ANALYSIS OF VALUE ADDED TAX (VAT) SYSTEM IN NIGERIA.

BY

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CERTIFICATION

This project entitled the Analysis of Value Added Tax (VAT) System in Nigeria by Shehu Darasu Gamaw meets the regulations governing the award of Master of Business Administration (MBA), Ahmadu Bello University, Zaria and has been approved for its contribution to knowledge and literary presentation.

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DEDICATION

This research work is dedicated to the memory of my late Grandmother, Hajiya Daso, may her gentle soul rest in perfect peace, Amen.

ABSTRACT

Prior to the discovery of oil, Nigeria was dependant on the exportation of agricultured products for its foreign exchange earnings. With the discovery of oil, things changed and the country relies so much on oil money for its foreign earnings. Oil prices started to dwindle moving the country's earning to drop. Internally revenue was a meagre percentage of the country's earnings. In 1993, the Federal Government promulgated degree 102 of 1993 which establishes the collection of value Added Tax (VAT) at the rate of 5%, as an additional source of income to the government. The tax, also known as consumption tax is levied on some goods and services out lined in the decree.

The commencement date for the collection of the tax was 1st January 1994. This is the subject of this research work.

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CHAPTER ONE.

1.0 INTRODUCTION.

The government of every country needs to finance its activities and projects and one of the ways the government can source funds for this is through taxation. Because of the changing times and the need to meet up with the challenges of the time, the government desires different methods of tax administration. To every government, the effective administration of tax laws is therefor an important factor in economic planning and development. This is because taxation is an agent of social, economic and political change.

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In Nigeria, as the days roll by government expenditure rose considerably, without a corresponding increase in government revenue (Federal Inland Revenue Service, annual report 1993) there was the need therefore to source for revenue and to reduce over dependence on oil revenue. The export sector can not help out the situation as well as high and rising foreign exchange which has led to the balance of payment position of the country swinging from a comfortable boom of 70's to a doom in 80's. In the light of the circumstances, as one of the means of raising additional non oil revenue locally, the introduction of Value Added Tax (VAT) was suggested to the Federal Government to replace the existing sales tax which though a nationally levied tax, the revenue is collected and retained by the

States government. The Federal Government accepted and set up various machineries for the implementation of new tax system.

1.1 STATEMENT OF PROBLEM.

The system as new as it is has some problem associated with operation. There has been many complain from various quarters ranging from the government officials to the citizens who pay the tax, on the operation of the system. The government officials either complains that the machinery put in place for the administration of the tax is not efficient enough or that the tax payers are not complying the provision of the tax laws (Federal Inland Revenue Service, annual report, 1994). On the other hand, the taxpayers complain of harsh implementation procedures on the part of the tax authorities.

There is also the problem of comprehension, which affect the new tax system. Many of the taxpayers complain of not being able to understand the operation of the new tax system.

Another problem of the new tax system is that of justification of the system. The questions are whether the motive behind the introduction of the new tax will be

achieved; and whether the cost of ~~all~~ collection of the tax, judging from all the machineries put in place for the implementation of the tax will be economical.

1.2 SIGNIFICANCE OF THE STUDY

The federal government of Nigeria in her effort to transform the economy, and provide for the needs of the citizens, introduced a lot of economic policies among which is the use of fiscal policy. This fiscal policy is the use of taxes and other non-monetary instrument to generate revenue for government projects, (CBN annual report and accounts, 1993).

The significant of this project is to help the government emphasize the importance of this means devised by the government to generate taxes which it ~~was~~ has in the provision of essential services to its citizens. The project will also look at the various machineries of VAT collection put in place by the government and investigate the necessity for doing so.

The particular significance of this project work is that it hopes to examine the mode of operation of this tax system and how the taxpayers are responding to the new tax.

1.3 SCOPE OF THE STUDY

Nigeria tax system is known to be prone to continual changes, which necessitate changes in the administration of the tax. This project will cover the period from publication of the government white papers report on the Nigerian tax system and administration in 1991 to the enactments on taxation in 1999 when the VAT decree was of 1993 was amended.

The work will pay particular attention on the of VAT, the various administrative machineries put in place at the federal, State and local government level to enhance the collection of the tax and its rates, the various taxable persons within the system, that is the VATable persons. The item that are VATable and those that are exempted.

The scope of the chapters of the project will be, chapter one will give a highlight on the Nigeria tax system with particular emphasis on Value Added Tax (VAT).

Chapter two will be literature review of the past researches on related topics. It will also give definition of some terms, meaning of Value Added Tax with its advantages and disadvantages.

Chapter three will be research methods used in the research work. It will also analyze the VAT system in Nigeria.

Chapter four is the analysis and presentation of data obtained in the course of the research work.

Chapter five will be summary, conclusion and recommendation on how to improve on the efficiency and effectiveness of the Nigerian tax system in general and Value Added Tax (VAT) in particular.

1.4 PURPOSE OF STUDY.

The purposes of this project are:

1. To examine the newly introduced tax in Nigeria, that is Value Added Tax (VAT).
2. To examine the mode of operation and implementation of the new tax.
3. It will also examine the means devised by the government to generate revenue through the new tax.
4. It will also enlighten other collegues in other profession whose services will be affected by the new tax.

5 It is also aimed as serving as literature (reference) to other researches who may use it as a reference material in future write up of this nature.

1.5 LIMITATION OF THE STUDY

The successful execution of a project work of this nature can not be complete without encouraging any constrain. In light of this, there is the need to highlight the constrain encountered.

The fact that the main subject of the project, Value Added Tax (VAT) is relatively new in Nigerian tax system posed as a problem because little research work has been done in the country on the topic thereby making it difficult to get enough material for the project.

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Another constrain encountered during the project is that of attitudes of the respondent to the question asked during oral interviews because of the little knowledge most of the respondent have on Value Added Tax (VAT).

There is also the problem of logistics encountered during project, which has its fair share in the limitation of this project work.

1.6 HISTORICAL BACKGROUND OF VALUE ADDED TAX .

Value Added Tax (VAT) was first advocated in Germany in 1919 (Element of Taxation, Ogundele, E.A. 1999). The form advocated than was the "addition type" in which the tax bases would be the sum of wages and capital income. In accounting sense, this is the difference between the sales and the purchases of the taxable form. It is the Value Added. However, the origin of VAT in its modern forms France. France introduced "Production tax" in 1937. It was a type of excise duty. In 1948, it was transformed into a producers income based tax, which used the credit mechanism thereby moving it nearer the present day Value Added Tax .

In 1954, the tax was changed into a "Consumption type" VAT. It was made applicable to the industrial sector alone with services and distribution having separate taxes. The French VAT, as adopted, gave full credit for tax paid on investment goods. France's favorable experience in the administration of the tax persuaded the original five members States of the European Economic Community (EEC as it is known), to adopt the Value Added Tax. The adoption of the Value Added Tax was made obligatory under the treaty of Rome signed in January 1957.

T'ıe idea of introducing VAT in Nigeria came from the report of the study group s t up by the Federal Government in 1991 to review the entire tax system. Value A dded Tax was proposed and a Modified Value Added Tax (MVAT) committee ı as set up to carry out feasibility studies on its implementation. In January 1993 ('ederal Inland Revenue Service Annual Report, 1994) the Federal Government ı greed to introduce Vat by middle the year. It was later shifted to 1st January 994, by which time the relevant legislation would have made and proper roundwork done.

.7 CHAPTER PREVIEW.

ın a nutshell, chapter one tries to give a overall view of what the project is all ıbout Value Added Tax (VAT) in Nigeria. From the need for additional source of ɔn-oil revenue to Government, which necessitated the introduction of Value Added Tax (VAT) as an efficient and effective tax system.

The significance and scope of the study were also highlighted. Limitation of the study together with statement of hypothesis were also stated and explained. A comprehensive historical background of Value Added Tax (VAT) was given at the end of the chapter.

1 8 DEFINITION OF TERMS

1 **Value Added Tax (VAT):** - This is multi-stage consumption tax collected on sales at all stage of sales and distribution. In the operation VAT, each seller issues an invoice giving the amount of VAT paid which becomes a credit for further set-off if item is used as input in the chain of production or distribution.

2. **Input Tax:** the Input Tax is what is charged on business purchases and expenses. These includes goods and services supplied in Nigeria or imported.

3. **Output Tax:** - Is the Tax that is due on vatable supplied. It is derived by Multiplying the tax of the aggregate supply derives by the tax rate.

4. **The consumption VAT:** - This type of VAT is where capital purchases are treated thesame way as the purchases of any input. This treatment of capital input is equivalent to "expensing".

5. **The Income VAT:** - Under the income VAT, the tax paid on purchases of capital inputs is amortised, that is credited against the firms VAT liability as inputs.

6. **The Gross Product VAT:** - Under the gross product purchases is allowed against the firms output tax. In other words, the taxable firm is treated as a final consumer of all its capital input.

7. **Taxation:** - Taxation is the process or machinery by which communities or group of person are made to contribute in some agreed quantum and method for the purpose of the administration and development of the society.

8. **Tax:** - The Levy by public authorities with a tax jurisdiction, of compulsory contributions by the citizens to defray part of cost of government activities in providing the needs of society.

9. **Sales Tax:** - This is a single-stage tax levied at one stage outlet to a consumer. Usually, the rate of the tax is merely applied to the selling price of the goods or services to arrive at the tax payable.

10. **Tax Base:** - Is everything and anything on which the quantum of tax collection would, depend apart from tax effort by the tax administration.

11. Tax Compliance: - Is the act of subjecting oneself to the demands of the tax laws either voluntarily, by persuasion, inducement or compulsory.

CHAPTER TWO.

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK.

2.0 Introduction

This chapter comprises principally the works of other authors on tax and taxation. A look is also made on various government publications and enactment on Nigerian tax system and administration. A detail examination will be carryout on value added tax (VAT) concept. This will serve as a basis for proper understanding of the subject matter of this project work.

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2.1 Literature review.

In modern economies, taxes are the most important sources of government revenue. They are compulsory levies that are regularly imposed and as a rule not designated for a special purpose, they are regarded as contribution of the general revenue pool from which most government expenditures are finance. Taxes differ from other sources of revenue in that they are unrequited; that is they are not paid in exchange for some specific things. While taxes are presumably collected for the sale of the welfare of taxpayers as a whole, the liability of the individual taxpayer is independent of any benefit received.

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Taxes played a relatively minor role in the ancient world. Taxes on consumption were levied in Greece and Rome. In Rome, along with consumption taxes and custom duties, there were certain direct taxes. The principle of these was the "TRIBATUM" period by citizen when additional revenue was required, the base of the tax was extended to real estate holdings.

In the middle age many of these ancient taxes especially among the direct levies vanished and give way to a variety of obligatory services and a system of aids {most of which amounted to gift}. The main indirect taxes were transit duties and market fees. In the cities, the residents, the burden of taxes on certain food and beverage were intended to be borne partly by consumers and partially by producers and tradesmen.

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Taxes have been a major subject of political controversy throughout history, even before they constituted a sizeable share of the nation economic. A famous instance is the rebellion of which the American Colonies against Great Britain when the colonies refuse to pay taxes imposed by parliament.

In Nigeria an example of rebellion against taxation was the famous Aba Women Riot of 1928, where the market women in Aba strongly fought against imposition of direct tax on them.

Wars have influence taxes much more than revolution. Many taxes notable the income tax (first introduced in England in 1799) and turnover of purchase tax (Germany 1918) began as temporary war measure. Similarly, withholding tax collection began as wartime innovation in France, the United state of American and Britain.

Ogundele, E. A. Value Added Tax, Theory and Practical, 1996 Page. 16 – 40.

"Supertax is an additional tax introduced by the Supertax decree 1967 and is payable from the 1967/68 year of assessment. The historical background to this tax was costing the government more than it budgeted for. All limited liability companies are chargeable to the tax in respect o their total profit for each year of assessment. Income tax was first introduced in Nigeria in 1904 by the late Lord Lugard, the then British colonial masters in Nigeria, but before then there had been some system of tribute to ruling monarchs. For example, the revenue of Hausa States was obtained from various forms of taxes. "Zakat" – tax on property which was used for charitable purpose, "Jangali" – tax on livestock; "Kharaj" – a land tax based on annual production; "Jizyah" – a tax on conquered

people. The subject of the Kanuri Empire paid two main sorts of taxes both paid in kind. One was a tax on the harvest to provide for the upkeep of the royal palace of Borno, the others was to supply the need of local government officials. There had also been source system of tribute taxes paid to Obas in Benin, Egba, Oyo and some other Yoruba Kingdoms of western Nigeria.

Naiyeju, J.K Value Added Tax; The Facts of a Positive Tax in Nigeria. Collins Publishers, 1996 Page 42.

ADMINISTRATION OF TAX IN NIGERIA

Before the promulgation of the income tax manage Act (ITMA) in 1961, different regions of the nation had their own administration machinery as far as income tax was concerned. With the promulgation of the Act, there came a uniform of the administration of tax in Nigeria. This implies that all the States of the Federation will be under the same provision as contained in the act.

The administration of tax in Nigeria is under various tax authorities at the Federal, State and Local government levels. These authorities have been completely removed from the civil service structure. This is to give them greater autonomy and to enable them operate with the efficiency typical of a commercials outfit

though the authorities will still report to the minister of finance in term of policy an fiscal matters.

- Report of study group on the Nigerian Tax System – 1991.

-

The authorities concerned for the tax administrations are: -

1. Federal Board of Inland Revenue (FBRI)
2. States Internal Revenue Board (SIRB).
3. Local Government Revenue Committee.
4. Joint Tax Board (JTB).

1. FEDERAL BOARD OF INLAND REVENUE

This board is the tax authority responsible for collection of tax accruable to the Federal Government. Its operational arm is the Federal Inland Revenue Service (FIRS). This tax authority was established by the provision of section 3, No. 22 of the companies Income Tax Act, CITA (1961). The composition of the board is as follows:

a. Chairman/chief Executive, being a person experienced in taxation and to be appointed by the president.

b. A member of the board of the national Revenue mobilization, Allocation and Fiscal commission.

c. A deputy Governor from the Central Bank of Nigeria.

d. An executive director of the Nigerian National Petroleum Corporation (NNPC).

e. A member from Nigerian Custom services not lower in rank then deputy comptroller General.

f A director from National Planning Commission.

g. The Registrar general of the corporate affairs commission {CAC}

h. All directors of the Federal Inland revenue Service (FIRS).

i Two other persons to be nominated by the minister of finance.

j A legal adviser to the Board.

k. Board Secretary (Ex-official) appointed by the Board.

The Board has a five-year tenure of office.

POWERS AND DUTIES OF THE BOARD.

The technical committee of the board is to consider all matters that require professional and technical expertise before recommendations are passed on the board. The duties of the committee are as spelt out in the first schedule of the companies Income Tax Act (CITA) 1961 in amended to date, and the unified personal Income Tax Act. These duties include;

I. Management and administration of the Act.

II. Assessment, collection and accounting for all company tax in the manner prescribed.

III. Acquisition, holding and disposal of any property taken as security for or in satisfaction of any such tax penalty or of any judgement debt due.

IV. Authorization of any person within or outside Nigeria to perform or exercise any power or duty conferred on the Board.

V. Authorization with the constant of the commissioner of the Joint Tax Board (JIB) to perform on behalf of the Board any power or duty conferred on it.

VI. Appointment of an agent for any other company for the purpose of Act.

VII. Make assessment or additional assessments or vary them on objection.

VIII. Require companies to keep proper books of accounts.

2 **STATE INTERNAL REVENUE BOARD.**

This tax authority will be responsible for the administration of tax within a State. The activities of the board will be as spelt out by the State Government.

COMPOSITION OF THE BOARD.

i. The executive head of the State internal revenue service as chairman being a person experiment in taxation and to be appointed by the Governor within the State service.

ii. Three persons nominated by the commissioner for finance in the state on their personal merits.

iii. The Directors and Heads of Departments within the State service.

iv. A Director from the state ministry of finance.

v. A secretary to the board.

vi A legal adviser to the board.

POWERS AND DUTIES OF THE BOARD.

i. Ensuring effectiveness and optimum collection of all taxes and penalties due to the government under the relevant tax laws.

ii. Doing all such things as may deemed necessary and expedient for the assessment and collection of tax and shall account for all amount so collected in manner to be prescribed by the commissioner.

iii. Make recommendations, where appropriate to the Joint Tax Board on the issues.

iv. General control and management of the service on matters of policy.

v. Appointing, promoting, transferring and imposing discipline on employees of the State service.

4 **LOCAL GOVERNMENT REVENUE COMMITTEE**

Th s committee is responsible for the administrating taxes under the jurisdiction of he local government and the committee is made up of;

i. Supervisory councilors of finance as chairman.

ii. Three local government councilors as members.

iii Two other members experienced in revenue matters to be nominated by the chairman of the local government on their personal merits.

DI TIES AND POWERS OF THE COMMITTEE

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i. Shall be responsible foe the assessment and collection of all taxes, fines and rates under the jurisdiction of the local government.

ii. Shall account for all amounts so collected in a manner to be preferable by the chairman of the local government.

4. **JOINT TAX BOARD (JTB).**

Th s Board which was setup by the provisions of the Income Tax Management Ac t (ITMA) 1961 is to ensure the uniformity of tax administration in Nigeria, and

i ı situation of conflict between federal and State taxation. The provision of the J ɔint Tax Board prevails.

(:OMPOSITION OF THE BOARD.

i Chairman of the Federal Board of Inland Revenue who shall be the chairman.

i i. A Secretary appointed by the Federal civil service commission, who shall be a person experienced in taxation.

ii. One nominee each from State.

v. All directors of the Federal Inland Revenue Service.

'OWERS AND DUTIES OF THE BOARD.

.. Look into disputes arising between state and federal tax authorities.

ii. Co-ordination of tax administration between State.

iii. Ensuring uniformity in the application of the Income Tax Management Act (ITMA) 1961.

iv. Approval of pensions and provident of fund schemes.

v. Giving advice on tax matters with other countries in taxation agreement, payment e.t.c.

vi. Advice the federal government on request in respect of double taxation with any other country. Since

Sir :e this project is on Value Added Tax (VAT), it is imperative that we take a loo : at the "VAT technical committee". The committee is established under sec ion 3 of the VAT decree 102 0f 1993.

CO MPOSITION OF VAT TECHNICAL COMMITTEE.

i. Chairman Federal Inland Revenue Service, who shall be its chairman.

ii. All directors in the Federal Inland Revenue Service.

iii. A Director (Deputy controller – general) in the Nigerian Custom Service.

iv. Three representatives of the State Governments who shall be members of the Joint Tax Board (JTB).

FU! CTION OF VAT TECHNICAL COMMITTEE.

i. To advice the board on professional and technical matters.

ii. To advice the Board proper administration of VAT.

iii. To attend to any other matters that may be referred to it by Board.

VAT ADMINISTRATION IN NIGERIA.

The administration and management of Value Added Tax (VAT) in Nigeria is nested in the Federal Board of Inland Revenue (FBIR) which implements its day - to - day functions through the executives agency known as F*ederal Inland Revenue Service (*FIRS).

The Federal Inland Revenue Service operates through six operational departments. The VAT directorate is one of these six departments. The other departments are; Directorate for human resources management, planing research and statistics, Directorate of Finance and related operational matters. Directorates for assessment, intelligence tax audit and investigation, Directorate for tax collection and accounting for tax collected and the Directorate for Petroleum and profit tax and related operations.

The VAT directorate is part and parcel of the Federal Inland Revenue Service headquarters, which is centrally, located at the head office in Abuja with administrative tentacles in the eight- (8) zonal offices in Lagos, Ibadan, Enugu, Port Harcourt, Kaduna, Jos, Abuja and Maiduguri for the respective regional zones. Each of the VAT zonal offices exerts supervision and control over a group of local VAT (LVO) under its jurisdiction. The zonal coordinator reports regularly

tl e activities and performances of the local VAT offices to the VAT director in A buja.

I term of physical creation, the local VAT offices are separated from the Income Tax Area offices in most of the operational offices of the Federal Inland Revenue Services (FIRS). But the same zonal coordinators are maintained for both the income tax and VAT at this level. Although the field local VAT offices are independent in the discharge of their duties, they rely on the Area Tax Controller (ATC) of the income tax area offices to source the basic information to develop and monitors the VAT base.

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The role of the local Vat officer is so cardinal to the successful implementation of VAT that it requires some attention here. He is the field officer who gave the initial publicity and enlightenment campaign to the VAT payers. Therefore, the officer must be knowledgeable in the product he offers for sale. The registration of the Vat agent, that is, suppliers of veritable goods and services, as well as the expansion of the Vat base falls squarely on the shoulder of the local VAT officers. He is to receive the monthly VAT returns together with the remittances and track down non-and stop-filers. He is also to carry out regular VAT visit to ensure compliance and educate VAT payers on their responsibilities. The investigation is his routine assignment.

Although Vat is administrated centrally by the Federal Inland Revenue Service (FIRS), there is very close cooperation between Federal Inland Revenue Service and Nigeria Custom Services (NCS). Federal Inland Revenue Service has appointed Nigerian Custom Service to collect on its behalf the VAT on import at all the Nigerian borders and ports.

GOODS AND SERVICES COVERD BY THE NIGERIAN VAT

A manufacturer, wholesaler, importer and a supplier of taxable goods and services has obligation, within six month of the commencement of the business, whichever is earlier, to register with the Board for the purpose of the tax.

The prospective VAT is to obtain and complete FORM VAT 001 (*see appendix I)* and return it to the nearest local VAT office. A permanent VAT registration number is to be given to each registered VAT payer. Each registrant is also issued with a registration certificate to be displayed in his principal place of business. (A specimen is in *the* appendix as appendix II).

A the moment, there are seventeen categories of good and twenty-four categories of services that are VATable under the Nigerian VAT. The goods and services exempted listed below. These are items, which are perceived to be nearly patronized by the poor.

GOODS EXEMPTED.

a Medical and pharmaceutical product.

b Basic food items.

c Books and educational materials.

d Newspapers and magazines.

e Be by products.

f Commercials vehicles and their spare parts.

g Agricultural equipment's and products and Veterinary medicine.

SERVICES EXEMPTED.

a. Medical services.

b. Services rendered by community Banks, peoples Banks and mortgage institution.

c. Plays and performance conducted by educational institution as part of learning.

A ter the first year of introduction of VAT, Nigeria has realized the futility of lis ing taxable goods and services, The list can never be comprehensive enough. Tl ere will always be argument definition since there are so many borderline pr ducts. It has therefore been suggested to have only the exclusion list. This is in initely better. With it, any product that is not specifically started as exempt is ta able.

V/ TABLE PERSON IN NIGERIA.

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A /ATable person is one who has trades in VATable goods and services for a co sideration. Every VATable person has an obligation to register for VAT pa ment. The registration is to cover all the business activities of the VATable per on. The can be sole proprietor (e.g. a trader); a professional (e.g. Accountant); a p rtnership (e.g. Ibrahim & co.); a limited liability company (e.g. Guddirawa co sutancy ltd.); a club or Association.

All commercial importers of VATable good and services into Nigeria are also VA Table.

A resident of Nigeria needs to register with the local VAT office.

Also a non- resident who has a business, trade, profession or vocation in Nigeria, s ill needs to register.

V AT RETURNS.

A manufacturer or supplier of VATable goods or services is to render a return to t ıe market nearest Local VAT offices on or before 14th day of the month next f ollowing that in which the supply was made. This has been administratively a mended to one calendar month. Thus, the returns of January business activities ı ıust be rendered in February, which that of February must be rendered in March a nd so on. If after the following calendar month, returns have not been rendered, a n offence shall have been committed.

Thus, every VATable person must keep records of all suppliers made and receive y him. He must also make a return on FORM VAT 002 (see appendix III). He ıas to fill in details of suppliers made and receive during the period and pay the ıet VAT due to the local VAT office or claim a refund if tax is owed to him.

Every importer of goods into Nigeria is to render VAT returns on all import into Nigeria to the VAT offices. The VAT return must reach the VAT office on the

c ue date. Importers are required to pay VAT on imports to the Nigerian Customs S ervices (NCS).

T he NCS is to pay the Central Bank of Nigeria (CBN) and render monthly returns t › the Federal Inland Revenue Service on what has been collected on its behalf. T he form used for this is FORM VAT 006 (see appendix IV).

] EMITTANCE OF VAT.

] very VAT able person is to remit to the relevant local VAT office the net VAT] ayable, which is the excess of the output tax over the input tax while filing the T AT return. Remittances are suppose to be made together with VAT return filed. I n other words, the payment for a month's collection is to be submitted along with h e returns. The payment is to be made to " Federal Government – FBIR- VAT A ccount".

R ENDITION OF COLLECTION RETURN BY THE NIGERIA CUSTOM S ERVICE (NCS).

T he Nigerian Custom service is to render, on a monthly basis, return of VAT it a as collected and paid to the Central Bank of Nigeria. These returns are to e ndered by each point of entry to the nearest local VAT office on or before the e nd of the month next following that for which the returns was being submitted.

In making the returns, the Nigeria Custom Service in each point of entry must include:

1. The numbers of the bills of entry (see appendix V);
2. The total value on which Vat was charged;
3. The VAT charged; and
4. The remittances.

The returns required by each point of every entry charged on FORM VAT 006 (see appendix VI).

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VAT ENFORCEMENT IN NIGERIA.

1. **VAT VISITS:** From time to time to time, the premises of every VATable person is visited by authorized VAT inspectors from the local VAT offices. Such visit are:
   a. To ensure compliance with VAT legislation and regulations in all their ramifications;

b. To ensure that the full amount of VAT deducted are promptly accounted for;

c. To examine methods of recording transactions and offer suggestions where necessary since VAT is new in Nigeria;

d. To afford the VATpayer the opportunity to ask any question and seek clarifications as may necessary, and

e. To educate VAT payers on any new development in the system.

2. **VAT DRIVE:** VAT drives takes place periodically at the instance of the zonal co-ordinators. Such tax drives are to stimulate the collection of VAT from defaulters and enforce prompt remittance of VAT payable. It is to be well controlled and regulated to avoid abusers.

3 **VAT AUDIT AND INVESTIGATION:** This is to be instituted on a regular basis by the headquarters of the directorate of Vat. It involves the checking of both the VAT officers and the VAT payers records to ensure strict compliance with the law and accountability for the VAT collected

ACCOUNTING FOR VAT PROCEEDS.

This is the process of returns and reconciliation. The following forms are used at various stages of the system for rendition of VAT returns:

1. **FORM VAT 003:** This is the VAT return form to be completed by the local VAT office and send to the zonal VAT office monthly (see appendix VII). It is a summary of all information contained in the FORM VAT 002 received during a month by the local Vat office.

2 **FORM VAT 004:** This is the zonal office return of VAT collection to the headquaterts (see appendix II). It is a summation of the figures in the various returns from the local VAT offices in the zone.

3 **FORM VAT 005:** This is the form used to reminder return of VAT collection made to the federation account in a given period (see appendix VIII). It sums up the collection returns of the eight zones into which the country has been divided for tax administration purpose.

OFFENCES AND PENALTIES.

There are various offences with very stiff penalties under the Nigerian VAT system. Some of the offences are:

1. Failure to register.
2. Failure to furnish required information.
3. Making false claim.
4. Obstructing VAT inspectors.
5. Failure to submit returns.

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These offences carry penalties ranging from fines up to N10, 000:00 to various terms of imprisonment. In some cases, the fines or penalties depend on the amount of tax lost to government as a result of the erasion. Some of these penalties are to be administratively imposed others can not be imposed by administrative fiat but through conviction by a law court of competent jurisdiction.

The law is even stricter in dealing with officers of the Federal Inland Revenue Service who may be involved in any form of tax offence. Any tax officer who aids or abets the commission of any of the offences under the VAT law will be liable to a fine of N50, 000:00 and \ or imprisonment for five years.

VAT AND GOVERNMENT AGENCIES IN NIGERIA.

All ministries, parasatals and government agencies in Nigeria are to register as VAT agents inspite of their vary important roles as customers of VATable goods and services. They are to make the necessary provision for the payment of VAT in their purchase of goods and award of contract of services or suppliers.

VAT payable by them as to be remitted directly to Federal Inland Revenue Service (FIRS) at the same time the contract payment is being made rather than being paid to other non-government registered VAT agents. It is very important to note that when these agencies go to the open market to make purchase, they have tc pay VAT to the vendor. It is when they acquire goods or services through contract that they have to pay VAT by process of self or reverse charge.

The submission of evidence of VAT registration by a contractor is a requirement by being allowed to bid for a contract with ministries parasatal and government agencies at all levels in Nigeria. This is to enforce compliance with VAT Decree. It is an administrative measure.

VAT payment by government agencies are to be made at the nearest local VAT office accompanied with a schedule showing the following: -

1. Name, address and VAT registration number;
2. Name, address and VAT registration number of the contractor;
3. The number and amount on the invoice;
4. The nature of the contract;
5. The month of the transaction; and
6. The VAT payable.

All contract are to render VAT returns to Federal Inland Revenue Service on the contracts awarded to them by the government agencies along with their other contract.

DUAL AGENCY ROLE OF GOVERNMENT AGENCIES.

This policy of withholding tax in Nigerian Vat imposes a dual agency role on all government agencies that award contracts. These government agencies are to act as:

a. Agent of government for the deduction and remittance of withholdings (income) tax; and

b. Agent of government for the remittance of self-imposed VAT.

This implies that two separate cheques, one for the payment withholding tax and the other for the payment of VAT are to be issued and forwarded to the nearest office of the Federal Inland Revenue Service (FIRS) latest by the last day of every month. It is to be emphasized that while the withholding tax is a deduction from the contract sum before payment is made, the VAT is borne by the government agency itself. It can therefore not be deducted from the contract sum. It is therefore not necessary for VAT to be taken into account in concluding a contract agreement in Nigeria.

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Accredited officials of the Federal Inland Revenue Services go round the ministries, parasatals and other government agencies to monitor and enforce compliance. These are strictly controlled.

2.2 CONCEPTUAL FRAMEWORK.

The introduction of VAT in Nigeria through Decree 102 of 1993 (Ogundele, E.A. "Element of Taxation, 1999) marks the phasing out of the sales tax Decree no 7 of

2.3 DEFINITION OF VALUE ADDED TAX.

Professor Sam Aluko (Classical Value Added Tax (CVAT) as operated in selected countries April, 1993) described "Value added" as "Increase in the value of goods or services in the process of their production or delivery".

The definition of VAT that appears most pungent is the one contains in the U.K statement of standard Accounting practice (SSAP) no5. *VAT is a tax on the supply of goods and services which is eventually borne by the final consumer but collected at each stage of the production and distribution chain".* Two definitions bring out the three essential characteristics of Value Added Tax, which are emphasized in the definition.

These three characteristics are:

1. VAT is a consumer tax.
2. VAT incidence is on the final consumer.
3. Vat is a multi-stage tax.

2.4 ADVANTAGES OF VALUE ADDED TAX.

a. It will reduce our dependence on oil revenue.

b. It has the tendency to bring in a lot of money because of the expanded base.

c. It provides incentives for exports and therefore enhances balance of payment position.

d. Is easy to understand because it is based on actual selling price of goods.

e. Vat encourages records keeping by small businessmen.

f. VAT is neutral to investment since it is not a tax on profit or on savings.

g. Vat addresses the issue of regressively in taxation the more you buy, the more you pay. So, the richer tends to buy more and pay more.

2.5 DISADVANTAGES OF VALUE ADDED TAX.

a. Its burden is distributed regressively especially where there is a single rate. The degree of regressivity can be reduced by government policy-exemption, multiple rates, earmarking VAT revenue for certain social issues etc.

b. One time increase in price-inflation.

c. High administrative cost because of the expanded base of tax, its administration can be expansive to the government and the agents, especially the small ones.

d. The burden of record keeping can be very high on VAT agent in terms of materials and time spend.

e. There is tendency for the tax official to reply on the self-policy nature of the tax to do his work for him.

NATURE AND PRINCIPLES OF VALUE ADDED TAX.

Value Added Tax (VAT) is a self tax that is paid when returns are being rendered./ In –built in Value Added Tax (VAT) is the refund or credit mechanism which eliminates the cascading effect that is a feature of retail sales tax. The input-output tax mechanism in VAT also makes it self-policing. It should be noted that Vat is also chargeable on importation of goods and services.

The basic principles of VAT are fairly simple. A suppliers or a manufacturer or a trader or a producer of chargeable goods or services added VAT rate to the price he charges his customer and pays over the rate of tax to the Federal Inland Revenue Service at regular intervals. This tax is known as **Output tax,** because it is collected from or based on the output or sales of the trader. If the producer or seller of those goods and services had himself paid VAT on those goods when he

bought them for resale or use in his business, the Vat paid by him is known as **Input tax,** because it is paid on the input into his business / trade. In this case, he is entitled when making payment to the Federal Inland Revenue Service of the tax collected by him (i.e. his output tax) to deduct the VAT he has himself paid on his input (i.e. his input tax).

Thus at regular intervals known as Tax Period, the trader or manufacturer or producer is paying his output tax to the Federal Inland Revenue Services, he deducts there from his input tax if the differences is positive, he will remit to Federal Inland Revenue Service, and if it is negative, he will make a claim for payment on the Federal Inland Revenue Services.

As the taxable goods and services move from the importer or manufacturer to wholesaler, to retailer, to the ultimate consumer, each taxable person in the chain pays input tax whom he buys suppliers and charges output tax when he sells his products and at regular intervals pays over to the Federal Inland Revenue Services the differences between the two, the ultimate consumer pays the total tax when he buys the final products and as he has no one to pass on the tax to, he bears the burden of the tax

CHAPTER THREE
RESEARCH METHODOLOGY.

3.0 Introduction

This chapter entails the narration of how the researcher planned to carry out the study, in other words, this chapter is concerned about the tool which the researcher used in carrying out the research, that is to say, in the chapter the study was not carried out yet, it is what the researcher intends to do.

There are different types of studies but for the purpose of this work, descriptive study will be use on analysis of data concerning the current status of the subject of the study. In other words, it is made to determine the way things are done, there are various methods that can be used for research and data collection, those methods are the general methods of research works, these are primary and secondary sources of data.

Primary sources:

Primary data were collected through personal interview with the taxpayers and tax officials of federal Inland Revenue service. In addition, the researcher conducted a personal observation of tax compliance with respect to value added tax (VAT) in kaduna local VAT office, kaduna state

Secondary sources

Relevant information's were gathered through secondary data relating to various techniques used by the tax officials for effective administration of value added tax in Nigeria. Consultation was also made on publications relating to taxation in journals, textbooks and newspapers.

In order to carry out this research, the following methods of data collection will be used;

3.1 PERSONAL INTERVIEW METHOD

Personal interview will be conducted with the aid of questionnaire. This questionnaire is designed to interview both the taxpayers and the tax officials.

3.2 OBSERVATION

Under this methods of data collection two main ways of data collection were used. They are the secondary and primary sources of data collection.

SECONDARY DATA

The secondary data for this study were collected mainly from articles and publications available. These included textbooks, magazines, national dailies, unpublished works and statistical data and reports on topics closely related to the research work.

PRIMARY DATA

Under this method of data collection there are two main ways of data collection, that is the interview and the questionnaire methods. In this project, the researcher tried to rest himself to the interview method which is most time conscious as compared to questionnaires methods.

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The primary data were collected by the researcher from the federal inland revenue service as well as the value added tax directorate in the federal inland revenue service. Information were also collected from the affected members of the business community. The researcher, being a staff of federal Inland Revenue service himself conducted direct personal discussion with the staff of the federal Inland Revenue service, Value added tax directorate. Also some selected businessmen and women affected by the value added tax were also interviewed.

3.3 HYPOTHESIS.

Hypothesis is a statement, which can be tested in the course of the research. Hypothesis can be alternative (Ho) or Null Hypothesis (H1).

In the hypothesis in this research are:

1 Value added tax is a new tax in Nigeria introduced to replace the sales tax.

2 Value added tax is contributing to the revenue generation of the federal state and local government in Nigeria.

3 The revenue generated from VAT is being used for the provision of some essential services.

4 In some cases, some states and local governments gets more than what they contributed to VAT pool account.

The above hypothesis were carefully presented and analyzed in the research work. This is in respect of the Nigeria VAT.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

Value added tax (VAT) is a tax imposed on value of goods or services which the supplier or a seller of goods or services adds to the value of the goods or services, is the function of the following :

i. cost of the raw materials (or intermediate) inputs , transport, rent, time e.t.c. used in the production of goods and services .

ii. The wages paid to the employees in respect of the production and sale of the goods or services.

iii. Profit made by the supplier or seller of the goods or service to the final consumer.

Value added, therefore can be looked at as the cost of out put plus profit or the value of input. This tax is called the value added tax because the base is not the firm's profit, but the differences between sales revenue and the cost of material and services.

4.2 ANALYSIS OF VAT SYSTEM IN NIGERIA

The aim of this chapter is to show analysis and interpretation of data collected through personal observation, publication relating to taxation in journals, textbooks, as well as those collected through personal interview with respondants.

RESPONSES OF THE PERSONAL INTERVIEW QUESTIONS.

QUESTION 1: Is it at all necessary to opt for VAT or any type of consumption tax?

	RESPONDANTS	% OF RESPONDANTS.
Yes	8	80%
No	2	20%

QUESTION 2: If VAT must be adopted, what form should it take? For instance, should it tax only consumption {as in Nigeria, USA, and the UK}? Or should it tax income {as in Bolivia}or gross receipt {as in Japan}?

	RESPONDANTS.	%OF RESPONDANTS.
Consumption VAT	6	60%
Income VAT	3	30%
Gross receipts VAT	1	10%

QUESTION 3: What will be the tax base?

	RESPONDANTS	% OF RESPONDANTS.
Luxury goods	5	50%
Foreign goods	3	30%
Local goods	2	20%

QUESTION 4: Should the tax rate be:

	RESPONDANTS	% OF RESPONDANTS.
Low	5	20%
Single	6	60%
Multiple	2	20%

QUESTION 5: Should the charging of VAT be price-inclusive or price-exclusive?

	RESPONDANTS	% OF RESPONDANTS.
Price-inclusive	7	70%
Price-exclusive	3	30%

QUESTION 6: Who is to administer the tax?

	RESPONDANTS.	% OF RESPONDANTS
An independent body	1	10%
Separate government agency	2	20%
Income tax authority	7	70%

ANALYSIS OF PERSONALINTERVIEW RESPONSES.

From the responses of those interviewed, it can be seen that the introduction of VAT in Nigeria as an additional source of non-oil revenue has been supported by majority of the respondents. The ratio is 80% of those who supported it and 20% of those who kicked against its introduction. The consumption VAT, which has been in operation in the United Kingdom, is the type adopted by both 60% of the respondents to the questionnaire. This type of VAT made compliance level high. This is because the buyer pays the tax at the time of paying for the goods, the tax being part of the selling price.

Half of the respondents {50%} supported the application of the value added tax {VAT} on luxury goods only. Even though the government supported this, it went ahead to include other goods and exempted the following goods and services from the list of vat able goods and services. The items are;

1. Medical and pharmaceutical products.
2. Basics food items.
3. Books and educational materials.
4. Baby products.
5. Commercial vehicle and their spare parts.
6. Agricultural equipments and products and veterinary Medicine.
7. Medical services.
8. Services rendered by community Banks, peoples Banks and mortgage institutions.
9. Plays and performances conducted by educational institutions as part of learning.

A single rate is supported by 60% of the respondents ton the questionnaire. The government adopted a single rate of 5%. This has made the calculation of VAT payable easy to both the buyer and seller of goods and services. In response to question 5, 70% o the respondents advocated for price-inclusive type of VAT, that is where VAT will form part of the selling price of the goods and services. Federal Inland Revenue service, the income tax authority is the body 70% the respondents supported to administer the new tax {VAT}. This is because the body has experience in the collection and administration of taxes on behalf of the Federal government. This is in response to question 6 in the questionnaire.

ANALYSIS OF DATA OBTAINED FROM JOURNALS.

The researcher also obtained data from journals and publications on taxation. The following information is on VAT collection for 1994 and 1995. The researcher couldn't give for more years due to his inability to obtained data for the subsequent years.

TABLE 4.0

	BUDGET	ACTUALCOLLECTION.
1994	6,000,000,000.	8,195,160,145
1995	12.000.000,000	19,446,963,118.

SOURCE: federal Inland Revenue service, 1995 annual Report (page12).

The achievement of both 1994 and 1995 can be best assessed against the budget objectives for the same period in respect of VAT in order to determine the actual level of performance. The years were generally successful judging from the increase in the level of VAT collection. Against the government VAT target of ₦.6Billion in 1994, the Vat directorate was able to collect a total VAT revenue of ₦.8, 195,160,145.Also ₦.19, 446,963,118 was collected as total VAT revenue in 1995 against the government VAT target of ₦.12Billion.

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The VAT proceeds are distributed monthly at the meeting of the Federation Accounts Committee. There is no dispute in the distribution since there is always a standing formula. At inception in 1994, the VAT distribution formula was 80% to the states and 20% to the Federal government. As from April 1994, 1% of the states share was being given to the Federal Capital Territory, Abuja. 10% of the same states' allocation {of 80%} was allocated to all the local governments in the Federation as from the month of August 1994. During the 1995 budget, an announcement of a change was made. The new formula became; 50% for the Federal government, 25% for the states and Abuja, and 25% for the local governments. By the end of March 1995 and in response to criticisms in the popular press and protests by some of the states, the share of the Federal government was reduced by 10% to 40% while the states share by the same percentage points to 35%. A further adjustment by five percentage points was made in the 1996 budget to bring the share of the Federal government down to 35% and the states' share up to 40% while the local governments' share remains at 25%. The Federal capital territory is to share 1% of the states' allocation. The states' share is to be distributed between them on the basis of: 50% on equality;

30% on population; and 20%on derivation. These amendments are yet to be reflected in the VAT law. Nonetheless, they have been operational. (Ogundele, E.A "Elements of Taxation", 1999). The sharing formula is being reviewed every year.

Nigeria adopted the gross product VAT. Under this type of VAT, no deduction of VAT on input of capital purchases is allowed against the firm's output tax. This means that the tax on capital purchases has to be borne fully by the company. This type of VAT does not encourage industrial expansion as it makes plants and machinery more expensive. However, such taxes are allowed to be capitalized for the purpose of capital allowances claims. This is a small consolation since the reliefs are not immediate.

The operation of the Nigerian VAT is as illustrated below:

STAGES	TRANSACTION	VAT PAYABLE AT EACH STAGE (N.)
Producer	Sales Value:-₦1,000:00	
	Gross VAT: 5% = ₦50:00	
	Net VAT: ₦50:00	₦50:00
Manufacturer	Sales Value:-₦1,500:00	
	Gross VAT: 5% = ₦75:00	
	Net VAT: ₦75:00- ₦50:00- ₦25:00	₦25:00
Wholesaler	Sales Value:-₦2,000:00	
	Gross VAT: 5% = ₦100:00	
	Net VAT: ₦100:00 - ₦75:00 = ₦25:00	₦25:00
Retailer	Sales Value:-₦3,000:00	
	Gross VAT: 5% = ₦150:00	
	Net VAT: ₦150:00 - ₦100:00 = ₦50:00	₦50:00
		₦150:00

Total VAT collected at the four stage = ₦150:00

(i.e 50 + 25 + 25 + 50) = 5% 0f 3000 = ₦150:00

In conclusion, one can say VAT has been a success in Nigeria going by the amount targeted and actual amount collected its years of operation in Nigeria (see table 4.0) has fetched more revenue than companies income tax plus all other Federal taxes (except Petroleum Profit Tax) put together (see table 4.1). This has been achieve with relatively low VAT rate of 5% and against the background of non-compliance (as yet) by the VAT earners such as NEPA, NITEL, NIPOST and most of the domestic airline operators.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMEDATIONS

The aim of any research work is not only to find the problems or fault on what we have already known, but essentially to offer suggestion, solutions to what we found out to be wrong.

Here in this last chapter we will summaries our finding on the problems of Nigeria tax system and administration with special emphasis on value added tax (VAT) and offer possible solutions which could help tackle the problems.

5.1 SUMMARY.

After the successful completion of the research works, the following summarized finding were made.

(!) Tax Evasion

in the words of Philips A.C in his "A note or determinant of income tax evasion" (Nigeria journal of public affairs, Zaria (1988), he states that, one of the ultimate test of administrative effectiveness is the extent to which tax administration can present tax evasion". A typical Nigerian takes delight in indulging in tax evasion of various degrees. To them, "manner must come

from heaven". But in the content of value added tax (VAT) no such manner will come from heaven.

There is little chance of evading the payment of value added tax (VAT) with the current administrative mechanism in place evading the tax implies avoiding the goods or service which in most cases is practically impossible.

(ii) DIVERSIFICATION OF GOVERNMENT SOURCE OF REVENUE.

One of the major reasons for the introduction of the value added tax (VAT) in Nigeria is in line with recommendation of ;the international Monetary Fund (IMF) on how Nigeria could develop economically, which recommended the need for less dependence on the oil revenue and the need to source for fund from other avenue.

Since the introduction of VAT, the government has generated a considerable amount of revenue from the tax. As at 31st December 1994, the federally, collected revenue increased by 4.6 percent to N201, 910. 8

million reflecting the sharp increase by value added tax represent a total of 17.46 percent of the total of the revenue earnings budgeted by the federal government. This has increased over the years as more tax are being discovered and impetus injected into the tax system.

(iii) ILLETERACY

It is no hidden fact that there is a large population of illiteracy in Nigeria. This had greatly hindered the effective collection of value added tax (VAT). Administrative compliance by the illiterate population is very low due to lack of understanding of the system of value added tax (VAT) collection.

(iv) LACK OF QUALIFIED PERSONNEL

The value-added tax is a very technical form of taxation and its operation is very new to Nigeria tax administrators. Currently the system is facing a problem of inadequate qualified personnel in the area. Those currently administering the system are those from other services who were just given training to manage the system.

(v) PROBLEM OF LOGISTICS

The value added tax directorate as an integral part of federal inland revenue service depends mainly on the services for the supply of the necessary amenities needed for the running of the directorate, things like motor vehicles, furniture stationeries and office equipments, in most cases, these are not adequately provide at the right time, this has greatly affects the coverage of the system. There are instances where most local government areas are not covered in the administration of value added tax but they benefited immensely from the federal allocation given to then accruing from the proceeds of the value added tax (VAT).

(vi) LACK OF STRICT ADHERENCE TO THE CANONS OF TAXATION.

Even though it is difficult to state with any degree of conviction the general principle underlying a country's system of taxation in that there are outcome of numerous decisions taken in the context of varying circumstances over a period of time, it seems Nigeria doesn't adhere

strictly to some of the well known canon of taxation thereby constituting a major problems in the administration.

Further more, the burden of tax under VAT is regressing, this is the case because; the tax is born by the final consumers as a proportion of income falls when income improved. Countries using VAT have tried to make it more progressive by exempting and zero rating essential items that weigh heavily on the budget of the poor. Using VAT process to compensate low families that will benefit the poor may be a better alternative.

5.2 RECOMMENDATIONS

For the proper administration of value added tax in Nigeria, the following recommendations are hereby made:

First and foremost there should be a complete sensitization of the public on the value added tax system. Adequately enlightenment on the part of the government because of the complexity of the tax and the need for cooperation of the payers. As at the time the tax was introduced in Nigeria in January

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1994, adequate machinery for the tax had not been put in place. This include public enlightenment and consumer education, many companies had not registered for value added tax and many more taxpayers were confused, the problems created by the inadequate preparation and lack of understanding of how VAT works and what government intends to do with the revenue tends to make the tax unpopular. Unless these administrative facilities are strengthened cross checking and preventing tax evasion will be difficult.

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Secondly, there is the need for the enactment of necessary laws that will compel businesses to keep records and encourage customers to demand receipts for all their purchases. Furthermore the tax itself being self-policing, the invoicing of all the sales is essential to the working of the invoice as proof of purchase to be made on VAT due on its sales. This element of self-enforcement will make it compulsory to issue and collect invoices. Consequently, a culture of keeping records will be enhanced.

Finally, the government had to beef-up the administrative strength of the value added tax directorate, this in terms of the provision of more qualified personnel to handle such directorate due to the technicality involved in the

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implementation of the value added tax system. Furthermore, adequate equipment should also be made available for proper coverage of the entire nation.

5.3 CONCLUSIONS

In this project, we have examined the development of the Nigerian tax system and administration to date. The newest system of tax as far as Nigeria tax system is concerned, that is the value added tax was also examined as the main subject; and its administration and of it being government major supplementary sources of revenue and its general feature.

The operational problems that attended to its introduction in Nigeria were reviewed. Although these problems appears formidable they would not defy solutions.

The administrative machinery can be strengthened and record keeping culture can be developed overtime with adequate policy of business and the initial confusion that greeted the introduction of the tax can be lessened with proper education. What is necessary is the determination on the part of the government and the people to make it succeed.

On a final note, the value-added tax in Nigeria can be said to be a success Considering the amount realized yearly and comparing it with amount targeted by government, where the collection exceeded the targeted. On the Other hand, it may take a while before the fiscal importance of the tax is appreciated.

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APPENDIX I

FEDERAL INLAND REVENUE SERVICE

FORM VAT 001

.....LOCAL VAT OFFICE

.....STATE

VAT REGISTRATION FORM

PART A: *To be completed by all VATable persons for VAT*

The explanatory notes overleaf are part of the forms.

1. (a) Name of VATable person (1).....

(b) Place of Business (Not P. O. Box) (2)

.....

.....

.....

(c) Incorporated/Registration Number (3):.....
(as applicable)

Date of Incorporation/Registration:.....

2. (a) Nature of Business

(i) .....

(ii) .....

(iii) .....

(b) Types of Goods/Services (4)

(i) .....

(ii) .....

3. Date of Commencement of Business (5) .....

CERTIFICATION

Part B

I certify that the information given above is correct in all respects and confirm that to the best of my knowledge and belief there are no other facts the omission of which would be misleading.

.....

Signature of Principal Officer
of VATable person (6)

APPENDIX II

FEDERAL INLAND REVENUE SERVICE

VALUE ADDED TAX

VAT

Certificate of Registration

No.

This is to Certify that

has been duly registered as an agent for VAT collection under

THE VALUE ADDED TAX (VAT) DECREE NO. 102 OF 1993

This certificate confers all the rights and obligations including the claim of credit for input tax paid under the VAT Decree on any registered persons.

Dated this *day of* *19*

DIRECTOR (VAT) FIRS

LOCAL VAT OFFICER

This is to be inserted on all tax invoices, receipts and correspondence

[redacted] APPENDIX III

FORM VAT 002

NIGERIA

IMPORTANT, Please read the "VAT Information" circular before completing this return. If in doubt contact local VAT office.

FEDERAL INLAND REVENUE SERVICE

VALUE ADDED TAX RETURN

For Official Use Only

VAT Identification Number	1

Name: _____

Address: _____

Return to LOCAL VAT OFFICE
FEDERAL INLAND REVENUE SERVICE

This return covers Month	Start Month	End Month	This return and payment due on or before 14th day of month following the month specified.
☐			

THIS RETURN MUST BE COMPLETED AND SENT TO LOCAL VAT OFFICE EVEN IF NO VATABLE SUPPLIES HAVE OCCURRED.

(Sales/Income)

Total VATable supplies made for the period (including VAT.)		2
Less: Zero - rated supplies included above.		3
VAT ON SUPPLIES MADE BY YOU — Total Supplies subject to VAT		4
VAT charged by you		5
Add: Adjustments		6
TOTAL OUTPUT TAX		7

(Purchases/Expenses)

VAT on Domestic supplies received for which invoicing requirements have been met.		8
Add: VAT Adjustments		9
DEDUCTION OF VALUE ADDED TAX ON PURCHASES MADE BY YOU — VAT on Import		10
Total VAT payable by you.		11
Less: VAT on Purchases not wholly used in making vatable supplies		12
TOTAL DEDUCTIONS (INPUT TAX).		13
Amount to pay/refund due (delete as applicable).		14

SUBSTRACT BOX 13 FROM BOX 7

NOTE: LATE PAYMENTS SHALL BE PENALISED

DECLARATION: I declare that the particulars in this return are true and correct.

_____ Signature	Full Name:
	Title/Position:
	Date:

FOR OFFICIAL USE ONLY.

Checked by..... .....Date

Amount Received ₦ Cash/Bank Draft Verified by.....

APPENDIX IV

FORM VAT 006

NIGERIA
NIGERIA CUSTOMS SERVICE

.....Port/Airport/Borde· Post

turns of VAT collected and paid to the Central Bank of Nigeria A/C..... .....

for the month .....19.....

Serial No.	Bill of Entry	Total VATable Value	VAT Charged	VAT Remitted
		₦	₦	₦
	TOTAL OR SUBTOTAL		₦	₦

otal amount lodged in the VAT Account with the CBN
the month

Subtotal	1	x
	2	x
	3	x
	4	x

CERTIFICATION

certify that the above information is true and correct.

ame..... Designation..... .....
Signature of Head of the Point of Entry.

APPENDIX V

Bill of Entry (Suggested Format)

							Serial No.
Name and Address of importer	Manufacturer or supplier (abroad)			Authorising Officer			Amount paid (ex - VAT)
Quantity & Description of Goods	Invoiced Cost	Freight & Insurance	CIF	Other Charges	Grand Total	VAT at 5%	
TOTALS	XXX	XXX	XXX	XXX	XXX	XXX	

Name and address of Agent	Amount of Total value in words
Name and Rank of NCS Officer	Duties paid in words
Signature	Other charges paid in words
FOR OFFICIAL USE	VAT paid in words

APPENDIX VI

477053

NIGERIA

FORM VAT 003

FEDERAL INLAND REVENUE SERVICE

.....Local VAT Office

Monthly Return of VAT Reconciliation Statement from Local VAT Offices to Zonal Office

	N	N	N
Amount of NET VAT collected as per cash book			x
Add. Amount receipted for in the previous month but paid to bank this month		x	
• Cleared effects		x	xx
• Unexplained Credit transfer by CBN			
• Receipted [illegible]		(x)	(x)
Less Uncleared effects		(x)	
• Dishonoured cheques			xx
• VAT Refunded			
NET VAT collection		(1) x	
		(2) x	
Transfer to Abuja (VAT A/C) by CBN		(3) x	
		(4) x	xx

VAT Area Tax Controller's Sig/Dat.....

Rank.....

VALUE ADDED TAX

APPENDIX VII

NIGERIA

FORM VAT 004

FEDERAL INLAND REVENUE SERVICE

.....Zonal Office

Returns VAT Reconciliation Statement from Zonal Office to Headquarters (Abuja)

for the month of .....19.....

VAT Area Offices	Gross VAT Receipt	Refund	Net VAT Remitted
	N	N	N

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		N
Total amount lodged in the VAT Account with the CBN in the Area Offices and transferred to CBN, Abuja.	(1)	x
	(2)	x
	(3)	x
	(4)	x

CERTIFICATION

I certify that the information ...

Name:.....

Designation:.....

Signature of VAT Zonal Co-ordinator/Date

THE PRACTICE

APPENDIX VII

APPENDIX VIII

VALUE ADDED TAX

[redacted]

NIGERIA FORM VAT 005

FEDERAL INLAND REVENUE SERVICE

Returns of VAT collection to the Federation Account for the month of.....19.....

CBN
Account No.

S/N	STATE	TOTAL COLLECTION
		₦

SHIM IBRAHIM LIBRARY

CERTIFICATION

I certify that the information above is true and correct.

.....
Signature/Date of National
Director of VAT.

Name:.....

[redacted]