.[9] See appendix 1 to 7. In the last three years of the review, the growth rate of national output declined from 8.3 percent in 1990 to 2.9 percent in 1993. The fall in real output was largely caused by foreign exchange earnings with consequent decline in the retained revenue of the Federal Government and the reliance on the credit from the CBN to finance its deficits. The fall in real output was also reflected in the rising rate of inflation which averaged 17.8 percent in 1981, 1984 and 1985 respectively.

There was further acceleration of inflationary pressures between 1986 and 1993 as the inflation rate averaged 28.3 percent with double digits inflation rates of 38.3, 50.5, 44.6 and 57.2 percent recorded in 1988, 1989, 1992, and 1993 respectively other macro economic imbalances that resulted from developments in the government and financial sectors included further detoriation in our foreign reserves and wide spread unemployment of both human and productive resources.

2.6 CANONS OF TAXATION

Tax systems the world over have grown in response to many environmental influences including economic, political and social factors. The requirements of a good tax systems was outlined by Adam Smith in his book Wealth of Nations. They include:-

EQUALITY.

The citizens of every state are expected to contribute towards the support of government as nearly as possible, in proportion to their respective, that is in proportion to the income which they individually enjoy under the protection of the state. Everyone should pay his fair share.

9 Ibid.

CERTAINTY.

This requirement is proposed to protect the tax payer from undue harassment from tax officials or their agents. The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity (amount) to be paid all ought to be clear and plain to the contributor and to every other person if a scope of arbitrary exists, then under such circumstances even an honest tax machinery will be rendered unpopular.

CONVENIENCE:

It is required that the mode and timings of tax payment should be as fair as possible, convenient to the tax payer. For example Pay As You Earn (PAYE) system is designed to make tax payment more convenient to the tax payer.

ECONOMY:

Bearing in mind that every tax has an administrative cost (for both assessment and collection) it is important that the total cost of collection should be as minimal as possible. It will be very uneconomical and a waste of public funds to impose taxes which are too widespread and difficult to administer.

2.7 TYPES OF TAXATION

The government of an underdeveloped country like Nigeria that therefore wishes to realise the potential taxable capacity of its economy would need to re-examine the various forms of taxation open to it. In doing so, it is necessary to subject each kind of tax to its probable effects on the propensity to save; the administrative costs of collecting it, the incentives to work or continue to perform the same service, the foreign exchange implications, the impact on the stability of prices and the extent to which, taxes might be grouped into direct and indirect taxes.

DIRECT TAXES

Direct taxes are levied directly on persons and vary with the status of the taxpayer. The most important direct tax is the income tax. The personal income tax falls sometimes on the income of households and sometimes separately on each member of the household. It varies with the size and source of taxpayer's income and various other characteristics lay down by law such as marital status and dependents. Other forms of direct taxes include certain taxes levied on personal conduct, company income taxation and capital taxation.

INDIRECT TAXES.

An indirect tax is levied on a thing, and is paid by either an individual by virtue of association with that thing. Local rates on property are indirect taxes. They vary with the value of the real estate and are paid by either the owner of the occupier of the real estate. Other examples include import duties, export taxes; marketing board surpluses, excise taxes, sales tax (turnover taxes) or value added tax, property ratings (including land taxes) and public utilities pricing such as user charges.

An underdeveloped country that is innovative can discover a growing list of potentially taxable products or activities, if it decides to put its mind to it, market stalls, vehicle licenses including bicycles and hand trucks, pet licenses, cattle tax, entertainment taxes, levies and taxes on foreign travel and gifts.

2.8 THE PROBLEMS OF REVENUE GENERATION IN NIGERIA.

One of the most critical of these myriad of tax types is the personal income taxation. The purpose here is not only to generate funds for the government, but also to reduce the level of consumer spending as well as to reduce the degree of income inequality. The practical problems in which the tax administrator confronts

are however many and sometimes frightening. The problems of revenue generation in Nigeria can be summed up as follows -

i. There is a large element of subsistence or non-monetized production in the Nigerian economy.

ii. There is widespread illiteracy and absence of accounting records.

iii. There is a sociological - historical hangover against the payment of tax to governmental authorities or at least against honest declaration of incomes.

iv. There are strong leakages in the system of tax administration such that makes for a corrupt, inefficient and costly collection machinery.

v. Tax avoidance and tax evasion are prevalent, partly because of the doubtful integrity of those who run the state apparatus.

vi. People do not readily see the benefits of such taxation and cannot identify with what the tax proceeds are supposed to be spent on.

vii. Lack of adequate statistics or information on taxpayers.

viii. Lack of adequate training for tax collectors.

viiii. Lack of taxpayers education and enlightenment.

CHAPTER THREE

3.0 THE PROFILE OF VALUE ADDED TAX (VAT)

The valued added tax has been rapidly adopted by many countries in the last forty years. Forty years ago, VAT was little more than a theoretical proposition among fiscal scholars. Today, in its comprehensive form, the VAT is an important part of fiscal system in over fifty countries.

The first country to impose value added tax (VAT) in its comprehensive form was France in 1954.[1] It was later imposed into the French Speaking African countries, so that by 1967 almost all the French Speaking African countries were operating one form of VAT or the other.

The first developing country to impose VAT in its comprehensive (retail) form was the Brazilian State Government in 1957 when they abolished the various sales taxes and replaced them with a single value added tax as a means of ensuring coordination among all the twenty-six states in Brazil.[2]

The introduction of value added tax in Nigeria can be traced to the 1991 budget when government approved it as a means of improving its revenue base. Then government complained about the excruciating problem of wasteful spending at both the private and public sectors as well as the need to protect existing facilities and assets from avoidable deterioration.

It also lamented that the propensity to consume amongst Nigerians was higher than the propensity to save. Therefore it saw the need for a tax policy aimed at consolidating the gains from the private and public sectors as well as the need to encourage private sector productive activities. The Government therefore set up a

1 The Nigerian Accountant April/June 1993.
2 Ibid

study group in 1991 to review the tax system of the country. They recommend VAT and another committee christened, modified value added tax (MVAT).

In January 1993, government agreed to introduce VAT at the middle of the year, a date which was shifted three times until it settled for a new date of January 1 1994. The new tax system, among others, has the following features - It is directed at consumption, so it is tax on spending which is borne by the final consumer of goods and services because it is included in the final price paid. It is based on a flat rate of five percent. It is collected on behalf of government by businesses and organisations registered with the Federal Inland Revenue Service (FIRS) for that purpose, it covers both locally manufactured and imported goods and it has zero rate for exports.

Basically, VAT is a tax imposed on the value through the different business processes by 'registered persons" in the course of their taxable activities up to the final consumer. In essence VAT is paid by the final consumer, while the registered person's role in the process is to collect the tax for the Federal Government.

The Nigerian rate of five percent, observed Federal Inland Revenue Service Chairman "is one of the lowest in the world"[3] Indeed, except in Mauritius where VAT is levied also at (5) five percent on wholesales, the Nigerian rate is the lowest among the 19 VAT operations in Africa. An average rate is 11% in Cote d'Ivoire, 30% in Kenya, 14% in Togo, 17% In Tunisia and Niger. VAT is imposed at 13% in Guinea, 18% in Benin, 14% in south Africa, 15% in Madagascar and at graduated rates of seven, thirteen, twenty and twenty-one percent in Algeria, ten, thirty-five, eighty-five percent in Malawi, seven, twenty, thirty and thirty-four percent in Senegal and seven, fourteen, nineteen percent in Morocco. The two African countries that introduced VAT in 1995 Zambia and Ghana had launched the tax at twenty (20) percent and seventeen point five (17.5) percent respectively.

3 The Nigerian Tax News September 1995.

3.1 MODIFIED VALUE ADDED TAX (MVAT)

A full-scale value added tax (VAT)in Nigeria which will extend from one manufacturer through the wholesale to the retailer and to the ultimate consumer has been thought to be impracticable at present, because it is likely to be full of evasion and avoidance of VAT due to poor record-keeping, the large number of illiterate small retailers and small businesses, the preponderance of the informal sector in the disribution chain and the likely high cost of collecting VAT from large number of vatable retailers.[4]

These made the 1991 study group recommend, and the government to accept, that for now and for the immediate future a modified value added tax (MVAT) should be introduced, levied and collected at manufacturers/wholesalers and importers levels for goods but that, unlike under the former sales tax, services should be made subject to the Modified Value Added Tax (MVAT) and that only a single rate of MVAT should be levied.

3.2 OBJECTIVES OF MODIFIED VALUE ADDED TAX (MVAT)

i. To eliminate or minimize the distortion by improving its transparency and predictability and shifting its incidence towards expenditure rather than income.

ii. To achieve greater fiscal flexibility in order to develop expenditure that can be maintained in the face of fluctuations in oil revenue by broadening the statutory base or taxation and its effective coverage.

iii. To distribute the burden of taxation more evenly across different goods and services through a broader coverage to void multiple taxation.

iv. To consolidate and modernize the tax system in order to provide the basis for strong revenue growth and flexible fiscal management.

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[4] The Nigeria Accountant April/June 1993

v. To shift taxation towards consumption rather than income.

vi. To reduce dependence on oil revenue.

vii. To provide incentive for export production and

viii. To develop an approach to taxing luxury consumption relatively higher and minimizing the impact on essential goods and services used by low income earners.

3.3 VALUE ADDED TAX VERSUS SALES TAX.

The Nigerian sales tax Decree No. 7 of 1986 govern the imposition and the collection of sales tax. The Decree imposes 5% tax on only sales and services in registered hotels, motels, catering establishments, restaurants and other Personal service establishments (excluding drinks)

It also imposed 5% tax on (8) eight goods - beer, soft drinks, cigarettes and tobacco, jewels and jewelleries, perfumes and cosmetics, (excluding toiletries) electrical and electronics equipment, carpet and drugs (excluding linoleum) and bottled natural water (excluding mineral water) and 10% states tax on wine, liquor and spirits.

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

(i) The sales of services are distinguished from the sales of tangible goods is important part of any country's economy, yet it is largely been left outside the scope of sales tax other than the VAT. So one of the virtues of the VAT is the inclusion of services which in varying degrees are included in almost all countries imposing VAT.

(ii) While a single point retail sales tax is efficient at a relatively low rate, it is increasingly difficult to collect as the rate rises, particularly from retailers who tend to collude with their clients to defraud.

(iii) The audits and invoice monitoring is poorer under sales tax than under valued added tax because there are no checks with other invoices under the sales tax as available under VAT.

(iv) Tax collected at the point of importation is easier under VAT than under sales tax when the imported goods are taxed at the point of retail after leaving the port.

However there are countries like United States of America, Switzerland, Sweden, Finland and Norway where sales taxes are still operated alongside the value added tax because they have developed sophisticated methods of ensuring compliance with the sales tax.

3.4 TYPES OF VALUE ADDED TAX.

There are basically three different types of value added taxes viz.:

(i) THE ADDICTIVE METHOD

A tax is imposed on the sum of all value thatnan individual producer or distributor of goods or services add to those goods or services.

(ii) THE SUBTRACTIVE METHOD.

Impose a VAT on the difference between the aggregate of gross receipts from the sales of goods and services and the aggregate of purchases of goods and services from other tax payers.

(iii) CREDIT METHOD.

Under the Credit method - the method used in the EEC and the method that is most commonly (used) employed world-wide - taxpayers pay a VAT on their gross business sales (output) and then claim a credit for the VAT paid on all goods or

services (inputs) purchased by them for use in their business. The credit method can and occasionally does, result in net refunds to some producers and distributors.

The credit method is a variation of the subtractive method with a significant advantage over both the additive and subtractive methods. If one presumes that value added tax will be imposed using multiple rates only the credit method provides a means of assuring that individual items of sales are effectively taxed at the appropriate multiple rate.

Since a VAT would in the absence of multiple rate, be a regressive tax countries typically have decided to inject some element of progressivety into their VATs by charging relatively lower rates of tax on or taxing at zero rate, items on which the poor disproportionately spend substantial portions of their income.[5]

3.5.1 ADMINISTRATION OF VALUE ADDED TAX (VAT)

The Decree, establishing the value added tax in Nigeria, the value added tax Decree of 1993 provides that the Federal Board of Inland Revenue will be responsible for the due administration of this Decree as well as the management and collection of the tax. To enable the Board carry out this statutory duty, it is empowered to 'do all such things as it may deem necessary and expedient for the assessment and collection of the tax and account for all the amounts so collected according to the provisions of the Decree.

The composition of the Federal Board of Inland Revenue consists of:

a. An Executive Chairman who is a person within the Federal Inland Revenue Service (FIRS) experience in taxation appointed by the President of Nigeria.

b. All the Directors and Heads of Departments of Federal Inland Revenue Service.

[5] Tax Analysts Special Report by William Tunnicliffe

e. The Director in the Federal Ministry of Finance responsible for planning, research and statistics.

d. A member of the Board of the National Revenue Mobilization, Allocation and Fiscal Commission.

e. An Executive Director from the NNPC.

f. A Director from the National Planning Commission.

g. A Director from the Department of Custom and Excise.

h. The Registrar - General of the Corporate Affairs Commission.

i. The Legal Adviser to the Federal Inland Revenue Service.

3.5.2 VALUE ADDED TAX TECHNICAL COMMITTEE

The Decree also established a technical committee, the Value Added Tax Technical Committee to advise Federal Inland Revenue Board on matters requiring professional and technical expertise the committee is composed of :

a. Chairman who shall be the Chairman of the Federal Inland Revenue Service.

b. All Directors of the Federal Inland Revenue Service.

c. Director of the Nigeria Customs Service.

d. Three representatives of the State Government who shall be members of the Joint Tax Board.

3.5.3 VAT DIRECTORATE

The VAT Directorate with its Headquarters at Abuja is headed by a director in the Federal Inland Revenue Service assisted by two Deputy Directors. It has established a net-work of VAT offices nation-wide and coopted the Heads of the 5 income tax zones created by the Federal Inland Revenue Service for other purposes as coordinators of VAT activities in the VAT offices within their zones.

North - Western Zone - with Headquarters in Kaduna.

North - Eastern Zone - with Headquarters at Gwagwalada/Jos.

Western Zone - with Headquarters at Ibadan.

Eastern Zone - with Headquarters at Enugu.

Southern or Lagos Zone - with Headquarters at Lagos.

The zonal coordinators will report at Abuja to the Director of VAT on all VAT matters pertaining to their zones.

3.5.4 VAT OFFICES NET-WORK

As of now, the VAT net-work offices are concentrated at the state Headquarters but it is envisaged that as time goes on the FIRS will establish a local VAT office in every Local government Headquarters. This is desirable as it is the local VAT offices that will be in direct contact with taxable persons.

3.5.5 THE MINISTER OF FINANCE

Section 15 of the Decree provides that the Minister of Finance may by order in the Gazette:

a. "amend the rates of tax chargeable by increasing or decreasing the rate; and

b. amend, vary or modify the list of schedules 1, 2, and 3 of this Decree.

These are really important powers and may be exercised without going to the legislature.

3.5.6 RETURNS

At regular intervals every taxable person is required to render accounts of in-put and out put tax and return them to the relevant local VAT office of the Federal Inland Revenue Service (FIRS) on form VAT 002. This return will show the net amount of VAT payable which will be remitted therewith. Where the input tax exceeds the out-put tax, the return should show the amount repayable to him. The period for which a return is made is known as the tax period. Section 18(2) provides that Federal Inland Revenue Service will normally determine when and how the returns can be made.. At the moment the standard tax period is one month.

3.6 THE OPERATIONS OF VAT

METHODS OF COMPUTING VAT.

There are four possible methods of computing VAT. Each method can produce identical result on which to levy a tax on value added tax viz.

i. VAT on the sum of wages and profits.

ii. tax on wages plus tax on profits, calculated separately, that is, the components of value added are taxed separately.

iii. tax on the difference between output and input, sometimes called business transfer tax and

iv. tax on the output, less the tax on the input called the invoice or credit method, that is, the components are taxed separately.

3.6.1 ASCERTAINMENT OF TAX PAYABLE.

A seller pays VAT on his input and collects VAT from the purchases of his output. He pays to the VAT authority only the difference between his net price and his gross prices. The gross price includes the difference between the VAT that the producer pays on his final output and the VAT that he pays on his input. Where the input tax is more than the output tax the excess is refundable to the seller or deducted from his future VAT payments.

Many countries that adopt VAT do not like the process of refund even though such refunds ensure the credibility of the VAT authority and strengthen the confidence of the vatable persons in the system.

In principle the VAT is levied and collected at each stage of the production and or distribution process as value is added at successive stages, until the product is delivered to the final consumer.

Some countries, however, apply the VAT at retail stages, some stop at the wholesale stage while others collect VAT at only manufacturing stage. Others yet collect at manufacturing, wholesale and at importation and/or export points.

Pure VAT is collected only at the retail level in order to ensure that the maximum value has been added to the product on sale and in order to collect the maximum revenue from the VAT. A single-stage VAT(that is at manufacturer/wholesale/importer/exporter level) is only a modified value added tax which is on the way to being developed into a full VAT.

Many developing countries that have adopted VAT are at the one stage of level because it is at that level that there are reliable recoords-keeping of purchases and sales.

3.6.2 REGISTRATION FOR VAT

All taxable persons, be they manufactures, importers or suppliers of services are liable to register for VAT inrespectve of their taxable turn-over. A taxable (or Vatable) person includes self-employed individuals, a Limited Liability Company, a Public Liability Company, a partnership or club.

A person's liability to register for VAT dates back from the time he actually registers. Registration carries with it the right to charge VAT on vatable supplies. So if a person has not registered with the Federal Inland Revenue Services, he cannot charge output tax on his supplies nor reclaim in-put tax suffered on the supplies consumed in his business. All the same when Federal Inland Revenue Service discovers that he has not registered, it would proceed to work out the output tax due on his products since the time he became liable to register, by treating the price of his products as inclusive of VAT. In such circumstances, the unregistered person could not be allowed to reclaim input tax suffered by him.

Nigeria there is no such registration threshold and so presumably everyone is required to register.

3.5.3. ACCOUNTING FOR VAT.

(a) RECORDS AND ACCOUNTS

Section 6 of the value added tax provides that every taxable person shall keep records and books of all transactions, operations, imports, and activities sufficient enough to calculate the correct amount of tax. However, Federal inland Revenue Service circular Number 9304 amplifies this provision of the Decree by listing the books, sales and purchases day books, ledger accounts and balance sheet.

For the purpose of VAT, Tax invoices are required to be issued whilst VAT account is required to be kept in the general ledger.

(b) ACCOUNTING ENTRIES FOR VAT

i. RECOVERABLE INPUT TAX.

Where a VAT registered person suffers VAT on goods purchased for the purpose of resale or for use in the production process, the entries to be passed in respect of the input VAT is as follows:

VAT account	-	DR
To cash/creditor account	-	CR

Being VAT Paid/Payable on Value of goods/services purchased.

ii. RECOVERABLE OUTPUT TAX

On sale of goods/service on which VAT has been paid, the following accounting entries should be passed in respect of the output tax.

Cash/Debtor account	DR
To VAT account	CR

Being VAT recoverable on sale of goods/services.

iii. SETTLEMENT OF VAT ACCOUNT.

At the end of the tax period, where (i) is less than (ii) above, the difference represents net VAT Payable to the local VAT office of the Federal Inland Revenue Service.

iv. IRRECOVERABLE VAT

Where VAT has been paid on the tax payer's input but not recoverable from its output, the VAT on input is treated as part of the coat of production or sales of the goods or services. In this case, the entries to be passed are as follows:-

Cost of Sales/Production	DR
To Cash/Creditor	CR

Being irrecoverable input tax now charged.

Also, where VAT has been paid on purchase of fixed assets, it is capitalized in arriving at the cost of the assets.

Every vatable person is required to remit to the relevant local VAT office the net VAT payable which is the excess of the output tax over the input tax at the sametime that the return is being submitted. The bank certified cheque/ draft should bee drawn on "Federal Government of Nigeria - FBIR - VAT Account"

However, any unpaid VAT at the balance sheet date should be included as part of creditors in the tax payer's books while any VAT refund due from FIRS should be treated as debtors.

3.6.4 VATABLE GOODS AND SERVICES AND THE RATE OF TAX

There are 17 listed goods and 24 listed services as provided in schedules 1 and 2 of the Decree. The rate is a flat rate of 5%. There are also 7 exempt goods and 3 listed exempt services see appendix 8.

Certain supplies are either exempted or Zero rated if a traders supplies are totally exempt, he is not liable to register for VAT and as he is not registered he will not be able to reclaim in-put tax.

3.7 PROBLEMS IN THE OPERATION OF VAT IN NIGERIA

The liability for the payment of value added tax is incurred when a supply of either goods or services are made. The use of the word supply has continued to generate alot of debates in certain quarters. While it is inherently assumed by the (FIRS) Federal Inland Revenue Service the supply in this context should be taken as occurring when a change in ownership occurs or when services are rendered for a consideration. It is being affirmed by certain people that supply connotes not only a change in the ownership of goods but also in the physical location of the goods.

Consequently if "A" supplies goods to "B" but the goods have not been moved away from the premises of 'A' then liabilities have not arisen as a supply has not been completed. The loophole could be exploited by the taxpayers to avoid paying tax.

The need to give different accounting treatments to irrevocable VAT has been addressed by Federal Inland Revenue Service. VAT is said to be irrevocable when it is incurred on any good or service which is not to be passed on. In cases like this, - where practical, such an irrevocable VAT is to be treated as a charge to the cost of the expense or asset to which it relates. One issue that the Federal Inland Revenue Service has not addressed is what treatment should be given to the input VAT received when an item that has absorbed irrevocable VAT is disposed for a consideration.

It is known that in certain countries where VAT is already in place for example Britain, VAT is charged on their exports. If a Nigerian vatable person now imports goods from such countries, he would not only be paying VAT to the

foreign country but also paying VAT on the value of the imports in Nigeria thereby amounting to double taxation.

Illegal collectors who are not registered as VAT agents now charge VAT but make no remittances to the Federal Inland Revenue Service. Also traders have taken advantage of the introduction of VAT to exploit customers by charging VAT even on goods that are exempted from VAT.[6]

3.8 GUIDELINES FOR AN EFFICIENT VALUE ADDED TAX (VAT)

A research was undertaken in order to determine those characteristics of a value added tax which was most likely to cause significant administrative and compliance burdens. Four basic design guidelines emerged from that research.[7] These guidelines are applicable not only to value added taxes but to all taxes.

MINIMIZING THE NUMBER OF TAXPAYERS

In Nigeria there is no registration threshold and presumably everyone is required to register. Many bodies responsible for the collection of VAT have been breaking with impunity the guidelines of the VAT decree. Some fail to render adequate returns to Federal Inland Revenue Service. These taxpayers generate virtually no revenue for the government.

It should come as no surprise that the compliance costs for small businesses constitute relatively larger burden than they for large businesses. The later benefits from economies of large scale and division of labour and can often and quickly adjust their accounting and financial record keeping procedures so as to assist them in the tax compliance effort with relatively small additional costs. Small businesses on the other hand lack expertise in handling such matters and often confront the need to hire expensive outside professional help. Where outside help is not required the small businessman will often dedicate disproportionate amounts of time

6 Newswatch Magazine July 18 1994.
7 Tax Analysts Special Report by William J. Turnier.

to tax compliance efforts. Therefore the removal of small businesses from the rolls of tax payers would substantially enhance the efficiency of the value added tax.

Nigeria implementation of VAT should provide for substantial taxable threshold and which does not allow taxpayers with taxable taking below that threshold to file on a voluntary basis. Although individual taxpayers with taxable taking below the cutoff point may be at a disadvantage because of such a decision, the greater societal gain in rendering administrative and compliance costs very well might outweight the loss to individual taxpayers.

Exemption of some potential taxpayers for normative policy considerations and others for the sake of efficiency will undeniably have a dramatic impact on rendering the number of tax filers under a Nigerian VAT.

MINIMIZING BORDERS

Compliance and administrative costs can be minimized in a tax system by designing the legislation so that there are minimal borders between taxable and untaxable

items or items taxable at different rates. By lessening the number of complicated decisions that a taxpayer must make in complying with the tax law, government officials also wind up minimizing their administrative burdens in dealing with taxpayers. The easiest way to achieve this in a VAT is to tax all items at a single rate as is the case in Nigeria where a 5% flat rate is charged.

MINIMIZING RECORDS KEEPING AND REPORTING

A significant contribution toward compliance efficiency is the design of a tax system that minimizes the need of the taxpayer to create substantial additional records and engage in significant reporting activities. Under a credit method value added tax such as that used in Nigeria tax payers are typically required to incur the following (1) tax payers must keep and maintain records in a particular form (2) certain computational steps must be taken by the tax payer with these records to

determine the appropriate tax liability and (3) a tax form must be prepared and filed by the tax payer and issuance is also required.

The Nigerian VAT law requires a manufacturer or supplier of taxable goods or services to render return to the VAT Directorate on or before 14 days of the month next following that in which the supply is made. The frequency with which returns must be filed as well as the use of an estimated tax system is a reporting requirement which affects efficiency of the tax system. Nigeria should opt for quarterly returns as been called for by tax payers. According to one Mrs. Ajayi "returning VAT returns 12 times annually would be a lot of burden which would add to the cost of rendering services and production cost"[8] .

The quarterly returns will provide taxing officials with substantial administrative advantages. Since audits only encompass a three-month period with more extensive audits taking place if the three-month sample demonstrated substantial non-compliance.

MINIMIZING USE OF PROFESSIONAL

To the extent possible, tax system should minimize the need for tax payers and administrators to make extensive use of professionals in complying with and enforcing the tax law. Generally speaking, the best way to achieve this goal is to design a tax system consistent with the three proceeding standards.

8 The Nigerian Economist February 14 1994.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 THE EFFECTIVENESS OF VALUE ADDED TAX SYSTEM

The newly - introduced value added tax (VAT) which came into operation January 1 1994, has recorded some remarkable success. By its coverage and design, Nigeria's VAT is attracting more poeple into the tax net, thereby making the entire citizenry very alive to their civic responsibilities. By so doing, more revenue is being generated into the government purse for the prosecution of laudable programmes.

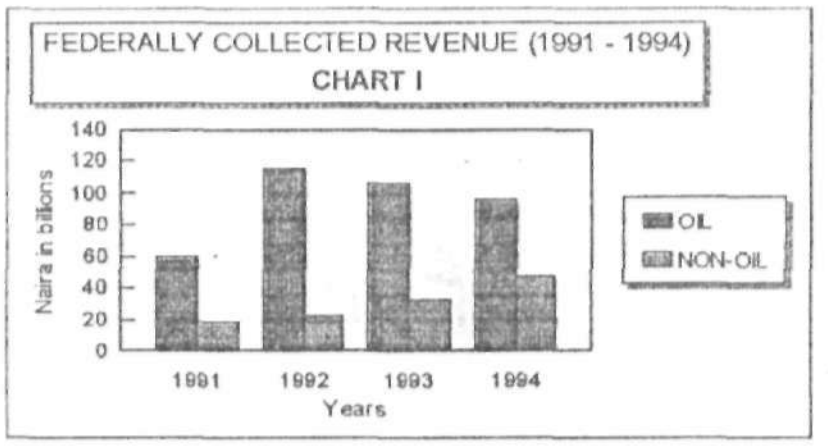
It is also helping to increase incremental saving ratio through an efficient curtailment of consumption of luxury and socially undesirable goods. Besides, the new tax is striking at equity and fairness in the distribution of the tax burden on the citizen through the exclusion of the essential basic items from the list of VATable foods and services. (see appendix 8)

Another worthwhile benefit of the new tax system is the develpment of book-keeping culture by many businesses and the populace at large as a result of which the requirement of documentation and verification which the credit system under it entails.

It places locally manufactured goods at an advantage relative to imports as considerable part of the tax to be realized is from imported goods.

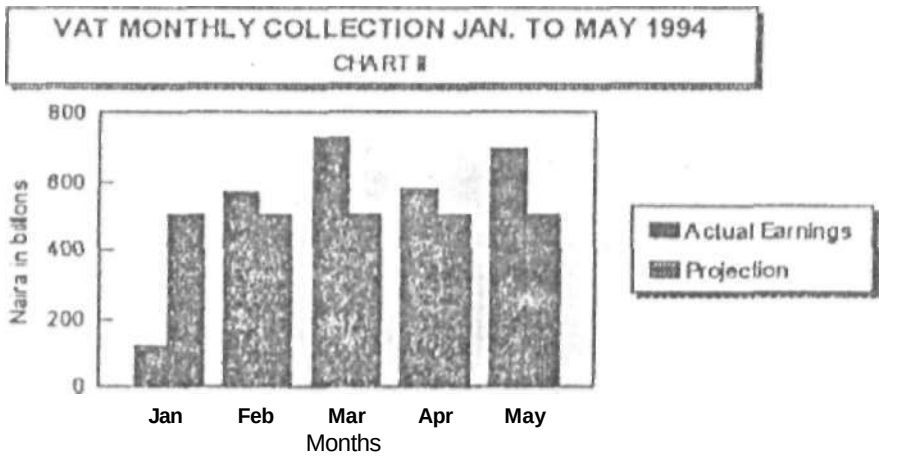
Perhaps the most significant index to the effectiveness of the tax effort is its financial returns. (The chart below shows Federally collected Revenue before the introduction of VAT.) In January 1994 the first month of administering the tax, the import base of the tax yielded N109,214,656, while the non import base realised a

total of N12,453,437. As a result of massive enlightenment and mobilisation efforts, the revenue



Source: Nigerian Tax News.

Aggregated by over 400% to N568,927,924 in February 1994. By the end of the first quarter the tax yield had surpassed a billion Naira makr by realising N1,414,476,500 instead of the target N1.5 billion for the period. The quarterly yield hit a N2 billion mark by the end of June 1994, that is, it realised over N500 m in excess of the target N1.5 billion for the period. The chart below show VAT monthly collection for January to May 1994.



Source: Newswatch July, 19 1994.

The VAT yield shrank by N253,144,183 from N800,036,763 in June to N546,891,940 in July and futthcr diminished by N54,519,429 to N492.3 in in August due to the political crises that paralysed the economy from June to late August 1994. In 1994 VAT realised as much as Nl billion on a monthly basis in September and December amounting to a total yield of tax in the first year of operation of N8,195,154,14 5.00

VAT COLLECTION FIGURES FROM JAN. TO SEPTEMBER, 1994.

	IMPORT (-N-)	NON-IMI'ORT (-N~)	TOTAL (-N*->
Jniiamy	109,2 M, 566.00	12,453,437.00	121,668,093.00
February	508,401,793.00	60,526, J 31.00	568,927,924.00
Maich	420,926,316.00	303,4 55,167.00	724,381,483.00
April	283,523,383.00	24 7,815,378.00	531,338,561.00
May	356,902,111.00	345,319,628.00	702,221,739.00
June	393,044,347.00	406,156,051.00	799,200,398.00
July	258,773,8-12.00	285,935,024.00	544,708,866.00
Aufjujil	232,021,495.00	260,033,718.00	492,055,213.00
September	*-AZLG3Hk&L<LQQ*	*J5a5A2.2*2£LQQ.*	•22JaZ3*SZMQ
I olnl	3,020,488,263.00	2,457,187,499.00	5,477,675,852.00

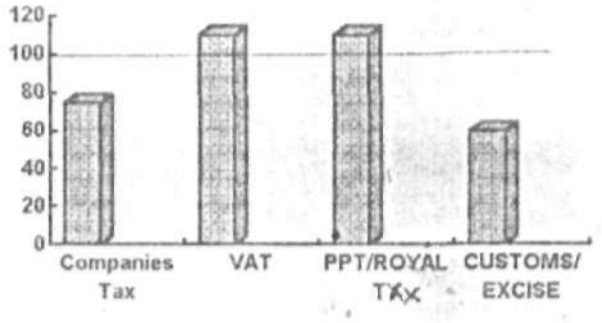
>'<>tirec: The Nigcrinn I-couomifll November 14 *1994*

period.[2] The other petroleum profit tax/royalty, had a target of N12.52b but yielded N13,40b or extra N0.886 proceeds as shown by the chart below.

CHART IV

FEDERAL GOVERNMENT MAJOR TAXES: TARGET ACHIEVEMENTS.

FIRST QUARTER 1995



Source: Nigerian Tax News.

Despite initial lull in economic activities in anticipation of new fiscal and monetary measures in the year 1995, VAT realised over N1.058 b in January 1995 an increase of 767% or N0.926 b over the N0.122b revenue in the corresponding period of 1994. In February, the total tax yield was N1.0076b, an increase of 77% or about N0.438b over the February 1994 proceeds of N568,927,924. In the two months, total import VAT, which was N617,616,449 in corresponding period of 1994, was N613m, whereas total non-import VAT, about N72,979,568 in 1994 was N1.45b in the first 59 days of 1995. The highest monthly import and non-import collection, N1.155 b realised in March was however only N0.431 m or 59.6% higher than the N0.723.8 m collected in the same month of 1994. By the end of the first quarter (1995), the tax had realised a total of N3.220 b, about 128% or N1.866b

[2] The Nigerian Tax News.

b higher than the VAT yield for the first quarter of 1994 or over N0.220 m in excess of the N3 b target revenue for the first quarter of 1995. Below is a table showing VAT total collection for the months of January to June 1995.

VAT COLLECTION FIGURES FOR THE JANUARY TO JUNE 1995

	IMPORT N	NON-IMPORT N	TOTAL N
January	291,296,431.00	766,937,412.00	1,058,233,843.00
February	321,757,049.00	685,910,563.00	1,007,667,612.00
March	309,038,789.00	847,156,140.00	1,156,194,929.00
April	323,969,855.00	831,473,608.00	1,155,443,463.00
May	834,493,674.65	865,506,971.65	1,700,000,646.30
June	962,391,631.00	870,432,247.44	1,732,823,879.30
Total	2,942,947,460.51	4,867,416,942.09	7,810,364,372.60

Source: Nigerian Tax News.

4.2 VALUE ADDED TAX; A BOOST TO GOVERNMENT REVENUE

The short-term effect of taxation is not just to influence the workings of the economy by mobilizing funds from private to public treasuries. Rather, it is to provide resources for financing public expenditure to improve the quality of life. The N8.1 billion 1994 VAT revenue was, therefore, shared among the governments of the Federation on a quarterly basis in accordance with the fiscal objectives. The Federal Government also directed the other tiers of government to invest VAT funds in only development projects.

In April 1994, a total of N1.2 billion VAT revenue was shared among the Federal Government, the State Governments and Federal Capital Territory. The Federal Government statutory 20% share amounted to N234,200,000. FCT received N12,160,000 while the 30 states shared N960,640,000. By August 1994, the government had been confronted by the effects of some statutory deficiencies in the VAT Decree 102 of 1993 which without reference to local governments and FCT, had allotted VAT proceed to Federal Government and states on the basis of

20% and 30% respectively. It was in response to this that the sharing formula was reviewed and local governments were, for the first time, given about 10% of states VAT share of N187,847,497 in August 1994.

But by September the revenue coast appeared clearer with the adoption of a sharing formula that incorporated the interest of States, Federal Capital Territory and local governments. That is the sharing of Federal Government portion of VAT revenue on the basis of population (50%) derivation (20%) and equity (30%) in September. Federal Government received N197,312,594.65. States N703,022,087.34. By January 1995 Federal Government had received a total of N1.4 billion, Federal Capital Territory N42.1 million and local Government councils N317.4 million.

In 1994 states receipt of VAT N5.4 billion Local Government N0.31 billion had boosted the finances of both tiers of Government by 20% and 2% respectively. See Table 1.

For the three tiers of of Government, therefore, VAT will mean significant relief in the face of pervasive income tax evasions and unimpressive oil revenue situation. It could even help some states to escape the budget deficit trap. Indeed, if the VAT proves to be a lasting success, it would mean a revolution in the principle and nature of taxation in Nigeria.

4.3 TRENDS IN FISCAL OPERATIONS FOR THE FIRST QUARTER OF 1995.

The Federal Government plays an important role in the management of our economy through its annual budgets. The attainment or non attainment of macro-economic objective of price stability, economic growth, full employment and balance of payments equilibrium as proposed in the Federal budget affects both households and firms in varying degrees.

TABLE 1

Provisional Distribution of Value Added Tax May 1994
Allocation to State Governments

1	2	3	4	5		6	7(3+5+6)
		Equality 30%	*4*	*Population (30%)*	*7*	*Derivation (40%)*	*Total (30%)*
No	State	N	%	N	%		N
1	Abia	792000000	2.92	693792000	0.257	80959331	1566751331
2	Adamawa	792000000	2.92	693792000	0.31	97563710	1583355710
3	Akwa ibom	792000000	4.51	1071576000	0.269	84792597	1948368597
4	Anambra	792000000	2.62	622512000	2.355	739641031	2154153031
5	Bauchi	792000000	4.33	1028808000	3.996	1255129657	3075937657
6	Benue	792000000	2.52	598752000	0.229	71977055	1462729055
7	Borno	792000000	2.94	698544000	1.154	362641645	1853185645
8	Cross Rivers	792000000	1.68	399168000	0.283	89072278	1280240278
9	Delta	792000000	2.52	598752000	4.793	1505279482	2869031482
10	Edo	792000000	1.86	441936000	919	288926568	1522862568
11	Enugu	792000000	3.78	898128000	1,404	441162923	2131290923
12	Imo	792000000	3.66	869616000	1,222	3839540074	2045570074
13	Jigawa	792000000	3.68	874368000	16	3895015	1670264015
14	Kaduna	792000000	2.95	700920000	10,509	3300625766	4793545766
15	Kano	792000000	6.62	1572912000	5,155	1619199406	3984111406
16	Katsina	792000000	4.64	1078704000	596	187186497	2057890497
17	Kebbi	792000000	2.69	639144000	25	6830659	1437974659
18	Kogi	792000000	2.36	560736000	114	36006000	1388742064
19	Kwara	792000000	1.78	422928000	91	285797320	1500725320
20	Lagos	792000000	3.76	893376000	50,051	15718869818	17404245818
21	Niger	792000000	2.16	513216000	412	129405289	1434621289
22	Ogun	792000000	2.67	655776000	1,814	782564375	2230337375
23	Ondo	792000000	4.86	1154736000	322	101341292	2048077292
24	Osun	792000000	4.64	1102464000	303	96289892	1989733893
25	Oyo	792000000	4.46	1102464000	5,762	4809687577	3704151577
26	Plateau	792000000	3.59	352984000	1,036	325455049	1970439049
27	Rivers	792000000	3.07	729432000	4,153	1806073422	2227505422
28	Sokoto	792000000	0.4	1283040000	1,748	54907789	2624047789
29	Taraba	792000000	1.83	434808000	69	21686418	1248494418
30	Yobe	792000000	2.41	572616000	8	0	1364616000
	F C T Abuja 1% of States Share	0.00		0.00		0.003,000,000.00	
	Total	23760000000	100	23260000000	100	38142507935	78573000000

Source: THE NIGERIAN ECONOMIST NOVEMBER 14 1994

Six months have elapsed since the 1995 budget was announced and its implementation commenced. As at the end of the first quarter, the feed back on the Nigerian economic performance shows that the desired fiscal prudence was attained, the first in almost a decade[3].

Although, domestic price level appeared driven beyond the roof, perhaps because of the initial depreciation of the Naira, while foreign investment is yet to respond to the given incentives the surplus reported in the first quarter of the year is quite encouraging and reasuring.

The Nigerian Minister of Finance's press briefing on the first quarter performance of the budget showed that efforts towards fiscal discipline is paying off. This is because accrued surplus of N8.41 billion. In the context of other taxes, VAT contributed over N200m to the N8.41 billion or about 12.96% of the N24.96 billion total non-oil revenue-recorded in the first quarter of 1995. Added to the N8.41 billion is Federal Government share of the intervention earnings of N11.64 billion brings the total surplus for the quarter to N20.05 billion. This compares favourably with the deficit of about N20 billion recorded during the corresponding period last year and the estimated budget of N12.84b for the whole year. The surplus if maintained will make great contribution toward macro-economic stability.

From the report, only N1.51 billion out of the budget of N11.13 billion was expended in April 1995.[4] This short fall was to enable the government to make needed or essential review so as to avoid wastes in a bid to maintain the new spirit of accountability and transparency.

Finally the budget implementation shows consitency in the way of spending restraint and revenue sourcing are being pursued. This is very much part of process of building credibility and track record which hopefully will return in the long run discipline, transparency and accountability to government

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3 Union Digest July 3 1995

4 Ibid

commitment to a policy of fiscal reconstruction.

The implication of this is that creditors and other bilateral; donors will be more willing to negotiate debt relief measures with Nigeria while more foreign investors will be prepared to invest in the country.

4.4 THE IMPACT OF VALUE ADDED TAX ON CONSUMERS

Value added tax which is a consumption tax is paid by the final consumer. The introduction of VAT in 1994, points to the fact that it portends a lot of miseries for Nigerians especially the low income earners. When the new tax took off, there have been dangerous signals emanating from markets across the country. Prices have hit the roof, thereby excercebating the run away inflation already inflicted on the country by the previous years of deregulation.

The irony in the new price rates introduced in 1994 is that, whereas VAT rates add only five percent to the final cost of a product the rate of price increases in most cases are as high as fifty percent (50%) and sellers attribute this to VAT.[5] A Newswatch survey for the same period (January to May 1994) puts the rate between fifty and seventy percent (50% to 70%)[6] Prices of consumer goods kept on rising steadily to the extent that in the second half of 1994 prices have risen by 150 to 250 percent. Everything including food stuff, costs at least two or three times more than first quarter of 1994.[7] This is more than galloping. It is catastrophic, said a University Lecturer. Inflation has now become a clear weapon of destruction. It has now destabilised the market because speculation now governs business transactions.[8]

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5 The Nigerian Economist February 14 1995

6 Newswatch July 18 1994

7 Newswatch November 28 1994

8 Ibid

In an interview with Mallam Saidu a trader, he said, prices of items have gone up so high that people particulary, the poor can hardly afford them. He complained that "Government has put something on all the items I buy" 'apparently referring to the VAT.He complained that the high price of the commodities has affected his sales negatively. Also, in an interview with a consumer, one Mallam Abubakar, he complaied of high cost of commodities in the market and that he has bid farewell to the consumption of some basic items as he could no longer afford them.

A lecturer at the University of Jos pointed out in an interview that VAT has induced inflation and made the ordinary man worse off. Another lecturer in the same university sees VAT as a fraudulent means of exploiting the masses. According to him "with VAT the economic problems of the marginalised masses would further be compounded under the present state of run-way inflation."

At Agip filling station along Ahmadu Bello Way in Kaduna an attendant informed me that increases in the price of their engine oil result from the introduction of VAT as directed by their dealer.

Under the present arrangement, VAT is likely to induce duplicity of taxes in consumers. While the consumer may indirectly pay for the VAT charged on intermediate products which producers will reflect as cost of production, he will directly pay VAT on manufactured goods ready for consumption.

4.5 THE IMPACT OF VAT ON INDUSTRIES

VAT is tax imposed on the value which is added to goods and services as they pass through the different business processes by registered persons in the course of their taxable activities up to the final consumer. In essence VAT is paid by the final consumer, while the registered person's role in the process is to collect the tax for the Federal Government.

Even though the organized private sector (industries) is supposed to be collectors of VAT on behalf of government as registered persons, the operators are still disenchanted with the imposition of some aspects of the VAT Decree.

The pharmaceutical sector is unhappy with exemption granted to such products, is not beneficial to consumers. This is because of the high cost of production of the drugs due to five percent VAT imposed on the raw materials. According to the President of the Pharmaceutical society of Nigeria the "imposition of VAT on raw materials and packaging materials which manufacturers cannot recoup through additional cost to the consumers is bound to stifle growth in the industry.[9] The cost of genuine medicine would go up which may lead to increased patronage of cheaper alternatives which may be fake thereby undermining qualitative health care.

The Nigerian Insurance Association is equally bitter about the inclusion of insurance premium into the VAT net. They contend that the Modified Value Added Tax (MVAT) is bound to reduce the growth potentialities of the industry, especially in the area of personal insurance which regrettably has not yet found wholesale acceptability with the average Nigerian, who only insure when compelled to do so by law.[10] The Nigerian Insurance Association is also contending that the requirement that VAT be charged on Insurance Premium would amount to double taxation on the insured as he must have VAT on the property at the point of purchase.[11]

For the Banks, such transactions, as equipment leasing, forcign exchange transaction, opening of letters of credit are VATable items. This will impact negatively on the attitude of bank customers to the potential cost of obtaining loans.

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9 Newswatch July 18 1994

10 The Financial Post June 5 1993

11 The Nigerian Economist February 14 1994

In an interview with a staff of NASCO Group of companies, he laments the imposition of VAT on raw materials. According to him, this has increased the cost of production and consequently the costs of the final product have also increased. He further pointed out that though the cost (VAT) is borne by the final consumer, most consumers have cut down on their consumption and have further worsen the dampen consumer resistance. This action by consumers has serious consequences on the sales of the company's products thereby leading to low capacity utilization. He argues that when the high cost of funds is added to this, the sorry state of the productive sectors of the economy becomes more obvious. Most companies that cannot cope would declare loses and for quoted companies that means a fall in their share prices. He is also of the view that if the trend continues it may lead to retrenchment.

A manufacturer observed that if one's product is exempted, one has the worst on both worlds. VAT has to be paid on one's inputs but VAT is not collectable on one's sales. He also sees VAT as a cost and the payer of VAT are the final consumer. According to him, VAT cannot be removed from the factors that engendered the rise in the cost of goods and services.

Disturbed by the effects of VAT on the manufacturers, manufacturers Association of Nigeria (MAN) sent a memorandum to the Federal Inland Revenue Service (FIRS) in 1994 expressing their bitterness over VAT and rejected its imposition on raw materials and intermediate goods. According to them this will make consumers pay VAT on both the value and cost of goods.

Besides the manufacturers are saying, it will not make any economic sense for the country if government does not rescind imposition of VAT on industrial machinery, spareparts, raw materials. All these can stifle recovery especially for the structures and other products of fabricated metal industries many of which are in small and medium scale category, NACCIMA also issued a similar warning.

4.6.1 CHALLENGES TO GOVERNMENT

In his budget analysis, the Acting Minister of finance made two striking policy statements about VAT. One, that the target revenue for 1995 would be N12 billion an increase of 100% over the 1994 target of N6 billion or about 11% of Nigeria's GDP of 100.84 billion (at a constant 1994 factor cost). Two that Federal Government had made ineffective the provision of part VI (36A) of VAT Decree 102 of 1993 by claiming 50% of VAT revenue. Last year, 80% total VAT proceeds had been distributed among the states as well as Abuja on the basis of population (50%) derivation 20 percent, and equity 30 percent.

The appropriation of additional (30 percent) of VAT revenue, said the Minister was necessitated by funding expenses. Although General Abacha has promised that VAT would be better funded in 1995, it is yet to be justified that it was increasing funding that caused the Federal Government to increase its VAT revenue share by 150%. He also said that Government would widen the VAT base and increase its funding of the well-administered tax. However Professor Aluko explained that Federal Inland Revenue was administering VAT with less than 5 percent of expected revenue. The Internationally accepted standard for a tax is to be administered with about 10 percent of target revenue.[14]

But Government is well known to be brisk in policy implementation. Government must rise to the challenge by ensuring that VAT propelling policies come fully into effect in 1995. Otherwise Federal Inland Revenue Service might have it hard meeting onerous N12 billion annual VAT targets. To continue to get consumer support for VAT, it is also essential for the realisation of the N12 billion target. Government would need to convince people that VAT funds are being prudently utilized. The Federal Government challenge the Sates to publicly render account to Nigerians how they consume or dissipate VAT revenue. To set the ball

[14] Ibid.

rolling the Federal should set an example for the States to follow by publicly rendering account of how it expended the 15 percent VAT revenue it collected in 1994.

The effective administration of VAT is similarly, a challenge to State Governments to radicalise their revenue apparatus to achieve the maximum output at a minimum cost. The challenge of VAT is that citizens and Government must contribute to the revenue they live by.

In addition the effective administration of VAT offers Nigeria an opportunity to polish up her economically dirty image in multilateral financial circle to restore international confidence in the entire economy. In the capacity of the average Nigerian to support a well implemented economic programme. William Shakespeare has warned that there is a tide in the affairs of men which, seized at the right time could lead to greater fortunes, but if omitted, would signify perpetual imprisonment in shallows and miseries. On such a full sea are we now float. And we must take current when it serves or loses our ventures. (Julius Caesar).

4.6.2 CHALLENGE TO CENTRAL BANK OF NIGERIA.

Over the years, the failure of Government to effectively increase its revenue base has been a factor in deficit accumulation at the end of each fiscal period. And since VAT alone would contribute N12 billion in 1995 (an amount that covers the annual budgets of many States) the Central Bank should appreciate VAT as an effective means of indirect monetary hold on the economy.

In 1995 government projects to spend N155.2 billion. Gross revenue estimate (oil and non-oil) is N350.66 billion an increase of 45.68% or N109.96 billion over the 1994 approved estimates of N240.7 billion. None oil revenues alone are expected to hit N150.02 billion about 219% or N102.97 billion higher than the 1994 non oil projections of 47.05 billion. N34.4 billion is expected to accrue

from Customs and Excise Duties, N15 billion from Company Income Tax Revenue, N12 billion from VAT, N51 billion from increase in Pump Price of Petroleum Products and N37.6 billion from Federal Government Independent Revenue.

There is no doubt that VAT is challenging other revenue sources by its 100% projection growth after 12 months in operation. The place of VAT in the nations tax system and among other Federally collected revenues would continue to rise. Already an in-built resources gap of N12.84 billion in Federal Government Capital Budget of N44.50 billion (1995) is expected to be financed with revenue from VAT, Excise duty and Petroleum Profit Tax/Royalty. The Central Bank must therefore recognize that the VAT success has boosted its bargaining power in keeping down the government from borrowing profusedly from the banking system with its attendant consequences. Central Bank of Nigeria must also realise that it would need to keep down inflation. If fiscal deficit can be restricted, inflation rate would be more manageable and a tax like VAT would be free from the wrong imputation of inflationary implications.

Accounting for VAT is another area the Central Bank of Nigeria (CBN) is concerned. Federal Inland Revenue Service is said to have opened VAT accounts at the branches of CBN nationwide. Where no Central Bank office exists, accounts are opened at designated banks with the approval of the Accountant General of the Federation. Credit balances in the VAT accounts are weekly transferred to the VAT Revenue account at CBN Headquarters in Lagos. The Central Bank, which was criticized, spat at in 1994 must ensure that VAT accounts are - to keep the matter short-well officered. The revenue goals of VAT cannot be realised if collected tax disappears in mysterious circumstances.

4.6.3 CHALLENGE TO FEDERAL INLAND REVENUE SERVICE.

By January 1993, it had been obvious that government following the Dr. Ugoh panel and MVAT committee reports, was keen on implementing VAT. A group of Tax Consultants and accounting firms began to scramble for the opportunity to collect the VAT. To buttress their yearnings they pointed to governments persistent failures in effectively executing its policies. VAT as an internationally administered tax, had however been found to be better managed by the State. In the words of the Chairman of the Federal Inland Revenue Service, "Of the 21 countries that constitute the organization of Economic Co-operation Development, (18) eighteen of them are using their income authority to collect the tax (VAT).[15] He went on to say that of the 12 EEC countries, only Britain is not using its income tax authority to collect VAT but uses it Customs Service to collect VAT.

The Federal Government choice of the Federal Inland Revenue amidst the uncertainties on Nigeria's political horizon, the prevailing rate of inflation which had radically delimited the consumption behaviour of Nigerians, genuine opposition to VAT as well as the newness of the tax showed the highest level of confidence in the tax body.

The Federal Inland Revenue Service succeeded in pushing through the VAT message attests to its competence and efficiency. Indeed last year the tax administrators received praises from National Economic Intelligence Committee (NEIC) Chairman Professor Sam Aluko for their unusual brilliance in administering VAT. However, the Federal Inland Revenue Service should not see the success of VAT as an end in itself. It must appreciate the tax as a national challenge. This it must demonstrate to the hard-pressed public by

(a) Keeping up the profit tempo of VAT.

15 The Democrat Feb. 9 1995.

(b) Rectifying existing lapses in VAT administration and

(c) Increasing tax-payer education to boost VAT awareness.

One bitter truth Federal Inland Revenue Service must admit is the fact that about two-third of total VAT revenue is sourced from imports. This shouldn't be so. FIRS must demonstrate its effectiveness by increasing the rate of internally generated VAT revenue. Contrary to some selfishly driven VAT members, there is a limit to how an indirect tax can be effective in an economy essentially undocumented transactions.

Federal Inland Revenue Service must, however appreciate the 1995 revenue target of N12 billion as a challenge and move to realising it no matter the odds. It must attempt to further popularise VAT through publicity, seminars and improved legislation. The 1995 modifications to VAT revenue sharing as well as the creation of a VAT tribunal to meet public demand for justice in the implementation of VAT.

4.6.4 CHALLENGE TO TAX PAYERS.

The value added tax is the first major fiscal instrument a lie to the claim that the public isn't ready to support development projects financially. It was said that Nigerians were not interested in how public revenue was spent because it was nature that sweated for it on our behalf. Now that VAT an indirect collective contribution has proved effective, the challenge is for citizens to be more interested in keeping governments on their financial toes. Nigerians (taxpayers) must be more concerned about how their hard-sourced income is wasted or utilized by public officers.

Corporate bodies, many of which were used to under-declaring their turnovers to avoid paying commensurate taxes must see a new era, a challenge in VAT. They would need to upgrade their book-keeping and information machinery to effectively come with VAT. They would need to increase the quality of their

services to be able to retain their clients many of whom may be falsely glad to evade VAT. The collection of VAT is today the highest social responsibility in corporate governance.

CHAPTER FIVE

SUMMARY RECOMMENDATION AND CONCLUSION

5.0 SUMMARY

This study has been carried out to examine Fiscal Policy measures that Government has employed to revamp the Nigerian economy and set it on the path of sustained growth and prosperity.

In chapter one attempt was made at examining the backgroumd of the study and some definitions of Value Added Tax and Taxation. We found that Fiscal Policy measures which have been used by Government to regulate the economy has not been effective for example from 1981 to 1992 hence the harrowing deficit trap and indebtedness of the country to internal and external creditors. However the degree of economic and industrial growth of a nation is essentially influenced by the effectiveness of fiscal policy measures used by the Government: in an attempt to check this deficit and debt crises, Government introduced structural adjustment programmes (SAP) we found that taxation (VAT) played and performed vital role in the economic development of many countries like France, United Kingdom, United States of America, Japan and Germany that introduced the Value Added Tax. We also examine the various strategies taken by Government to finance her fiscal deficit and their attendant consequences on the economy and concluded that efficient management of fiscal policy result in macro-economic stability.

In chapter two we examined and reviewed literature on Fiscal Policy Measures that can be used for economic recovery in Nigeria. We discovered that Government budgets that were supposed to be balanced or meant to have surplus balances ended up in huge deficits due to lack of accountability or inappropriate use of Fiscal Policy (tools) measures. We also found that the objectives of Fiscal

Policy are to generate revenue, create sufficient savings and the control of expenditure by Government for economic development.

Taxation is an important tool of Fiscal Policy and is used extensively by Government to generate revenue, redistribution of incomes in the economy and stabilize the economy from undue upheavals. Expenditure is used by Government to allocate resources among the various sectors of the economy. We also found that Fiscal Policy provides alternative sources for financing large and growing government expenditure in an orderly, efficient and equitable manner, limit private expenditure on non-essentials and ensure equitable distribution of costs and benefits in the economy in the course of development.

A comprehensive Fiscal Policy should satisfy the fundamental questions of what role should government play in stimulating domestic production? What role should Fiscal Policy play in diversifying revenue base of the economy and bridging the gap in income distribution? The experience in Nigeria is that those charged with planning continue to fail. It is either they do not understand or that they fail to employ the appropriate Fiscal Policy measures. The recovery and prosperity of the Nigeian economy is, therefore, dependent upon the effective use of Fiscal Policy measures. Therefore the planners must acquire thorough understanding, skill and experience in the formulation and application of Fiscal Policy measures.

In chapter three the historical aspect of VAT, the Nigerian model of VAT that is Modified Value Added Tax, the comparison of value added and sales tax, administration of VAT and guideline for an efficient value added tax were examined. We found that the importance Government attached to value added tax against sales tax is because of its wider coverage and revenue generating potentials. Other factors that led to the introduction of VAT by government include shifting its incidence towards expenditure rather than income, to achieve greater Fiscal flexibility, to distribute the burden of taxation more evenly to

consolidate and modernized the tax system, to diversify or reduce government dependence on oil revenue, to provide incentives for export, taxing luxury consumption, to curtail the problem ofwasteful spending at both the private and public sectors of the economy and to increase the propensity to save rather than to cusume among Nigerians.

The problems in the operation of VAT were also examined. These include the ambiguity in the usage of words like supply, accounting treatment of irrevocable VAT, double taxation, illegal collection of VAT proceeds and non remittance to the Federal Inland Revenue Service. We noted those factors like illiteracy, poor record-keeping, high cost of VAT and leakages in the system led to the adoption of Modified Value Added Tax. We also found out that the advantages of value added tax over sales tax include sales of service are outside the scope of sales tax but are incorporated in VAT, it is eassier to collect sales tax at single points but becomes complex as the point increases, audit and monitoring are poorer in sales tax than under VAT, VAT is collected at the points of importation while sales tax is collected at points of retail. Finally in chapter four we looked into the performance of VAT in terms of revenue yield. Here we observed that VAT which was introduced in 1994 was the only successful government policy measure. This is because VAT did not only achieve its target of N6 billion but overshot the target by 30 percent or N2.1 billion. We also observed that the Head of State acknowledged in a statement that VAT has proved to be a remarkable success. We also found out that other benefits of VAT INCLUDE attracting more Nigerians into the tax net, increasing the propensity to save among Nigerians, fairness in the distribution of the tax burden, inculcating of book-keeping culture among businesses. We also found that for the first quarter of 1995 the tax (VAT) had realised a total of N3.22 billion about 128% or 1.866 billion higher than the VAT yields for the first quarter of 1994 or over N0.220m in excess of the N3 billion target revenues for the first quarter of 1995.

We also found that the success of VAT means more resources for financing expenditure to the three tiers of government to improve the quality of life of the citizens. Therefore the N8.421 billion VAT for 1994 was shared among the governments in accordance with the fiscal objectives. The States receipt of VAT proceeds was N5.41 billion and Local Government councils N0.31 billion boosted the finances of both tiers of Government by 20% and 2% respectively. We also found that the effort towards fiscal discipline paid off as the country witnessed a surplus of N8.41 billion plus the Federal Government share of intervention of N11.61 billion totalling N20.15 billion in the first quarter of 1995, the first in more than a decade. We also found that VAT contributed N200 million to the N8.41 billion surplus and that Government expenditure for the period is N1.51 billion out of the budget of N11.13 billion. We also observed that introduction of VAT inflicted inflation on the economy making life unbearable to the common man. The cost of production in industries and consequently costs of goods are on the increase in industries, we concluded that the success of VAT offers tremendous challenge to Government, Central Bank of Nigeria, Federal Inland Revenue Service and to the tax payer and that States and Local Governments should pursue vigorously other sources of revenue rather than relying entirely on VAT for their developmental programmes.

5.2 RECOMMENDATIONS

The Federal Government should remove clauses and words in the VAT Decree that are ambiguous. For example, the use of words like 'supply' is subject to different interpretations by different people.

The aim of taxation is to bridge the gap between the poor and the rich. By charging 5 percent flat rate on goods and services, this aim is not being achieved therefore the government should charge higher rates on luxury goods and services consumed by the rich.

Government should set a threshold for registration in order to check abuse. At the moment even retailers and others who have not registered with the Federal Inland Revenue Service for that purpose collect VAT which is not

remitted to the government. A tribunal should be set up to try offenders.

States and Local Government Councils should not relax in their efforts to look into new sources of revenue and enhance the administration of existing sources for maximum tax yield for their development programmes.

Specific projects like schools, hospitals, roads and other developmental projects should be earmarked and executed in all States and Local Government Councils with the VAT proceeds so as to motivate people to pay more taxes in future.

Government should adhere strictly to budgetary allocations in order to reduce budget deficits. Therefore all requests for extra budgetary expenditure should be addressed to the Federal Ministry of Finance instead of the Presidency. The Federal Ministry of Finance can then make proposals to the Presidency in the light of available resources and the degree of priority attached to the expenditure requests. This should help in exercising strict budget discipline and control in management of financial resources.

5.3 CONCLUSION

In concluding this study, it is important to highlight some of the problems encountered in the course of this research. A major handicap is that there have been inadequate publications on VAT to educate the public on the need to live up to their civic responsibilities thereby contributing their quota to the economic recovery programmes of the government. The problem is further compounded by the fact

that VAT is a new form of tax which was introduced in 1994. VAT is therefore less than two years in operation which is not sufficient to make a comprehensive assessment of the tax system. More so there are only few write-ups on the subject by people who are not specially trained accountants, tax-experts, business administrators, and other related fields. This inadequate publication of information in this sector of the economy has led many research studies being conducted into its problems.

Taxation by its complex nature itself has always made research into the area more difficult. Another limitation in the operation of VAT is the large number of illiterate small retailers and small businesses, poor record-keeping, poor attitudes towards taxation among Nigerians, the government has to adopt the most appropriate fiscal measure and maintain the spirit of accountability and transparency to revamp the Nigerian economy.

The fact which may not be popular remains that (tax) VAT is a tool of development if properly handled. This was clearly borne out in the case of the regional governments in the 1950s and 1960s. Tax proceeds from cash crops went into the building up of social and economic infrastructure including the setting up of higher institutions of learning. Tax on petroleum and duties on imports have dominated the nations public finance since the 1970s and has fostered the impression of government revenue as windfall. This has had deleterious effect on the public, attitude to tax payment and government disposition to tax administration and revenue management. Part of the VAT challenge will be to change these entrenched positions.

With the impressive outing of VAT, Fiscal discipline, accountability and transparency Nigeria is not only on the way to economic recovery but sustained growth and economic prosperity.

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TABLE 1

NIGERIA: MAJOR ECONOMIC AND FINANCIAL INDICATORS

	1980	1081	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
1 GDP AT 1984 FACTOR COST (N'b	96.2	70.4	70.2	66.4	63.0	68.9	71.1	70.7	77.8	83.5	90.4	94.3	98.4	100.8
Growth Rate (%) of: Aggregate	5.4	-26.8	-0.3	-5.1	-5.1	9.4	3.2	-0.6	10.0	7.3	8.3	4.4	4.1	2.9
Agriculture	-	-	2.6	-0.3	-4.8	16.9	9.2	-3.2	9.8	4.9	4.3	4.5	3.0	2.2
Manufacturing	-	-	12.9	-29.4	-11.2	19.7	3.9	5.1	12.9	1.6	7.6	6.1	2.6	3.5
Crude Oil	-	-	-11.4	-3.1	13.0	8.5	-5.3	-9.8	8.1	15.0	5.6	0.9	3.8	-33
2. DOMESTIC PRICES (%) CHANGED														
Composite CPI	9.9	20.8	7.7	23.2	39.6	5.5	5.4	10.2	38.3	50.5	7.4	13.0	44.6	57.2
3. GROWTH OF MONEY STOCK (%)														
M1	50.1	5.6	3.1	12.3	8.2	8.7	-1.2	13.7	41.9	21.5	44.9	32.6	66.4	54.6
M2	46.1	8.0	8.7	14.6	11.5	10.3	3.2	22.0	42.6	8.0	40.4	32.7	49.4	52.8
4. GROWTH OF CRDIT (%) TO														
Economy	21.7	50.8	34.7	28.7	10.5	5.0	12.7	27.4	22.2	-14.1	17.1	45.3	73.6	75.9
Private Sector	32.8	34.3	17.8	8.6	4.8	5.9	26.7	46.7	16.9	3.9	18.4	23.7	34.7	16.7
Government Sector	4.4	84.1	59.3	50.3	15.0	4.3	2.5	10.3	28.4	-33.5	14.9	82.9	23.9	120.7
Bank's Loans and Advances	37.3	35.2	19.7	8.0	3.7	5.8	29.0	11.7	11.0	10.8	18.4	22.7	25.7	3.1
5.BLANCE OF PAYMENTS (N'b)														
Overall Position	2.4	-3.0	-1.4	-0.3	0.4	0.3	-0.8	0.2	-2.3	8.7	18.5	6.0	-65.3	-13.6
6. EXTERNAL ASSETS (N'b)														
CBN (%)	5.7	2.6	1.1	0.8	1.4	1.9	6.2	8.0	10.3	23.2	45.5	57.7	39.4	61.4
Others (%)	3.3	5.9	3.6	12.5	24.1	15.4	42.0	41.7	68.0	41.8	21.0	23.3	65.0	52.6
7. FOREIGN EXCHANGE FLOWS (N'b)														
Inflow	26.0	21.4	15.0	11.7	12.1	12.4	7.2	6.6	6.5	8.1	11.0	12.1	6.7	6.0
Outflow	21.6	26.4	17.0	12.1	11.7	6.5	5.3	6.3	6.7	9.1	12.1	8.1	5.6	
Net	4.4	-5.0	-2.1	-0.4	0.5	0.6	0.7	1.3	0.2	1.4	1.9	0.0	1.4	0.3
8. AVERAGE EXCHANGE RATES (=N/S)														
Official	0.5469	0.6731	0.7235	0.7642	0.8924	1.2713	3.5971	4.5065	7.3855	7.9422	9.9095	17.3760	22.1610	
Bureau de Change	-	-	-	-	-	-	-	-	-	10.1300	9.5540	13.4078	19.0041	36.1594

Sources; 1. Federal Office of Statistics, Lagos.
2. Central Bank of Nigeria, Lagos.

 APPENDIX 2

TABLE 2

FISCAL OPERATIONS OF THE FEDERAL GOVERNMENT 1980-1993 (₦MILLION)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Retained Revenue	12,138.7	7,509.8	7,500.0	6,234.1	7,571.6	9,715.0	8,505.0	16,129.0	15,588.6	25,893.6	39,033.0	31,774.5	51,774.2	73,397.9
Recurrent Expenditure	6,076.0	5,739.5	4,332.0	3,929.5	5,604.3	5,916.1	7,680.0	15,642.2	19,409.4	25,994.2	36,219.6	38,243.6	70,852.5	132,169.9
Capital Expenditure	8,091.9	5,694.0	5,522.5	4,033.6	3,477.9	5,464.7	8,526.8	6,372.5	8,340.1	15,034.1	29,286.9	38,453.04	2,453.0	42,354.5
Total Expenditure	14,167.9	11,433.5	9,854.5	7,963.1	8,882.2	11,380.8	16,206.8	2,018.7	27,749.5	41,028.36	1,149.1	67,530.4	109,305.5	174,524.4
Overall Budget Deficit (-) /Surplus(+) 101126.5	-2029.2	-3923.7	-2354.5	-1729.0	-1310.6	-1665.8	-7701.8	-5889.7	-1 160.9	-151.7	-22116.1	-35755.9	-57531.3	
Deficit / GDP %	4.1	7.8	4.6	3.0	2.1	2.3	10.6	5.5	7.1	6.7	8.3	11.2	0.1	12.3
					PERCENTAGES									
Financing the Deficit:														
(i) External Loans	55.1	11.8	11.2	22.7	17.8	29.2	8.3	14.1	15.8	38.0	7.2	0.8	0.0	0.0
(ii) Internal Loans	27.6	89.9	151.4r	151.4	136.3	63.6	6.1	141.6	84.2	-38.5	124.7	90.9	102.6	100.0
(a) Banking System	24.4	59.7	127.7	115.2	137.7	69.6	-6.1	80.6	63.9	-61.3	109.2	88.1	99.7	96.4
(i) Central Bank	17.0	50.4	32.7	68.3	-15.8	22.9	75.1	25.1	75.3	-43.7	83.8	93.0	101.5	61.7
(ii) Commercial banks	7.4	9.3	95.0	46.9	153.8	39.2	-69.0	53.3	-11.0	-17.9	24.2	-5.8	-2.3	26.1
(iii)Merchant Banks	-	-	-	-	-	7.5	-12.2	2.2	-0.4	0.2	1.2	0.9	0.6	8.6
(b) Non-Bank Publi	3.2	30.2	237.0	36.2	-1.4	-6.0	12.2	61.0	20.3	22.8	15.5	2.8	2.3	3.6
(ii) Other Funds 1/	17.2	-1.7	-62.6	-74.1	-54.1	7.2	85.6	-55.6	-55.7	0.0	100.5	-31.9	8.3	-2.00.0

1/ Includes special trust funds used as balancing item.
Sources: Federal Ministry of Finance and the Central Bank of Nigeria.

TABLE 3
NIGERIA: FEDERALLY COLLECTED REVENUE
(=N= MILLION)

SOURCE	1970	1975	1980	1982	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
OIL REVENUE	166.4	4,271.5	12,353.8	7,814.9	8,209.7	10,915.1	8,107.3	19,027.0	20,933.8	41,334.4	54,713.2	68,832.2	103,783.7	111,514.6
(i) Petroleum Profit Tax	97.6	2,707.5	8,564.3	4,846.4	4,7611.0	6,711.0	4,811.0	12,504.0	12,495.5	24,161.7	26,909.0	38,615.9	51,476.7	59,207.6
(ii) Rent, Royal, & NNPC Earnings	68.8	1,564	3,789.5	2,968.5	3,448.3	4,204.1	3,002.5	6,242.2	8,435.6	17,1727	27,804.2	30,216.3	52,307.0	52,307.0
(iii) National Economic Recovery Fund (NEFR)	-	-	-	-	-	-	293.8	280.8	1.7	-	-	-	-	-
NON OIL REVENUE	457.8	1,227.3	2,880.2	3,877.9	3,789.0	3,691.0	5,125.0	6,962.0	6,846.6	8,730.9	13,773.6	18,324.0	23,225.3	32,718.4
(i) Company Income Tax	45.8	261.9	579.2	734.0	808.2	1,049.9	1,102.5	1,235.2	1,572.4	1,977.4	3,408.7	3,826.7	5,417.2	9,554.1
(ii) Import duties	215.5	629.3	1,407.2	1,801.7	924.2	1,199.0	1,298.7	2,722.9	4,264.1	5,815.5	8,640.9	11,456.9	16,054.8	15,486.4
(iii) Export Duties	41.9	5.8	0.1	0.3	1.0	5.6	6.8	3.5	n.a	n.a	n.a	n.a	n.a	n.a
(iv)Excise Duties	112.6	125.5	406.2	680.7	690.8	978.9	1,041.4	814.4	n.a	n.a	n.a	n.a	n.a	n.a
(v) others	42.0	204.8	487.5	661.2	1,364.8	457.6	745.3	1,296.8	1,010.1	938.0	1,724.0	3,040.4	1,753.3	7,677.9
(vi)National Economic Recovery Fund (NEFR)	-	-	-	-	-	-	930.3	889.2	-	-	-	-	-	-
TOTAL FEDERALLY COLLECTED REVENUE	624.2	5,498.8	15,234.0	11,692.8	11,998.7	14,606.1	13,232.3	25,989.0	27,780.4	50,065.3	68,486.8	87,156.2	127,009.0	144,233.0
less Federal Govt. Indep. Rev 1/	42.0	204.8	487.5	807.9	1,368.1	577.8	433.7	407.6	540.5	938.0	1,724.0	3,040.4	1,753.2	7,677.9
TOTAL FEDERALLY COLLECTED REVENUE	582.2	5,294.0	14,746.5	10,884.9	10,630.6	14,028.3	12,798.6	25,581.4	27,239.9	49,127.3	66,762.8	84,115.8	125,255.8	136,555.1

1/ Federal Government Independent Revenue includes Revenue from Interest and Repayments, Rents on Government properties and proceeds from personal Income Tax of the Personel in the Armed Forces, External Affairs and the Federal Capital Territory of Abuja.

Source: Federal Ministry of Finance, Abuja

TABLE 4
FUNCTIONAL CLASSIFICATION OF TOTAL EXPENDITURE, 1980 - 1993
(=N=MILLION)

Year	Total Expenditure (1)	Administration (2)	% Share (3)	Economic Services (4)	% Share (5)	Social & Community Services (6)	% Share (7)	Transfer Payments 1/ (8)	% Share (9)
1980	14,167.9	3,205.9	22.6	5,917.3	41.8	2,131.7	15.0	2,913.0	20.6
1981	11,433.5	3,713.9	2,713.9	32.5	4,033.3	2,364.9	20.7	1,320.9	11.6
1982	9,854.5	3,109.3	31.6	3,451.5	35.0	2,186.7	22.2	1,107.7	11.2
1983	7,963.1	3,114.2	39.1	2,824.8	35.5	1,741.3	21.9	282.2	3.6
1984	8,882.2	2,940.0	33.1	950.8	10.7	1,038.0	11.7	3,953.4	44.5
1985	11,380.8	3,097.8	27.2	1,208.1	10.6	2,286.2	20.1	4,788.7	42.1
1986	16,206.8	2,940.5	18.1	1,613.6	10.0	1,517.1	9.4	10,135.6	62.5
1987	22,018.7	7,862.5	35.7	3,252.6	14.8	1,088.1	4.9	9,815.5	44.6
1988	27,749.5	7,676.9	27.7	3,349.9	12.1	3,840.2	13.8	19,789.1	48.2
1989	41,028.3	8,888.0	21.7	6,276.3	15.3	6,074.9	14.8	19,789.1	48.2
1990	61,149.1	7,857.6	12.8	16,365.3	26.8	4,816.9	7.9	32,451.3	53.1
1991	67,530.4	10,298.8	15.3	4,448.4	6.6	4,168.6	6.2	48,614.6	72.0
1992	109,305.5	11,415.0	10.4	4,634.2	4.2	5,334.7	4.9	87,921.6	80.4
1993	174,524.4	25,282.7	14.5	8,257.1	4.7	13,089.5	7.5	114,148.4	65.4

1/Includes Extra - Budgetary Expenditure.
Source: Federal Ministry of Finance, Abuja.

TABLE 5

PRODUCTIVE EXPENDITURE AND TRANSFER PAYMENTS AS PERCENTAGE SHARE OF G.D.P. 1980 - 1993

Year	Total Expenditure = N = (1)	G.D.P. = N = Million (2)	Productive Sector = N = (3)	% Share of Total (4)	% Share of GDP (5)	Transfer Payments 1/ = N = Million (6)	% Share of Total (7)	% Share of GDP (8)
1980	14,167.9	49,630.0	11,254.9	11,254.9	79.4	22.7	2,913.0	20.6
1981	11,433.5	50,460.0	10,112.6	88.4	20.0	1,320.9	11.6	2.6
1982	9,854.5	51,570.0	8,746.8	88.8	17.0	1,107.7	11.2	2.1
1983	7,963.1	56,710.0	7,680.3	96.4	13.5	282.8	3.6	0.5
1984	8,882.2	63,010.0	4,928.8	55.5	7.8	3,953.4	44.5	6.3
1985	11,380.8	71,370.0	6,592.1	57.9	9.2	4,788.7	42.1	6.7
1986	16,206.8	72,130.0	6,071.2	37.5	8.4	10,135.6	62.5	14.1
1987	22,018.7	106,890.0	12,203.2	55.4	11.4	9,815.5	44.6	9.2
1988	27,749.5	142,660.0	16,835.0	60.7	11.8	10,914.5	39.3	7.7
1989	41,028.3	224,800.0	21,239.2	51.8	9.4	19,789.1	48.2	8.8
1990	61,149.1	267,600.0	28697.8	46.9	10.7	32,451.3	53.1	12.1
1991	67,530.4	324,000.0	18,915.8	28.0	5.8	48,614.6	72.0	15.0
1992	109,305.5	553,200.0	21,383.9	19.6	3.9	87,921.6	80.4	15.9
1993	174,524.4	821,900.0	60,376.0	34.6	7.3	114,148.4	65.4	13.9

1/ Includes Extra - Budgetary Expenditure and other unproductive expenditure.

Sources: 1. Federal Ministry of Finance, Abuja.

2. Federal Office of Statistics, Lagos.

TABLE 6

STRUCTURE OF FEDERAL GOVERNMENT REVENUE FOR SOME SELECTED YEARS

	1970	%Of Total	1975	% Of Total	1980	%Of Total	1985	%Of Total	1990	%Of Total	1993	% Of Total
OIL REVENUE	166.4	26.6	4,271.5	77.5	12,353.8	81.1	10,915.1	74.7	54,713.2	79.8	106,155.4	76.4
(i) PPT (Petroleum Profit Tax)	97.6	15.6	2,707.5	49.2	8,564.3	56.2	6,711.0	45.9	26,909.0	39.2	59,207.6	42.6
(ii) Rent, Royalties & NNPC Earnings												
NON-OIL REVENUES	457.8	73.4	1,227.3	22.5	2,880.2	18.9	3,691.0	25.6	13,857.3	20.2	32,718.4	23.6
(i) Companies Income Tax	45.8	7.3	261.9	4.8	579.2	3.8	1,049.9	7.2	3,408.7	5.0	9,554.1	6.9
(ii) Import Duties	215.5	34.5	629.3	11.4	1,407.2	9.2	1,199.0	8.2				
(iii) Export Duties	41.9	6.7	5.8	0.1	0.1	0.0	5.6	0.0	8,724.6	12.7	15,486.4	11.2
(iv) Excise Duties	112.6	18.0	125.5	2.3	406.2	2.7	978.9	6.7				
(v) Others	42.0	6.7	204.8	3.7	487.5	3.2	457.6	3.1	1,724.0	2.5	7,677.9	5.5
FEDERALLY - COLLECTED REVENUE	624.2	100.0	5,498.8	100.0	15,234.0	100.0	14,606.1	100.0	68,570.5	100.0	138,873.8	100.0
Less Fed Govt Independent Rev.	42.0		204.8		487.5		457.6		1,724.0		7,677.9	

Source: CBN Annual Report - Various Years.
CBN Statistical Bulletin, Vol. 3 No. 1, June, 1992.

TABLE 7

COMPARISON OF BUDGET ESTIMATES AND ACTUAL FISCAL OEPRATIONS: 1986 - 1994

A. BUDGET ESTIMATES	1986	1987	1988	1989	1990	1991	1992	1993	1994
Federally Collectable Revenue	15,600.0	17,862.0	27,311.0	29,414.0	47,557.0	70,730.0	101,201.0	156,987.0	240,700.0
Federal Govt Retained Revenue	8,056.0	15,484.0	15,589.0	17,707.0	25,431.0	38,767.0	54,037.0	83 548.0	110,200.0
Total expenditure	11,582.0	17,507.0	24,367.0	30,107.0	39,763.0	38,666.0	52,036.0	112,100.0	110,200.0
Overall Surplus / Deficit	93,526.0)	(2,023.0)	(8,778.3)	(12,400.0)	(4,171.0)	101.0	2,001.0	(28,552.0)	0 0
B. ACTUAL FISCAL OPERATIONS									
federally Colelcted revenue	12,302.0	25,099.8	27,310.8	50,272.1	68,570.5	78,640.7	138,617.0	138,873.8	n.a.
Federal Govt' Retained Revenue	8,505.0	16,129.0	15,588.6	25,893.6	39,033.0	31,774.2	51,774.2	73,397.9	n.a.
Total Expenditure	16,206.8	22,018.7	27,749.5	41,028.3	61,149.1	67,530.4	109,305.5	174,524.4	n.a.
Overall Surplus/Deficit	(7,701.8)	(58,889.7)	(12,160.9)	(15,134.7)	(22,116.6)	(35,755.9)	(57,531.3)	(101,126.6)	n.a.
Variaton between Expenditure Estimates and Actual (absolute)	4,624.8	4,511.7	3,382.2	10,921.3	21,386.1	28,864.4	57,269.5	62,424.0	n.a.
Variance (%)	4 1	25.8	13.9	36.3	53 8	74 6	110 1	55.7	n.a.

Appendix 8

FEDERAL INLAND REVENUE SERVICE

SUBJECT: DETAILED LIST OF ITEMS EXEMPTED FROM VALUE ADDED TAX (VAT)

DATE: 1st March, 1994.

Introduction

As part of the enlightenment campaign to educate members of the public on their rights and obligations under the new VAT Decree No. 102 of 1993, the Federal Inland Revenue Service gives below a comprehensive break down of the list of goods and services exempted from VAT.

For the avoidance of doubt, all collection agencies are advised to restrict themselves to this published list of exemptions. Consequently, no request for special concession or exemption will be entertained by the FIRS. This is to avoid possible abuse in the process.

Furthermore, all registered persons are enjoined to display this list conspicuously in their places of business to educate their customers. All items not included in this published list are VATable at the standard rate of 5%, except in the case of exports where the rate is 0%.

(2) List of Goods Exempted From VAT

Heading No.	Harmonised System. (H.S) Code		Tariff Description
		(A)	**MEDICAL AND PHARMACEUTICAL PRODUCTS**
30.01			**Glands and other organs for organ-otherapeutic uses:**
	3001.10	-	Glands and other organs, dried whether or not powdered.
	3001.20	-	Extract of glands or other organs or of their secretions.

Nigeria

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30.02			**Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses;**
	3002.10	-	Antisera and other blood fractions.
	3002.20	-	*Vaccines for human Medicine Vaccines for* Verterinary Medicine.
	3002.31	-	Vaccines against food and mouth disease.
30.03			**Medicaments (excluding goods of heading No 30.02, 30.05 or 30.06):**
	3003.10	-	Containing penicillins or derivatives thereof, with a penicillin acid structure, or streptomycin or their derivatives.
	3003.20	-	Containing other antibiotics.
		-	**Containing hormones or other products of heading No 29.37 but not containing** antibiotics.
30.03	3003.31	-	**Containing insulin.**
	3003.40	-	Containing alkaloids or derivatives thereof but not containing hormones or other products of heading No. 29.37 or antibiotics.
30.04			**Medicaments (excluding goods of heading No. 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic uses:**
	3004.10	-	Containing penicillins or derivatives thereof, with a penicillinic acid structure, or streptomycin or their derivatives.
	3004.20	-	Containing other antibiotics.
		-	Containing hormones or other product heading No. 29.37 but not containing antibiotics.

	3004.40	-	Containing alkaloids or derivatives thereof but not containing hormones, other products of heading No 29.37 or antibiotics.
	3004.50	-	Other medicaments containing vitamins or other products of heading No 29.36.
30.05			**Wadding, gauze, bandages and similar articles (for example dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substance or put in the forms or packings for retail sale for medical, surgical, dental or veterinary purposes.**
	3005.10	-	Adhesive dressings and other articles having an adhesive layer.
30.06			**Pharmaceutical goods:**
	3006.10	-	Sterile surgical catgut, similar sterile suture materials and sterile tissue adhesives for surgical wound closure; sterile laminaria and sterile absorbable surgical or dental haemostatics.
	3006.20	-	Blood-grouping reagents.
	3006.30	-	Opacifying preparations for X-ray examinations; diagnostic reagents designed to be administered to the patient.
	3006.40	-	Dental Cements and other dental fillings; bone reconstruction cements.
	3006.50	-	First-aid boxes and kits.
	3006.60	-	Chemical contraceptive preparations based on hormones or spermicides.
		(B)	**BASIC FOOD ITEMS.**
07.13			***Dried leguminous vegetables, shelled, whether or not skinned or split:***
	0713.10	-	Peas (Pisum sativum).

	0713.20	-	Chickpeas (garbanzos).
		- .	Beans.
	0713.31	-	Bean of the species vigna Mingo, Hepper or Vigna radiata.
	0713.32	-	Small red (Adzuki) beans.
	0713.33	-	Kidney beans, including white pea beans.
	0713.40	-	Lentils.
	0713.50		Broad beans and horsebeans.
	0713.90	-	Other
07.14			**Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers;**
	0714.10	-	Manioc (Cavassa)
	0714.20	-	Sweet Potatoes.
	0714.90	-	Yam, Cocoyam
11.03			**Cereal groats, meal and pellets.**
			Groats and meal:
	1103.11	-	of wheat,
	1103.13	-	Maize (corn),
	1103.14	-	of rice,
	1103.19	-	of Millet,
	1103.20	-	of Pellets,
	1103.21	-	of wheat,
	1103.29	-	Rice, millet, corn, maize.

11.04			**Cereal grains otherwise worked except rice of heading No. 10.06.**
		-	Rolled or flaked grains:
	1104.19	-	Wheat
	1104.23	-	of maize (corn), rice, corn, millet.
10.06			**Rice.**
	1006.10	-	Rice in the husk (paddy or rough)
	1006.20	-	Husked (brown) rice.
	1006.30	-	Semi-milled or wholly milled rice, whether or not polished or glazed.
	1006.40	-	Broken rice.
04.01			**Milk**
			Milk and cream not concentrated nor containing added sugar or other sweetening matter.
	0401.10	-	of a fat content by weight not exceeding 1%.
	0401.20	-	of a fat content by weight exceeding 1% but not exceeding 6%.
	0401.30	-	of a fat content by weight exceeding 6%.
04.02			**Milk and cream concentrated or containing added sugar or other sweetening matter:**
	0402.10	-	In powder, granules or other solid forms, of a fat content by weight not exceeding 1.5%.
	0402.21	-	Not containing added sugar or other sweetening matter.

03.02			**Fish**
			Fish, fresh or chilled, (excluding fish fillets and other fish meat of heading No. 03.04):
		-	Salmonidase, excluding livers and rocs:
	0302.11	-	Trout.
	0302.12	-	Pacific Salmon, Atlantic Salmon and Danube Salmon.
	0302 19	-	Flat fish (excluding livers and roes)
03.02	0302.21	-	Halibut
	0302.22	-	Plaice.
	0302.23	-	Sole.
	0302.29	-	Tunas, skip jacks or stripe bellied bonito (excluding livers and Roes).
	0302.31	-	Albacore or longfinned tunas
	0302.32	-	Yellow fin tunas.
	0302.33	-	Skip jack or stripe-bellied bonito.
	0302.40	-	Herrings (excluding livers and roes).
	0302.50	-	Cord (excluding livers and roes).
	0302.61	-	Sardines (brisling or sprats.)
	0302.62	-	Haddock.
	0302.63	-	Coalfish.
	0302.64	-	Mackerel.
	0302.65	-	Dogfish and other shanks.
	0302.66	-	Eels.
	0302.70	-	Livers Rocs.

03.03			**Fish, frozen, excluding fish fillets and other fish meat and heading No 03.04.**
	0303.10	-	Details as above.
03.05			**Fish, dried, salted, or in brine smoked fish, whether or not cooked before or during the smoking process; fish meal fit for human consumption.**
	0305.10	-	Fish meal fit for human consumption.
	0305.20	-	Livers and roes, dried smoked, salted or in brine.
	0305.30	-	Fish fillets, dried, salted or in brine, but not smoked.
		-	Smoked fish, including fillets
	0305.41	-	Pacific salmon, atlantic salmon and danube salmon.
	0305.42	-	Herrings.
	0305.49	-	Dried fish, whether or not salted but not smoked.
	0305.51	-	Cod.
	0305.59	-	Fish, salted but not dried or smoked and fish in brine.
	0305.61	-	Herrings.
	0305.62	-	Cod.
	0305.63	-	Anchories
19.01		(C)	**INFANT FOOD**
			Malt extract, food preparations of flour, meal, starch or malt extract, not containing Cocoa powder or containing Cocoa powered in proportion by weight of less than 50% not elsewhere specified or included; Food preparation of goods of headings Nos. 04.01 to 04.04, not containing Cocoa powder in a proportion by

			weight of less than 10% not elsewhere specified or included.
	1901.10	-	Preparations for infant use, put up for retail sale.
49.01		(D)	**BOOKS, NEWSPAPERS, AND MAGAZINES**
			Printed books, brochures, leaflets and similar printed matter whether or not in single sheets;
	4901.10	-	In single sheets, whether or not folded.
	4901.91	-	Dictionaries and encyclopedias, and serial instalments thereof.
49.02			**Newspapers, journals and periodicals, whether or not illustrated or containing advertising materials.**
	4902.10	-	Appearing at least four times a week.
49.03	4903.00		**Children's picture, drawing or colouring books.**
49.04	4904.00		**Music, printed or in manuscript whether or not bound or illustrated.**
49.05			**Maps and hydrographic or similar charts of all kinds including atlases, wall maps, topographical plans and globes, printed.**
	4905.10	-	Globes
49.06	4906.00	-	**Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing.**
49.07	4907.00		Unused postage, revenue or similar stamps of current or new issue in the country to which they are destined; stamp impressed

		paper; cheque forms, bank notes, stock, share or bond certificates and similar document of fible.
		(E) EDUCATIONAL MATERIALS (Laboratory Equipment).
84.19		Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment of materials by a process involving a change of temperature such as heating looking, roasting, distilling rectifying, sterilising, pasteurising, steaming, drying, evaporating, vaporising, condensing or cooling, other than machinery or plant of a kind used for domestic purposes, instantaneous or storage water heaters, non-electric.
	-	Instantaneous or storage water heaters, non-electric; (for imported educational and scientific use.
8419.11	-	Instantaneous gas water heater.
8419.20	-	Medical, surgical or laboratory sterilisers.
8419.30	-	Dryers. (Laboratory):
8419.31	-	for agricultural products
8419.32	-	for wood, paper pulp, paper or paperboard,
8419.40	-	Distilling or rectifying plant,
8419.50	-	Heat Exchange units.
8419.60	-	Machinery for liquefying air or gas.
8419.81	-	For making hot drinks or for cooking or heating food.
8419.90	-	Parts of the above.

			(F) BABY PRODUCTS
		-	*Carriages.*
87.15	8715.00		Baby carriages and parts thereof.
		-	*Clothes*
61.11			Babies garments and clothing accessories, knitted or crocheted.
	6111.10	-	of wool or fine animal hair.
	6111.20	-	of cotton
	6111.30	-	of synthetic fibres
	6111.90	-	of other textile materials.
62.09			Babies garments and clothing accessories.
48.18		-	Napkins
48.18	4818.40	-	Sanitary towels and tampons napkins and Napkin liners for babies and similar sanitary articles.
			(G) COMMERCIAL VEHICLES AND SPARE PARTS.
87.01			Tractors (0ther than tractors of heading No. 87.09)
	8701.10	-	Pedestrian controlled tractors
	8701.20	-	Road tractors for semi-trailers.
	8701.30	-	Track-laying tractors.
87.02			Public transport type passenger motor vehicles.
	8702.10	-	With compression-ignition internal combustion piston engine (diesel or semi-diesel i.e. vehicles capable of carrying *not less than nine passengers)*
	8705.30	-	Fire fighting vehicles

87.08	8708.29	-	Brakes and Servo-brakes and parts thereof.
	8708.40	-	Gear boxes (for fire fighting vehicles)
87.10	8710.00		**Tanks and other amoured fighting vehicles motorised, whether or not fitted with weapons and parts of such vehicles.**
87.11			**Motorcycles (including mopeds) and cycles fitted with an auxiliary motor with or without side-cars; side-cars.**
	8711.30	-	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 250cc but not exceeding 500cc.
	8711.40	-	With reciprocating internal combustion piston engine of a cylinder capacity exceeding 500cc but not exceeding 800cc.
87.11	8711.50		**With reciprocating internal combustion piston engine of a cylinder capacity exceeding 800cc.**
87.12	8712.00		**Bicycles and other cycles (including delivery tricyles) not motorised.**
87.13			**Invalid carriage whether or not motorised or otherwise mechanically propelled.**
	8713.10	-	Not mechanically propelled.
		(II)	AGRICULTURAL EQUIPMENT.
84.32			**Agricultural, horticultural or forestry machinery for soil preparation or cultivation; Lawn or sports-ground roller.**
	8432.10	-	Ploughs
		-	Harrows, sacrifiers, cultivators, weeders and hoes.
	8432.21	-	Disc harrows.
	8432.30	-	Seeders, planters and transplanters.
	8432.30	-	Manure spreaders and fertilizer distributors.
	8432.90	-	Parts of 84.32

84.33			**Harvesting or threshing machinery, including straw or fodder balers, grass or hay movers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce.**
	8433.40	-	Other harvesting machinery; threshing machinery.
	8433.51	-	Combine harvester-threshers.
	8433.53	-	Root or tuber harvesting machineries.
	8433.60	-	Machine for clearing, sorting or grading eggs, fruits or other agricultural produce.
	8433.90	-	Parts of 8433.40,51,53 and 60 above.
84.34			**Milking machines and diary machinery.**
	8434.10	-	Milking machines
	8434.20	-	Diary machinery
	8434.90	-	Parts of 8434.10 and 20 above.
84.36			**Agricultural, horticultural forestry, poultry-keeping or beekeeping machinery, including germination plant fitted with mechanical or thermal equipment poultry incubartors and brooders.**
	8436.10	-	Machinery for preparing animal feeding stuffs.
		-	Poultry-keeping machinery; poultry incubators and broods;
	8436.21	-	Poultry incubators and brooders.
	8436.80	-	Part of 8436.10, and 21 above.
	8436.91	-	of poultry-keeping machinery or poultry incubators and brooders.

			(I) VETERINARY MEDICINE EQUIPMENT.
30.01			As in the case of Medicaments and pharmaceutical products above.
90.18			**Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphs apparatus, other electro-medical apparatus and sight testing instruments.**
	9013.11	-	Electro-Cardiographs.
	9018.20	-	Ultra-Violet or infra-redray apparatus.
		-	Syringes, needles, catheters with or without cannulae and the like;
	9018.31	-	Syringes, with or without needles.
	9018.32	-	Tubular metal needles and needles for sutures.
	9018.39	-	Instruments and appliances used in dental sciences.
	9018.41	-	Dental drill engines, whether or not combined on a single base with other dental equipment.
	9018.50	-	Ophthalmic instruments and appliances.
94.02			**Medical, surgical, dental or veterinary furniture, barbers, chairs, and similar chairs having rotating as well as both reclining and elevating movements. Parts of the fore-going articles.**
	9402.10	-	Dentists, barbers' or similar Chairs and parts thereof.
			(J) FERTILIZER AND FARMING TRANSPORTATION EQUIPMENT.
31.01	*3101.00*		***Animal or Vegetable fertilizers, whether or not mixed together or chemically treated; fertilizers produced by the mixing or chemical treatment of animal or vegetable produces.***

31.02			**Mineral or chemical fertilizers nitrogenous.**
	3102.10	-	Urea, whether or not in aqueous solution.
		-	Ammonium sulphate, double salts and mixtures of ammonium sulphate and ammonium nitrate.
	3102.21	-	Ammonium sulphate.
	3102.30	-	Ammonium nitrate, whether or not in aqueous solution.
	3102.40	-	Mixtures of ammaronium nitrate with calcium carbonate or other inorganic non-fertilizing substance.
	3102.50	-	Sodium nitrate.
	3102.60	-	Double salts, and mixtures of calcium nitrate and ammonium nitrate.
	3102.70	-	Calcium cynamide.
	3102.80	-	Mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution.
	3102.90	-	Including mixtures not specified in the foregoing subheadings.
31.03			**Mineral or Chemical fertilizers phosphatic**
	3103.10	-	Superphosphate.
	3103.20	-	Basic Slag
31.04			**Mineral or Chemical Fertilizers Potassic.**
	3104.10	-	Cannallite, sylvite and other crude natural potassium salts.
	3104.20	-	Potassium Chloride.
	3104.30	-	Potassium sulphate.

31.05			***Mineral or Chemical Fertilizers containing*** **two or three of the fertilising elements nitrogen phosphorous and potassium; Other fertilizers, goods of these chapter in tablets or similar forms or in packages of a gross weight not exceeding 10kg.**
	3105.10	-	Goods of chapter in tablets or similar forms or in packages of a gross weight not exceeding 10kg.
	3105.20	-	Mineral or Chemical fertilizers containing the three fertilising elements nitrogen, phosphorous and potassium.
	3105.30	-	Diammonium hydrogenorthophosphate.
	3105.40	-	Mineral or chemical fertilizers containing the two fertilising elements nitrogen and phosphorous.
		-	Ammonium dyhydrogenortho-phosphate.
	3105.51	-	Containing nitrates and Phosphates.
	3105.60	-	Mineral or chemical fertilizers containing the two fertilising elements phosphorus and potassium.
			Ships, Boats and Floating Structures.
89.01			**Cruise ships, excersion boats, ferry-boats, cargo ships, barges.**
	8901.30	-	Refrigerated vessels.
	8901.90	-	Vessels for the transport of goods and vessels for the transport of both persons and goods.
89.02	8902.00		**Fishing vessels; factory ships and vessels for processing or preserving fishery products.**

(K) EXEMPT DIPLOMATIC GOODS
(Based on Federal Government Duty Free Concession)

1. Aircrafts, their parts and ancillary equipment e.g: Items 1 - 10;
2. Films;

3. Fuel, lubricants and similar products;

4. Goods imported by voluntary organisation e.g Nigerian Red Cross Society;

5. Goods for donation to charity;

6. Goods imported for the President, Commander-in-Chief of the Armed forces of Nigeria;

7. Goods imported for consular officers;

8. Diplomatic Privileged Importations;

9. Technical assistance Importations (Based on Custom's Personal Effect Standards);

10. Passengers baggage (e.g. passengers personal and household accompanying luggage);

11. Patterns and samples, cut, mutilated, spoiled or otherwise rendered unmerchantable (based on Custom Standard)

12. Personal effects;

13. Scientific specimens, imported for public exhibition, study or research;

14. Foodstuff;

15. Church and Mosque equipment;

16. Life-saving appliances;

17. Medicinal preparations;

18. Specialised Hospital and surgical equipment;

19. Military hardware and uniforms and

20. Arms and Ammunition imported by the Armed forces of Nigerian.

(3) **List of Services Exempted From VAT**

i. Medical and health care services;

ii. Services by community banks, peoples banks and mortgage institutions (interest earnings on loans by commercial bank and premiums paid to insurance companies are not VATable);

iii. Performances conducted by educational institutions as part of learning;

iv. Social services (orphanages, charities, and fire fighting);

v. Pure postal service (excluding giro services);

vi. Religious services;

vii. Non - commercial cultural services;

viii. Overseas air transportation;

ix. Public telephone (coin operated) and telegram services. This does not include private telephone or telephone used for business or commercial purposes.

(4) Other Exempted Goods and Services which by Inference Fall within Categories 2 and 3 above.

i) Salt;

ii) Water;

iii) Salary or wage from employment or directors' emolument from appointment;

iv) Hobby activities;

v) Private transactions, for example, the occasional sale of domestic or household articles, furnishings, personal effects or private motor vehicles and

vi) House rent. (i.e. rent on residential accommodation only)

(5) Enquiries

All enquiries on any aspect of this publication are to be directed to:

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"B" Block, 2nd Floor,
Garki - Abuja.
Nigeria.
or

Any Office of Nigeria Customs Service throughout the Country.

or

Any Local VAT Office throughout the Country.

Chairman,
Federal Inland Revenue Service.

1st March, 1994