THE CONTRIBUTION OF VALUE ADDED TAX (VAT) TO ECONOMIC DEVELOPMENT OF NIGERIA 1994 – 2004

BY

ABUBAKAR Kabir Yerima
MBA/ADMIN./36182/2002-2003
GO2 BAMP 71440

Being a research project submitted to Postgraduate School, Ahmadu Bello University, Zaria, in partial fulfillment of the requirement for the award of the degree of Masters of Business Administration (MBA)

Department of Business Administration
Faculty of Administration
Ahmadu Bello University
Zaria

AUGUST 2007

DECLARATION

This project work is in partial fulfillment for the award of the degree of Master in Business Administration (MBA) of Ahmadu Bello University, Zaria. I declare confidently without fear or reservation that this is an original work supported by materials got from the sources, which I have acknowledged by way of reference. I accept full responsibility for this write–up and the contents therein.

_____ _____

Abubakar Kabir Yerima Date

DEDICATION

This project is dedicated to my late father Alhaji Abubakar Yerima who has been praying for my success wherever I found myself.

CERTIFICATION

This project entitled, “The Contribution of Value Added Tax (VAT) to Economic Development of Nigeria (1994 – 2004) by **Abubakar kabir Yerima,** meets the partial regulations governing the award of the degree of Master of Business Administration (MBA) Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

_____	_____	_____
MR. A. J. C. ONU Chairman, Supervisory Committee	Signature	Date
_____	_____	_____
Dr. Dr. Bashir Kurfi Head of Department	Signature	Date
_____	_____	_____
External Examiner	Signature	Date
_____	_____	_____
Dean, Postgraduate School Chairman, Supervisory Committee	Signature	Date

ACKNOWLEDGEMENT

As the saving goes, “Necessary encouragement and unalloyed support at all levels of human endeavour are invaluable contributions to the means of achieving desired goal”.

I am happy for the support and encouragement I received from these group of persons. First to Almighty Allah for showing me this day.

My most sincere appreciation to my wonderful Lecturer and Supervisor, A.J.C. Onu whose advice, most inspiring directives, open door policy, keen interest for research in this area saw me through this study.

I am indebted to my friends, Aminu Lawal and Adamu Mshelia for their support and encouragement.

To my beloved wife Asma’u Kabir Yerima and my children Amir Kabir Yerima, Fatima Kabir Yerima, Ahmad Kabir Yerima I love you all.

Thank you all and I pray my Allah be your protector. Amen.

TABLE OF CONTENTS

Title page	- - - - - - - -	i
Declaration	- - - - - - - -	ii
Dedication	- - - - - - - -	iii
Certification	- - - - - - - -	iv
Acknowledgement	- - - - - - - -	v
Table of contents	- - - - - - - -	vi
Abstract	- - - - - - - -	viii

CHAPTER ONE

1.0	**Introduction - - - - - -**	**1**
1.1	Background of the study - - - - -	1
1.2	Statement of the problem - - - - -	4
1.3	Objectives of the study - - - - -	5
1.4	Hypothesis - - - - - - -	6
1.5	Significance of the study - - - - -	6
1.6	Scope of the study - - - - - -	7
1.7	Definition of terms - - - - - -	8
	Footnotes - - - - - - -	10

CHAPTER TWO

2.0	**Literature Reviewand Theoretical Framework -**	**11**
2.1	Introduction - - - - - - -	11
2.2	The Concept of Value Added Tax - - - -	12
2.3	Tax Administration in Nigeria - - - -	13
2.4	Value Added Tax Implementation in Nigeria - -	14
2.5	Evaluation of VAT as a Source of Revenue - -	20
2.6	VAT Sharing Formula - - - - -	22
2.7	Indices of Economic Development - - - -	24
2.8	VAT and Economic Development in Nigeria - -	25
	Footnotes - - - - - - -	27

CHAPTER THREE

3.0	**Research Methodology**	**28**
3.1	Introduction	28
3.2	Research Design	29
3.3	Sources of Data	29
3.4	Methods of Data Collection	30
3.5	Population	32
3.6	Sample Size	32
3.7	Methods of Data Analysis	32
	Footnotes	33

CHAPTER FOUR

4.0	**Data Presentation and Analysis**	**34**
4.1	Introduction	34
4.2	Presentation of Data	34
4.3	Data Analysis	39
4.4	Research findings	41
4.5	Test of Hypotheses	45

CHAPTER FIVE

5.0	**Summary, Conclusion and Recommendations**	**51**
5.1	Summary	51
5.2	Conclusion	54
5.3	Limitation of the study	55
5.4	Recommendations	56
Bibliography		57
Appendix		59

ABSTRACT

An evaluation of Value Added Tax by VAT Decree 102 of 1993 as a source of revenue to the federal government is important to both the government and the Nigerian public. It has been the general belief that taxation is used by government to raise funds and also as a major fiscal tool for economic development.

Taxation is aimed at redistributing income among the citizenry. Government introduced various tax policies for the enhancement of the standard of living of its citizens and economic development.

This project revealed that the revenue from the Value Added Tax (VAT) has been very encouraging. The VAT tax now appears to be second position i.e. after petroleum profits tax in the revenue accruing from tax.

If most of the problems highlighted in the study are taken care of one should not be surprised if Value Added Tax (VAT) takes the first position especially with the uncertainties about the price of crude oil in the international market.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

The introduction of Value Added Tax (VAT) in Nigeria was greeted with widespread criticisms by people of Nigeria. This arose from the fear of grand design by the government to further milk the already poor masses of Nigeria. There was usually the suspicion that Nigerians would end up contributing money into private pockets.

After it had taken off, there was a little problem of implementation. People appeared not to know what goods and services should attract the VAT and those on which VAT should not be paid.

However, after those initial problems VAT seems to have found its stand if anything after its implementation about 10 years ago the programme appears not to be the 'monster' that many Nigerians thought it was meanwhile, it has turn out to be another major revenue source for government after oil.

The need to enhance the efficiency and revenue yield of the Nigeria tax system informed the setting up in 1991 of two study groups to review the tax system. The Committee on Indirect Taxation now recommended the introduction of Value Added Tax (VAT). VAT will be paid on imports also.

The main body responsible for VAT is the Federal Inland Revenue Service (FIRS) it was already in charged with the responsibility of collecting most taxes in Nigeria on behalf of the federal government.

Some goods were however exempted from vAT decree which include some of the following:

- Medical and pharmaceutical products
- Basic good items and infant foods
- Books, magazines and other educational materials
- Commercial products and spare parts
- Agricultural equipments.
- Veterinary medicine equipments
- Farming and transport equipments
- Sundry diplomatic goods etc.

With these exemption however, the VAT revenue base is still rich and growing.

The year 1991 was a major landmark in the tax administration of Nigeria. In that year the Professor Edozun-led study group on the review of the Nigerian tax system first identified the need to transform the out-dated sales tax that was then administered by the State governments.

Within the same year (1991), a parallel study group on indirect taxation led by Dr. Sylvester U. Ugoh was given the responsibility to study the feasibility of introducing VAT in Nigeria as an improvement on the existing sale tax.

The Ugoh study group came up with a firm recommendation in November 1991 that VAT should be introduced in Nigeria after two years of preparatory groundwork. As a follow-up, by 1992 the Ijewere-led Modified Value Added Tax (MVAT) Committee was set up to undertake preliminary work for the introduction of new tax. The committee was later to work in close collaboration with Federal Inland Revenue Service (FIRS) in 1993 for the latter to take over administration of the new tax which was scheduled to come on stream as VAT by September 1993.

Accfording to Ogundele (1991:16) taxation has always been a means by which communities provide themselves with common facilities such as access road, health facilities water security etc. from time immemorial.

In the North taxes were in forms of 'JANGALI' (tax levied on livestock), 'KUDIN KASA' (development levy). Modern and well regulated taxation in Nigeria stated in 1940 with the introduction of Direct Taxation Ordinance No. 29 (Cap 54 of that year) it replaced the Native Direct Taxation Ordinance No. 41 of 1927 whose provision it incorporated.

In the Eastern part of the country there was no form of tax on citizens because of equilateral system of government colonial masters appoints paramount chiefs for easy administration of taxes in the areas.

The need to mobilize resources (revenue intensive) is as ancient as when human beings learnt to organize themselves into communities in order to achieve some goals such as security welfare etc. in these process all the

three tiers of government (federal, State and local) attempts to mobilize adequate revenue for the purpose of governance and as such begins to innovate various levies to generate much revenue.

Value Added Tax (VAT) needs to be over as it provides revenue to the federal government and other tiers of governments. It is against this background that the importance of this study can not be over emphasized.

1.2 Statement of the Problem

With about ten years into the introduction of Value Added Tax (VAT) in Nigeria and the successful implementation and collection which has so far yielded revenue in billions of naira, it is presumed that certain factors could have enhanced the collection of VAT and its administration in Nigeria.

Given that the country is a complex society it is necessary to understand the factors that have been responsible for the growth of VAT revenue. How has VAT been able to replace sales tax successfully? What was responsible for the failure of sales tax in achieving its desired result? What areas, if any, will need to be strengthened to ensure enhanced programme and improved collection to make the system efficient and effective.

In this regard the following questions are being raised:

i) What is the level of collection of VAT and to what extent has VAT been able to effect the general revenue and economic development of the country?

ii) To what extent was VAT able to effect the economic development as it relates to the economy of the country?

iii) To what extent has the huge revenue resources committed to the collection of VAT been able to bring about a general increase in VAT collection and economic development?

iv) How effective are the strategies used in the general collection and administration of VAT vis-à-vis economic development of the country?

This study will attempt to address these questions on VAT and economic development.

1.3 Objectives of the Study

The main objective of this study is to examine what impact VAT has on the economy taking into consideration, the VAT payers, those responsible for the administration of VAT and the extent to which VAT has replaced sales tax.

Besides the aforementioned, other objectives of this research include:

1) To find out the desirability of Value Added Tax, this objective relates to obtaining a measure of understanding the extent to which 'VAT' is socially needed for revenue purpose.
2) To determine what rating system could be considered appropriate for the Nigerian politico-economic system.
3) To determine how to enhance the collection of VAT in Nigeria.
4) To contribute to the existing literature on Value Added Tax (VAT) management and economic development of Nigeria.
5) To advise and proffer solution to some problem encountered in administration tax in Nigeria.

1.4 Hypothesis

Ho: Value Added Tax (VAT) has no significant impact on the economic development of Nigeria.

Hi: Value Added Tax (VAT) has significant impact on the economic development of Nigeria.

1.5 Significance of the Study

It is hoped that the findings of this study would be beneficial and of great importance to the Federal Inland Revenue Service which is saddled with the statutory responsibility of collecting VAT. It will also benefit the federal government whose resources are channeled towards the collection of

VAT and also the general public, who consumes VATABLE goods and services.

In general, this study will broaden the knowledge people have on VAT and the level of how responsive are the general public in the settlement of VAT and areas which may lead to improvement in the general collection and remittance of VAT.

This study will also go a long way to fill the missing links in the analysis of VAT vis-à-vis sales tax in the existing tax literature.

1.6 Scope of the Study

The Nigeria tax system is known to be prone to continual changes which in itself necessitate changes in the administration of the tax.

This study considers the factors that aid the collection of VAT and its contribution to the economic development of Nigeria. The analysis of investigation will focus on Federal Inland Revenue Service.

Development Mobilization, Allocation and Fiscal Commission as well as the office of the Economic Adviser in the Presidency.

The study will pay particular attention on the VAT as well as economic development of the country.

1.7 Definition of Terms

i) Value Added Tax

This is a multi-stage consumption tax collected on sales at all stage of sales and distribution in the operation VAT each seller issues an invoice going the amount of VAT paid which become a credit for further set off it item is used as input in the chain of production or distribution.

ii) Input Tax

The input is what is changed on business purchase and expenses. These include goods and services supplied in Nigeria or imported.

iii) Output Tax is the tax that is due on VATABLE supplied. It is derived by multiplying the tax of the aggregate supply derived by the tax rate.

iv) Consumption VAT

This type of VAT is where capital purchase are treated the same way as the purchase of any input. This treatment of capital input is equivalent to expensing.

v) The Income VAT

Under the income VAT the tax paid on purchase of capital input as amortized, that is credited against the firm VAT liability as inputs.

vi) The Gross Product VAT

Under the gross product purchases are allowed against the firm output tax in other words the taxable firm is treated as a final consumer of all its capital input.

vi) Economy is defined as a process whereby the real per capita income overtime coupled with changes in structure attitude development in administrative system qualitative distribution of income conducive to normal integration.

vi) Economic Development

Economic development is concerned with the ability to raise and maintain the productive capability of a country. A country can achieve economic development of the following factors are available:

- Political stability
- Investments
- Abundance of capital
- Human resources.

vii) Federal Inland Revenue Service is the body that is responsible for collection of taxes on behalf of the federal government; the taxes include:

1) Value Added Tax
2) Income tax for companies i.e. limited liability companies
3) Personal income tax for armed forces and police as well as residents of Federal Capital Territory
4) Petroleum profits tax etc.

FOONOTES

1. Ogundele, E.A. (1991); Element of Taxation Libriservice Nigeria Ltd., Yaba Lagos, pp. 40-41.

2. Osuala, E.C. (1987); Introduction to Research Methodology, Africana-Feb Publisher Ltd., Onitsha, pp. 16-18.

3. Ariwdolog J.A. (2000); Companies Taxation in Nigeria Including Petroleum Profits Tax, 3rd edition, J.A.A. Nigeria Limited Lagos, pp. 111-113.

CHAPTER TWO

2.0 LITERATURE REVIEW

Value Added Tax is one of the major tools for sustainable development in Nigeria being a means of providing capital to the government in order to finance various development projects. VAT has improved the social and the macro-economic level of the economy. A look at the profile of various taxes administered and other means of earning revenue to the government (excluding revenue from petroleum) for the past seven years before the introduction of VAT, one can argue that VAT has contributed a greater percentage to the development of the country.

VAT proceeds are usually shared among the three tiers of government namely federal, State and local governments in order to help them to undertake developmental projects such as roads, health care facilities, education, security of the nation etc. instead of resorting to external or domestic borrowing. It also helps in accelerating economic growth by mobilizing privately held resources which automatically boosted public revenue, enhanced consumption patterns and generate savings which helped in a greater deal in sustaining the economic development of the country.

2.1 Introduction

This section will look into how VAT has been introduced across the globe to be specific the research will try to look at how value added tax was introduced and operated in Bangladesh.

Value added tax was introduced in Bangladesh in June 1991. it became effective from July 1992. VAT in Bangladesh replaces three distinct indirect taxes which were in operation (Ogundele, 1996), these are:

a) Sales tax which was levied on imports,

b) Development surcharge which was levied both at imports and at domestic manufacturing stages,

These taxes were replaced with value added tax because of the following shortcomings which they had:

1) They operated with multiple rates, with different rates for goods and services, thereby making them difficult to implement.

2) Different procedures were adopted in taking the different goods and services.

3) There were “cascading” (i.e. tax on tax) leading to high price of goods and services.

4) The revenue base was narrow.

5) Tax collection was very low (Ogundele, E.A. 1996). Value Added Tax has been an unmitigated success in Bangladesh it

has been ranked next to income tax in its revenue earning thus help in great deal in sustaining the economy of the country.

2.2 The Concept of Value Added Tax

Value Added Tax as the name implies is the tax on 'The Value Added' this definition is quite correct but rather very simplistic and fails to bring out the essential features of the tax, which is what a good definition must be. With this in mind, the research considers the following definitions of value added tax:

a) As defined by Bkuley (1993) in his paper "The Value Added Tax: Concept, issues and Experience". A value added is a tax levied at each stage of production on firms valued added.

b) According to Oldman (1993) professor of law and Lavernes Wood: both of Harvard School defined value added as a multi-stage consumptiion tax levied on the differences between a firms sales and the value of its purchased input used in producing goods.

c) It is also defined in United Kingdom Statement of Standard Accounting practice (SSAP) No.5 as "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". This definition brings out the three

essential characteristics of value added tax which are VAT is a consumption tax, VAT's incidence is on the final consumer, and VAT is a multi-stage tax.

Value Added Tax was introduced in Nigeria by Decree 102 of 1993. The value added tax came to replace the then existing sales tax which was introduced by Decree No. 7 of 1980. in other words the emergence of VAT Decree No. 102 of 1993 witnessed the abrogation of decree No. 7 of 1986.

2.3 Tax Administration in Nigeria

The administration of tax in Nigeria carried out by the three tiers of government namely, federal, State and local government. The federal government taxes are administered by Federal Inland Revenue Service and they deal with the following taxes:

a) Value Added Tax

b) Company Income Tax

c) Petroleum Profits Tax

d) Capital Gains Tax (Corporate bodies)

e) Education Tax

f) Personal Income Tax (Residents of fCT, Police and Armed Forces).

The State government tax is handled by various States Internal Revenue as stipulated in section 85A, B and C Tax Act as amended by Act 31 of 1991.

The local government tax deals with taxes as stipulated in section 85D and E of Tax Act as amended by Act No. 31 of 1996.

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 Services (FIRS). This tax authority was established by the provision of section 3 No. 22 of the Companies Tax Act, CITA (1961). The composition of the the board is as following:

a) Chairman/Chief Executive, being a person experienced in tax administration to be appointed by His Excellency the President of the Federal Republic and confirmed by the National Assembly.

b) A representative from Board of the National Revenue Mobilization, Allocation and Fiscal Commission.

c) A representative from the Nigeria National Petroleum Corporation not below the rank of an Executive Director.

d) A Director from the National Planning Commission.

e) A Director from Nigerian Customs Services.

f) All the Directors and Heads of Departments.

g) A substantive or Acting Director with responsibility for planning, research and statistics in the Federal Ministry of Finance.

h) The Registrar General of the Corporate Affairs Commission.

i) The Legal Adviser of the Federal Inland Revenue Service (FIRS).

j) Board Secretary (Ex-officio) appointed by the Board.

The chairman and any other seven members of the Board shall constitute a quorum. The Board shall have five years tenure of office.

Power and Duties of the Board:

Section 2 of Decree 103 of 1993 contains provision with regards to powers and duties of the Board. These are:

i) The ??due?? administration of the Act and the tax is under the care of and management of the Board.

ii) The Board may do all such things as may be deemed necessary and expedient for the assessment and collection of the tax.

iii) It shall account for all amount collected in a manner to be prescribed by the Minister of Finance.

iv) The Board may sue and be be sued in its official name.

v) Advising the federal government on tax matters through the Minister of Finance.

vi) Giving instruction or directives on any financial aspect of assessment as well as the interpretation of tax laws.

Technical Committee of the Board:

Subsection 1(a) of Decree 103 of 1993 as amended states as follows:

a) The executive chairman of the Board as chairman.

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

c) The Legal Adviser in the Federal Inland Revenue Service (FIRS).

d) The Secretary to the Federal Board of Internal Revenue Service (FIRS).

Functions of the Technical Committee:

i) To consider all tax matters that requires professional and technical expertise and make recommendation to the Board.

ii) To advise the Board on its powers and duties as listed in the act.

iii) To attend to all such matters as may from time to time be referred to it by the Board.

Joint Tax Board:

This Board was set up by the provisions of the Income Tax Management Act (ITMA) of 1961 to ensure uniformity of tax administration

in Nigeria. In addition, on situation of conflict between federal and State taxation, the provisions of Joints Tax Board prevails.

Composition of the Joint Tax Board (JTB):

Section 85 (4) of JTB Decree states the composition as follows:

a) The Executive Chairman of the Federal Board of Inland Revenue shall be the chairman.

b) A Secretary who shall be a person experienced in taxation shall be appointed by the Federal Civil Service Commission.

c) One nominee each from the States of the federation.

d) All Directors of Federal Inland Revenue Service.

Powers and Duties of the Board:

Section 85(8) of the decree States the powers and duties of the Board as mentioned below:

1) Look into disputes arising between States and federal tax authorities.

2) Ensuring uniformity in the application and coordination of tax administration between States.

3) Approval of pensions and provident funds scheme.

4) Giving advice on tax matters agreement payment etc. involving other countries.

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

State Internal Revenue Board:

This is a tax authority which is responsible for the administration of tax within a state.

Composition of State Internal Revenue Board:

1) The Executive Chairman shall be a person experienced in taxation and be appointed by the Governor within the State Service.
2) The Directors and Heads of Departments within the State Revenue Service.
3) The Legal Adviser to the State Revenue Service.
4) A Director from the State Ministry of Finance.
5) Three other persons nominated by the Commissioner for Finance in the State on their personal merit.
6) The Secretary of the State Revenue Service who shall be an ex-official member:

Local Government Revenue Committee:

Section 85(e) of Decree 104 of 1993 states as follows: “This Committee which is responsible for the administration of taxes under the jurisdiction of the local government is made up of:

i) The supervisor for 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 merit.

Functions of the Revenue Committee:

Section 85(e) sub-section (1) and (2) of Decree 104 states that: "The Committee shall be responsible for assessment and collection of all taxes, fines and rates under its jurisdiction and shall account for all amounts so collected in a manner to be prescribed by the chairman of the local government".

The Revenue Committee shall be responsible for the day to day administration of the department which forms its operational arm.

2.4 Value Added Tax Implementation in Nigeria

The idea of introducing value added tax in Nigeria came from the report of a study group set up by the federal government in 1991 to review the entire tax system. VAT was proposed and a Modified Value Added Tax (MVAT) Committee was set up to carry out feasibility study for its implementation. In January 1993 the federal government agreed to introduce VAT. VAT is a replacement of the existing sales tax which had been in operation under federal government legislated Decree No. 7 of 1986 but as operated by the States on the basis of residence.

The rationale behind replacing sales tax with VAT is informed by a number of factors which include the following:

a) The base of Sales Tax Decree No. 7 of 1986 targeted only locally manufactured goods although this might not have been the intention of the law.

b) The sales tax as operated under Decree No. 7 of 1986 is too narrow.

c) Since VAT is based on the general consumption behaviour of the people it will boost the future of the State governments with minimum resistance from the payer of the tax.

Value Added Tax Decree 102 is the Legislative Decree that is guiding the imposition of VAT in Nigeria.

2.5 Evaluation of VAT as a Source of Revenue

The Federal Inland Revenue Service (FIRS) has made history by successfully administering the Value Added Tax (VAT) in 1994 despite the many odds against the tax in 1998 budget speech the then Head of State General Sani Abacha said "VAT which was introduced in January 1994, has proved a remarkable success". VAT was the only effective element in the 1994 budget country to the World Bank projection that VAT could yield only 4.5 billion Naira in 1994 the Tax realized a total of 121 million January alone. The aggregate revenue went up to 2.1 billion in June 1994 alone 3.78 billion

in Julyu, 4.1 billion August, 5.2 billion in September by October Vat had exceeded 6.8 billion Naira.

Value Added Tax has been a major tool for a sustainable economic development in Nigeria since its introduction in January 1994. The tax has improved the social and macro-economic level in the Nigerian economy. A took at the profile of various taxes administered in Nigeria e.g. petroleum profit tax, income tax, personal tax, capital gains tax etc.

VAT helps in accelerating economic growth by mobilizing privately held resources which will automatically boost public revenue enhance consumption patterns and generate savings. From statistical data available VAT is ranked as second largest contributor to non-oil revenue by CBN report 1997 annual report.

2.6 VAT Sharing Formula:

The VAT vertical formular has changed several times over the years as shown below:

Years	Federal Govt. %	State Govt. %	Local Govt. %	Total %
1994	80	20	--	100
1995	40	35	25	100
1996	35	40	25	100
1997	35	40	25	100
1998	25	45	30	100
1999	15	50	30	100
2000	15	50	35	100
2001	15	50	35	100
2002	15	50	35	100
2003	15	50	35	100

Source: Federal Inland Revenue Service 1994-2003 Annual Reports, pp. 82-83.

According to the Accountant General of the Federation Mr. J.K. Nanyeju in a paper presented at a workshop organized by the Institute of Chartered Accountants of Nigeria (ICAN) in August 2001 the change in the vertical formular was affected at the Federal Account and Allocation Committee (FAAC) meeting of July 1999 by consensus of all Commissioners of Finance. However, the national Revenue Mobilization, Allocation and Fiscal Commission is presently working on the revision of all these formulars to agree with yearning of all Stakeholders under the present democratic

dispensation. From the table it can be seen that the VAT sharing is in favour of States and local government. It is apparent that the purpose of VAT is to supplement the revenue from personal income tax other levies collectible by States and local governments and allocations from Federation Accounts.

However, one can say VAT has been a success story in Nigeria going by the targeted and actual amount collected but this has been possible with relatively low VAT rate of 5% and against the backdrops of some degree of non-compliance.

2.7 Indices of Economic Development

It has been believed that every government budget should have main theme related to the current needs of the economy. Taxation has been used at different times as instrument to avoid inflation or deflation through its controlling influence on consumers expenditures (Odiongenyi, 1984:4).

According to Raabe and Parker, (1985:12) claim that the objective of taxation is to create an economic climate that is amenable to growth and development to domestic business.

They also mentioned that all taxes are collected from citizens to provide the taxing unit with income for the period, to support the ongoing programmes that are operated for the benefits of its citizens.

Value added is one of the tools for a sustainable economic development in Nigeria being a means of providing capital to the

government in order to finance various developmental projects. VAT has improved the social and macro-economic level of the economy for the past 10 years one can argue that VAT has contributed to the development of the country. VAT has helped in accelerating economic growth by mobilizing privately held resources which automatically boosted public revenue, enhanced consumption patterns and generate savings which helped in a greater deal in sustaining the economic development of the country.

2.8 VAT and Economic Development in Nigeria

VAT has been a major tool for the sustainable economic development in Nigeria since its introduction in January 1994. the tax has improved the social and macro-economic level in the Nigeria economy. A look at the various profile of various taxes administered in Nigeria, example petroleum profit tax, companies income tax, personal income tax, capital gains tax etc. for the past 10 years before the introduction of VAT, one can argue that VAT has contributed a greater percentage to the economic development of the country.

It clearly shows that VAT has contributed to a larger extent to the economy of Nigeria by means of providing revenue which is being shared among the three tiers of government.

Value Added Tax has been a major tool for the sustainable economic development in Nigeria in the following:

- The fact that the revenue generated from VAT was used by the three tiers of government for infrastructural development is enough to have the projects as a major tool for sustainable economic development.
- Value Added Tax apart from generating revenue to the government, it also played a major role in employment generating which all the respondents were beneficiaries.
- That VAT helped in taxing the untaxed sector of the economy, and that it is a significant reform in the country tax system.
- That its share of total federal collected revenue increased from 3.6% in 1994 to 4.5% in 1995 and 6.0% and rose to 8.05% in 1998.

FOOTNOTES

1. Tabanse-Ochiogu, A.C. (1994); Nigerian Taxation for Students, pp. 21-23.

2. John K. Yere (2001); Research Methodology, unpublished lecture notes, Department of Business Administration, A.B.U. Zaria.

3. Odiongenyi, O.T. (1984); Personal Income Tax in Nigeria, R.E.M.I. Press Zaria, pp. 151-159.

4. Hoffman & Philips (1982); Federal Taxation: Individual Income Taxes, West Publishing Company, pp. 82-84.

5. Asika, N. (2002); Research Methodology in Behavioural sciences, Longman Plc, pp. 20-22.

6. parker, J.S. and Raabe W.A. (1985); Tax Concepts for Decision Maing, West Publishing Company, pp. 8-10.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

Research methodology involves the various technique adopted in this study in determining the administration of Value Added Tax in Nigeria. It includes all measures used in identifying data sources collecting the identified data analysis of such data with a view to establishing the administration of VAT and economic development in Nigeria.

In recognition of the objectives of the study it became necessary to adopt a research method that would not limit the data collection process to specific method. This reduced the disadvantages inherent in data collection methods and promote a diversity of data collection and their subsequent utilization.

3.1 Introduction

This chapter entails the narration of how the researcher plans to carry out the study. In other words this chapter is concerned with the tool which the researcher uses in carrying out the research. There are purposes of this research it become necessary to adopt descriptive 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 questionnaire design and interview.

3.2 Research Design

A descriptive research seeks to specify the nature of given phenomena. It involves analysis and interpretation of the phenomena especially when those phenomena are complicated in the administration of Value Added Tax.

A descriptive research focuses on certain aspects of the phenomena or the population. These aspects are usually considered to be quite significant or influential on the whole population or phenomena. They are usually determined not at random of course, but through past experience or previous researchers such as attitude surveys, opinion polls and normative studies of activities of schools and other institutions.

3.3 Sources of Data

Historically speaking, data originate from two main sources. They are:

i) Primary data,

ii) Secondary Data.

However, primary and secondary sources of data collection were used in this research. Both methods were employed in order to enhance effective and efficient determining the administration of value added tax in Nigeria.

Primary Data

Primary data are provided by actual witnesses to the incident in question. That is they are present data in relation to the study. There are various techniques for securing primary data, namely, personal interview, telephone, mail or questionnaires techniques and observation.

Secondary Data

This information from past work, that is middlemen are involved here and it is what someone else has done in a related field and is documented, or they are data which have been recorded by some one who obtained his data indirectly and is documented or published.

Basically, such data are gathered from libraries texts, published books, journals, articles, magazines and newspaper articles, seminars and lecture papers, annual reports, unpublished projects, specially duplicated or printed materials published or not manuscripts papers such as letters, diaries and other types or written or hand-written documents all with relevant information on the study used as means of gathering information.

3.4 Methods of Data Collection

The basic instrument used in gathering data is the questionnaire and interview.

Questionnaire Design

According to Osuala (1993:193), questionnaire constitute the first attempt at true scaling. They are particularly advantageous whenever the sample size is large. The structure of the questionnaire is as contained in the appendix. The questionnaire is designed in order to elicit information about the opinion of officers as to the administration of value added tax and then if such administration of tax are appropriately met presently. Also the information derived from pilot survey conducted were used in analyzing the administration of value added tax in Nigeria.

Interview

According to Osuala (1993:182), interview is the most usual method of collecting data. It is very similar in nature and purpose to questionnaire. In order to complement the information obtained from the use of questionnaire, the researcher conducted some interviews. This was however faster and thus aided the information gathering procedure. The questions thrown at the top, middle and lower levels officers who were the respondents were generally to supplement the information from the questionnaire so, they were unstructured. The interview was mostly in the form of informal discussion with three persons each at the top, middle and lower levels in the Federal Inland Revenue Service (FIRS).

3.5 Population

Research population is the aggregation of elements from which the sample is selected. The population of this study consists of sixty (60) staff of Federal Inland Revenue Service (FIRS) Kano State, Nigeria.

3.6 Sample Size

Due to the nature of the population, a random sample technique was used. Interview of this, a sample size of fourty (40) was drawn in order to make the study easier. These consist of the staff in which their opinion were sought to enable us have an insight on the contribution on administration of value added tax in Kano State.

3.7 Method of Data Analysis

In the course of processing the information gathered from questionnaire, interview and other secondary sources, the researcher made use of percentages in analyzing the data obtained from Federal Inland Revenue Service (FIRS).

The approach to the computing is expressed thus:

$$\text{Percentage} = \frac{\text{Number of Respondents}}{\text{Total Number of Questionnaire}} \times \frac{100}{}$$

This formula is simple to compute and was chosen to provide clear way of arriving at our conclusion.

FOOTNOTES

1) Osuala, E.C. (1987); Introduction to Research Methodology, Africana-Feb Publisher Ltd., Onitsha, pp. 13-20.

2) Ogundele, E.A. (1999); Element of Taxation, Libriservice Nigeria Ltd., Yaba Lagos, pp. 32-39.

3) Ariwodolg, J.A. (2000); Companies Taxation in Nigeria Including Petroleum Profits Tax, 3rd Edition, J.A.A Nigeria Limited, Lagos, pp. 108-119.

4) Niyaeju, J.K. (1996); Value Added Tax (VAT): The Fact of Positive Tax in Nigeria, Collins Publisher Limited Lagos, pp. 45-49.

5) John K. Yere (2001); Research Methodology, unpublished lecture note, Department of Business Administration, A.B.U. Zaria.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

Data collected for this research project is presented both in form of table tabulation and in a written form which will be used to analyse the tools chosen.

4.1 Introduction

This chapter is concerned with analyzing the performance of Value Added Tax (VAT) since its inception in 1994 to 2004. the budgeted figures and the actual collections for the years under review will be analysed and performance compared with other types of taxes being collected by the Federal Inland Revenue Service.

4.2 Presentation of Data

Table 4.2.1 Who set the objectives of Federal Inland Revenue Service?

Options	No. of Respondents	Percentage (%)
Federal government	30	75
Director General	10	25
I don't know	--	--
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.2 Percentage on views of respondents on the objectives

Options	No. of Respondents	Percentage (%)
Easy to accomplish	18	45
Difficult to accomplish	10	25
Inappropriate to accomplish	8	20
I don't know	4	10
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.3 Objection received from tax payers

Options	No. of Respondents	Percentage (%)
Other assessments	12	30
Economic hardship	20	50
Means of evaluating tax	8	20
None of the above	--	--
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.4 Treatment of tax payers complaint

Options	No. of Respondents	Percentage (%)
Through supervisors	22	55
Through subordinates	12	30
Direct by self	6	15
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.5 Ranking of tax collection

Options	No. of Respondents	Percentage (%)
Fairly good and above 75%	7	17.5
Above 50%	5	12.5
Just average 50%	10	25
Below average (less than 50%)	18	45
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.6 Causes of non-remittances of payers deductions

Options	No. of Respondents	Percentage (%)
Fraudulent nature f organization	22	55
Non-existence of legal enforcement	10	25
Lack of commitment of paye staff	4	10
Penalty Enforcement	4	10
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.7 Methods of gathering information on tax payers

Options	No. of Respondents	Percentage (%)
Past records	8	20
Investigation by staff	20	50
Liaison with government agencies	12	30
All of the abofe	--	--
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.8 Causes of information insufficiency

Options	No. of Respondents	Percentage (%)
Lack of cooperation from outside	16	40
Insufficient trained staff	14	35
Inadequate transport	17	17.5
Insufficient working capital	3	7.5
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.9 Obstacle of collection and tax management

Options	No. of Respondents	Percentage (%)
Inadequate transport	13	75
Bad collection strategy	15	25
Lack of commitment of staff	4	--
Prompt payment of staff claims	8	100
Total	40	100

Source: Questionnaire, 2007.

Table 4.2.10

Options	No. of Respondents	Percentage (%)
Transportation	14	35
Prompt payment of staff claims	10	25
Lack of recognition appreciation of staff achievement	6	15
Inadequate information	7	17.5
Staff training and development1	3	7.5
Total	40	100

Source: Questionnaire, 2007.

4.3 Data Analysis

Table 4.2.1 shows that 75% of the respondents opined that the government set the objectives of the Federal Inland Revenue Service while 25% were with the view that it is the Director General of the Federal Inland Revenue Service (FIRS) that set the objectives.

Table 4.2.2 shows that FIRS is faced with the problems of inconsistency and incoherent of objectives which are difficult to achieve. Again 10 respondents are of the view that it is difficult to accomplish their

objectives. While 18 believes that is much more easier to accomplish their objectives showing a wide discrepancy.

Table 4.2.3 shows that it is established at the serious economic down turn is fully responsible for tax objections received from tax payers. From this analysis it shows the extent of tax objection as a result of improper evaluation and inconsistency of tax administration.

Table 4.2.4 shows that most of the complaints are by superior officers. This indicate the straight line jacket of administrative style of tax complaint treatment, which receive due attention from concerned officers at all levels.

Table 4.2.5 evident that tax collected by FIRS is below average. This shows that the tax collected is far below expectation.

Table 4.2.6: It is interesting to note that 10% of our respondents have indicated lack of commitment of payer staff while only 10% due to non-enforcement of penalties on defaulters. Thus, the implication arise from such undesirable conditions could be as seen as serious tax evading by corporate bodies and citizens, which has attendant effect on the unbalanced economic can be done by the government.

Table 4.2.7: Thus it is evident from the table abofve that there is no proper dissemination of information to the general public. To improve on information dissemination of staff and government should enhance (FIRS) logistic to ensure maximum productivity such as taxation.

Table 4.2.8: From what we gathered above one can simply say there is no reasonable mechanisms for gathering information on taxpayers. Government should embark on-the-job training of staff to actualize adequate means of gathering information.

Table 4.2.9: It is evident that tax collection and management problems are as a result of inadequate logistics.

Table 4.2.1: It is established from the table that transportation and prompt payment of staff claims are major obstacles being encountered by the Federal Inland Revenue Service (FIRS).

4.4 Research Findings

The following can be seen as findings from the above analysis:

1) Federal government exert full control over FIRS operations.
2) The objectives of FIRS are articulated by federal, which has made their policies inconereht.
3) Tax object/complaint is caused by the afore-stated factors.
    i) Economic downturn.
    ii) Over assessment.
    iii) Improper evaluation.
    iv) Inconsistent tax administration.
4) There is straight line administration, complaint treatment are from top to down.

5) Tax administration and collection is far between expectation due to lukewarm attitude of the government.

6) The implication of non-remittance is due to the government caused by the serious tax evading by corporate bodies and citizens, which has attendant effect on the general economic system.

7) It is established that there is no reasonable machineries for gathering information.

8) Obstacles to low collection as been attributed to the underlisted factors:

   i) Inadequate transport,

   ii) Bad collection strategy,

   iii) Lack of committed staff,

   iv) Lukewarm attitude towards payment of claims.

From the foregoing it shows that tax administration in FIRS has not been effective, and below expectation. That is why this research has presented many factors responsible so that it may be a useful guide in correcting the inherent structural imbalances.

i) Corrupt practices going in the field: Instead of ensuring maximum collection of VAT for the government, certain bad eggs in the Federal Inland Revenue Service (FIRS) are taking the opportunity to enrich themselves by making outrageous

demands from tax payers who may have fallen foul of the provision of the law.

ii) VAT tribunals have finally been set up and members appointed in year 2004 (10 years after the law came into being). However, no tribunal has sat and therefore tax payers with problems have no where to find recourse.

iii) Multiple registration.

iv) Non-compliance with the provision of the vice (FIRS) particularly on the questions of refunds to tax payers.

v) No machinery has been set up for refunds on goods exported, especially goods purchased by visitors to Nigeria in other countries which impose VAT on goods and services, the process of obtaining refunds has been so easy that tourists are able to obtain refunds. For VAT on goods purchased and are meant to be taken on their home countries.

vi) Inability of the Federal inland Revenue Service (FIRS) to deal with retailers in big cities and State capitals.

vii) Inability of the Revenue Service to discipline parastatals which collect VAT from customers but fail to account for them as required.

viii) Lack of inducement to members of staff of the Federal Inland Revenue Service (FIRS) to encourage them to be more dedicated to the assignment.

ix) The Revenue Office has not been adequately equipped to cope with its assigned task.

x) Inadequate training and retraining of staff for the assignment.

xi) Abuse of the legal process as regards offences and penalties under the decree. The Revenue officials usually assume the role of accuser and judge instead of following the procedure and down in the decree. A taxpayer must have been found guilty of an offence before the appropriate penalty is imposed.

xii) Drafting errors both in the original decree and some of the amendment to date. The effect of these errors is that it is a recipe for confusion and ambiguity.

xiii) There is the need for the government to consider zero-rate items in the law. This will assist particularly those manufacturers exporting food as they will be in a position to claim input VAT but will not pay output VAT. Consequently, these goods will be cheaper and be able to compete favourably with similar goods from other countries in the market.

xiv) Government does not have in place adequate logistics to ensure that every one charges VAT on goods and services supplies particularly in the informal sector.

In view of the above shortcomings one starts to wonder whether the present level of revenue collection under the new tax should not have been higher.

4.5 Test of Hypothesis

Ho: Non-performing to pay Value Added Tax (VAT) have a negative effect on revenue generation to boost the economic development of the Nigeria.

Hi: Performing to pay Value Added Tax (VAT) have positive effect on economic development of Nigeria.

In testing the hypotheses formulated above for this research to determine which is to be accepted and which is not to be accepted, the chi-square statistical method among other methods that could be used for test of hypothesis was adopted.

Chi-square is denoted by X^2 and it measures the differences between the accepted frequencies by formula or by probability theory, before chi-square is estimated. The second approach is by a simple formula which involves only the observed frequencies for the computation.

The first method is adopted for this research study and is stated as follows:

$$X^2 + \sum \frac{(O - e)^2}{e}$$

Where:

∑ = Summation

O = Observed frequencies

e = Expected frequencies

K = Column

R = Row

Therefore, the observed frequencies based on the tables 4.2.2 and 4.2.5 follows:

Objectives	Easy to accomplish	Difficult to accomplish	Impossible to accomplish	I don't know	Total
Fairly good and above 75%	2	2	2	1	7
Above 50 partially R21	1	1.5	2	0.5	5
No R31	5	0.5	1	0	6.5
Just average 50% R41	4	2.5	0.5	1	10
Below average less than 50% R51	6	3.5	2.5	1.5	18
Total	18	10	8	4	

The expected frequencies are calculated as follows

$$\text{i.e. } R11 = \frac{\sum 11 \times \sum R11}{\text{Total}}$$

Options	Easy to accomplish	Difficult to accomplish	Impossible to accomplish	I don't know
Fairly good and above 75% R11	18x7 = 3.15 40	10x7 = 1.75 40	8x7 = 1.4 40	4x7 = 0.7 40
Above 50% partially R21	18x5 = 2.25 40	10x5 = 1.25 40	8x5 =1 40	4x55 = 05
No R31	18x12.5 = 5.63 40	10x7 = 1.75 40	10x10 = 2.5 40	4x12.5 = 1.25 40
Just average 50% R41	18x10 = 4.5 40	10x10 = 2.5 40	8x10 = 2 40	4x10 = 1 40
Below average less than 50% R51	18x18 = 8.1 40	10x18 = 4.5 40	8x18 = 3.6 40	4x18 = 1.8 40

Row	O	Σ	O-e	$(O-e)^2$	$(O-e)^2/e$
R11	2	3.15	-1.15	1:3225	0.415
R12	2	1.75	0.25	0.0625	0.0357
R13	2	1.4	0.6	0-36	0.2572
R14	1	0.7	0.3	0.9	1.2572
R21	1	2.25	-1.25	1:5624	0.6944
R22	1.5	1.25	0.25	0.0625	0.05
R23	2	1	1	1	1
R24	0.5	0.5	0	0	0
R31	5	5.63	-0.63	0.3969	0.0705
R32	0.5	1.75	-1.25	1.5625	0.8929
R33	1	4	-3	9	2.25
R41	4	4.5	0.5	0.25	0.0556
R42	2.5	2.5	0	0	0
R43	0.5	2	-1.5	2.25	1.125
R44	1	1	0	0	0
R51	6	8.1	-2.1	4.41	0.5444
R52	3.5	4.5	1	1	0.2222
R53	2.5	3.6	-1.1	1.21	0.3361
R54	1.5	1.8	-0.3	0.9	0.5

$X^2 = 10.985$

Degree of freedom (v):

V = (K – 1 (R – 1)

V = (4 – 1 (5 – 1)

= 3x4

= 12.

Decision:

Calculated X^2 = 10.985 - - - - - X^2C

Tabulated X^2 = 3.025 - - - - - X^2t

$X^2C > X^2t$.

In the case above X^2 equals 10.985 with 12 degrees of freedom. The corresponding tabulated X^2 at 00.05 level of significance is 3.025.

Since the calculated value of X^2C i.e. 10.985 is not within the range of tabulated value i.e. 3.025 – 3.025, we reject the null hypothesis which states that the contribution of Value Added Tax (VAT) has a negative effect on the economic development of Nigeria. Consequently, we accept the alternate hypothesis which states that the contribution of Value Added Tax (VAT) has a positive effect on the economic development of Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Chapter one of this study considered the introductory aspect of the study. In this chapter we discussed the contribution of Value Added Tax to the economic development of Nigeria. We saw that VAT was introduced to enhance the efficiency and revenue yield of Nigeria. Tax system informed the setting up in 1991 of two study groups to review the tax system.

The need to mobilize resources (revenue intensive) is as ancient as when human beings learnt to organize themselves into communities into in order to achieve some goals such as securing welfare etc. In these process all the tiers of government (federal, State and local) attempts to mobilize adequate revenue for the purpose of governance and as such begins to innovate various levies to generate much revenue.

Given that the country adopted sales tax as a revenue generating tool, why was it necessary to introduce Value Added Tax? How has Value Added Tax been able to replace sales tax successful? What was responsible for the failure of sales tax in achieving its desired result?

The main objective of this study is to examine what impact VAT has on the economy taking into consideration, the Value Added Tax payers, those responsible for the administration of VAT and extent to which VAT has repeated sales tax.

The study has two hypotheses; the null hypothesis stated that Value Added Tax has no significant impact on the economic development of Nigeria. The alternative hypothesis stated that VAT has significant impact on economic development of Nigeria. These hypotheses were tested in chapter four.

The study is necessary because it could be beneficial to Federal Inland Revenue Service, federal government and general public who consume VATABLE goods and services. The study converted Kano State and a period of ten (10) years beginning from 1994 to 2004. this chapter also defined Value Added Tax to mean a 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 become a credit for further set it up.

The economic development is concerned with the ability to raise and maintain the productive capability of a country.

Federal Inland Revenue Service is the body responsible for collection of taxes on behalf of the federal government, the taxes include VAT, income tax for companies, petroleum profit tax etc.

Chapter two of the study reviewed related literature. Value Added Tax is one of the major tools for sustainable development in Nigeria being a means of providing capital to government in order to finance various development.

The concept of Value Added Tax is quite correct but rather very simplistic and fails to bring out essential features of the tax.

Value Added Tax implementation in Nigeria came from the report of a study group set up by the federal government in 1991 to review entire tax system.

Indices of economic development, it has been believed that every government budget should have main theme related to the current needs of the economy.

Chapter three focused on the research methodology. This chapter involved the various techniques adopted in obtaining data for the study. The study adopted the descriptive research design. Both the primary and secondary sources of data were used. The primary data was obtained through interviews and administered questionnaires while secondary data were obtained through review of textbooks, newspapers, periodicals etc. The study population included sixty staff of FIRS in Kano State. Random sampling technique was used to select sample size of fourty (40) from the population. Simple percentages would be used in data analysis while chi-square technique would be used to test the hypotheses.

Chapter four focused on the presentation and analysis of data.

The study rejected the null hypothesis which stated that the contribution of VAT has a negative effect on the economic development of Nigeria. This is because the calculated value of X^2 of 10.985 is over and

above the t-value of 3.025 at 5% level of significance. Consequently, the alternative hypothesis that the contribution of VAT has positive effect on the economic development of Nigeria was accepted. The study found, among other things, that FIRS lacks the ability to discipline erring parastatals which collect VAT from consumers. This has negative effect on the revenue accruing to the government.

5.2 Conclusions

This study is aimed at economic development of the Nigerian tax system and administration of data. Value Added Tax (VAT) was also examined as the main subject, its administration, its performance as a major source of Federal Inland Revenue Service (FIRS).

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

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

On a final note, the study of Value Added Tax in Nigeria can be said to be a success. This can be argued at when one considers the yearly collection side by side with the set targets. If the identified loopholes in the law are properly plugged and the inadequacies properly addressed, it is my humble view that with realizable proceeds to be generated from Value Added Tax.

5.3 Limitations of the Study

The successful execution of a research work of this nature cannot be complete without one encountering any constraints. But as it is, there are therefore a number of factors or constraints that inhibited a proper and through research work to be carried out. Foremost amongst these, is time and funds with available time during school sessions and out in the field for proper conduct of the research and availability of sufficient funds to enable adequate findings certainly a more deeper insight to what is obtained would have been possible. However, even if these were made available, the administrative bottleneck arising from certain policy, prevailing in most of the government institutions would have been another huddle. This prevailed in no small measure in preventing the availability of required data to the researcher.

5.4 Recommendations

In view of the studies carried out which enable us establish the relevance of the contribution of Value Added Tax as a source of government revenue, it is pertinent that I make some recommendations that will help government consolidate on the efforts so far, and to make it even more effective in contribution of Value Added Tax system in Nigeria.

i) Regular reviewing of outdated and obsolete tax laws that will not meet the need of the present conditions.

ii) The services of well trained tax staff who will be responsible for the procedures and administration of the tax system that will improve revenue collection.

BIBLIOGRAPHY

Adegunle, I.M. *"Nigerian Tax Law Administration and Value Added Tax (VAT)"* paper presented at the 28th Induction Course for newly admitted members of the Institution of Chartered Accountant of Nigeria (ICAN) in November (2001)

Arinodolg, J.A. Companies Taxation in Nigeria Including Petroleum Profits Tax, 3rd Edition (2000) JAA Nigeria Limited, Lagos.

N. Research Methodology in Behavioural Sciences, Longon Plc (2002).

Federal Inland Revenue Service Information Circular 98041 (1994 Detailed List of Items Exempted from Value Added Tax, Collins Publishers Limited, Lagos.

Federal Inland Revenue Service Pamphlet 1995 Value Added Tax Registration.

Federal Inland Revenue Service Annual Report 1994 – 2001.

Federal Inland Revenue Service, *Nigerian Tax News* Vol. II (1996).

Federal Inland Revenue Service Training *Lecture Note for Inspectors of Taxes Umodele* UV Value Added Tax (1995).

Federal Inland Revenue service Information Circular 9304 (1993) Value Added Tax.

Hoffman & Philips; West Federal Taxation: Individual Income Tax Taxes, West Publishing Company (1982).

Ijewere & Co. (Tax Consultants): *Features, Provisions and Rationale for Value Added Tax in Nigeria*. Paper presentation at a seminar organized by Kaduna State Board of Internal Revenue, April (1995).

John, K.Y.; *Research Methodology*, unpublished lecture note; Department of Business Administration, A.B.U. Zaria (2001).

Niayeju, J.K. Value Added Tax (VAT) The Fact of Positive Tax in Nigeria, Collins Publishers Limited, Lagos (1996).

Nigerian Taxation: The official *journal of the Chartered Institute of Taxation of Nigeria*, Vol. 3 No. 2 (1999).

Ogundele, E.A., Elements of Taxation Libriservice Nigeria Ltd., Yaba Lagos (1999).

Osuala, E.C., Introduction to Research Methodology, Africana Fep-Publishers ltd., Onithsa (1987).

Parker, J.E. and Raabe, W.A.; Tax Concepts for Decision Making, West Publishing Company (1985).

Tabansi, Ochiogu, A.C., Nigerian Taxation for Students (1984)

APPENDICES

Department of Business Administration,
Faculty of Administration,
Ahmadu Bello University,
Zaria.

Date:……..

Dear Respondent,

I am a student of Masters in Business Administration, A.B.U. Zaria. I am required to carry out a research study on the topic: The Administration of Value Added Tax in Nigeria: A Case Study of Federal Inland Revenue Service.

I would be grateful if you would spare me a bit of your time to please complete this questionnaire. Your responses will be presented with strict confidence and shall be used for academic purpose only.

You are required to please tick, as you consider appropriate, for each question and write where necessary.

Questionnaire for Tax officials:

SECTION A: Operation and Management of Federal Inland Revenue Service (FIRS))

1. Who set the objectives of the FIRS?
   a) Federal Government [] (b) Director-General of FIRS []
   c) I don't know []

2. Are these objectives hand-in-hand with the policies of FIRS?
   a) Yes [] (b) No [] (c) I don't know []

3. Answer to the above is no, please briefly state your reason(s):

   ---

4. How do you evaluate the objective of IFRS?
   a) Easy to accomplish [] (b) Difficult to accomplish []
   c) Impossible t accomplish[] (d) I don't know []

5. Are you used to the objectives as a staff of FIRS?
   a) Yes [] (b) No [] (c) I don't know []

SECTION B: Tax Assessment, Obstacles to Collection and Payer Remittance and Inspection Visits.

6. As tax-man, how do you assess your taxpayer?
   a) Indirectly [] (b) Directly [] (c) Non of the above []
   d) Both A and B above []

7. Do you receive any objections from your taxpayers?
   a) Yes [] (b) No [] (c) I don't know []

8. Which of the following reason(s) of such objections do you receive from your taxpayers
   a) Over assessment []
   b) Prevailing economic hardship in the country []
   c) As a means of evading tax []
   d) All of the above []

9. How do you treat taxpayer's objections?
   a) Through the superiors []
   b) Through my subordinates []
   c) I make it directly []

10. What problem(s) do you encounter during PAYE inspection visits?
   a) Lack of proper record keeping []
   b) Lack of cooperation from the affected companies or organization[]
   c) Lack of skilled staff to do the job []
   d) Others (specify) []

11. Do such visits increase your collection drive?
   a) Yes [] (b) No [] (c) I don't know []

12. Is there any attempt/action to solve such problem(s) by FIRS?
   a) Yes [] (b) No [] (c) I don't know []

13. As a tax-man, which of the followings do you think is (are) the cause(s) of non-remittance of PAYE deductions?
   a) Fraudulent nature of most of the organization []
   b) Non-existence of legal backing for enforcement []
   c) Lack of commitment on the part of the PAYE staff []
   d) None enforcement of penalty for defaults []
   e) All of the above []

14. Briefly recommend steps to deal with the situation:

---

15. Do you think the periodic checking or records of individuals and corporate bodies will reduce cases of non-remittance of tax?
a) Yes [] (b) No [] (c) I don't know []

16. Do you go about for PAYE inspection visits?
a) Yes [] (b) No [] (c) I don't know []

17. If your answer to the above (16) is No, please indicate why?

---

18. How often do you go for such inspection visits?
a) Monthly [] (b) Quarterly [] (c) Annually []
d) None at all []

19. Who do you think is capable of solving this Board?
a) Director-General [] (b) Other sectional heads []
c) Collective responsibility []

SECTION C: Gathering of information and obstacles of tax administration

20. How do you track taxpayer(s) into your net?
a) Through past records and information []
b) Through personal investigation by the staff of information and research unit []
c) Liaison with other government ministries and departments []
d) All of the above []

21. In your own opinion, which of the following could be attributed to insufficiency of information?
a) Lack of cooperation outside FIRS []
b) Lack of adequate transport facilities []
c) Insufficient working materials []
d) Others …….

22. Inspite of the obstacles to the overall collection of taxes, how do you describe the whole exercise?
a) Fairly good and above 80% [] (b) Just average i.e. 50% []
c) Below average i.e. less than 50% []

23. Is there need for improvement?
    a) Yes [] (b) No [] (c) I don't know []

24. Which of the following do you think is mainly the obstacles of tax administration?
    a) Inadequate transport facilities []
    b) Bad collection strategy []
    c) Lack of dedicated staff []
    d) Other factors ……..

25. Recommend some measures to improve tax assessment collection and administration:

SECTION D: Contribution to economic development

26. The followings seems to be some of the obstacles that require urgent attention and be rectified as soon as possible. Rank them in ascending order.
    a) Lack of prompt payment of staff claims []
    b) Office accommodation []
    c) Staff training and development []
    d) Transportation []
    e) Lack of recognition and appreciation of staff achievement []
    f) Inadequate information on taxpayers income []

27. In your opinion, in what ways does VAT helps in economic development?

    ---

28. Had VAT been able to link up to expect atimes in the economic development of Nigeria?

    ---

29. Access VAT towards economic development in your ways?

    ---

30. How did VAT help in economic development in this country?

---

31. Any further comment(s)?
