Value Added Tax (VAT) and Inflation in Nigeria

(1990 to 2003)

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ABSTRACT

Value Added Tax was introduced in Nigeria after two years of preparatory work. As it had been earlier stated in the views, comments, and findings, from the work of some scholars, that; value added tax has cause an increase in inflation rate. The paper is therefore, to determine the impact of VAT on the revenue generation in Nigeria and the perception of the citizen on VAT and Inflation. The researcher had adopted the descriptive research approach for the study of the subject matter. Accordingly, data gathered were; Primary data from oral interviews and structured questionnaires, while secondary data were obtained from Federal Inland Revenue Service (annual reports), Nigerian Tax news, Value Added Tax Decree, Federal office of statistics, annual abstract of statistics, Federal ministry of finance Abuja; quarterly performance report of the Economy and budget of Economic growth and development, and daily newspaper, Guardian, Thirsday newspaper and Punch newspaper. VAT has not affected the increase or decrease in inflation rate. For a success of any fiscal policy, it must be properly planned, the duration depending on the level of the development of the country, also effective communication should be used to improve the quality of its implementation and increase the revenue collected. The VAT rate should be reviewed upward in order to meet the current needs of the nation.

INTRODUCTION

The Nigerian tax system, which went through terrible period in the eighties and seventies as revenue from petroleum took central and dominant role within the economy. It became urgent, therefore, to find alternative means of raising revenue for the government, both internally and externally. The external means is through promoting and exportation of non-oil goods, like primary agricultural products and semi-processed agricultural products. The internal means is through general overhauling of Nigeria tax system by introducing a well managed and efficient tax system.

Other factor that prompted government into action was the advice received from the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) and (the World Bank) – the two agencies responsible for the establishment and operation and monitoring of Structural Adjustment Programme (SAP) (as for reaching economic adjustment programme). At various times, individuals, companies and

governments make adjustments on systems and introduce new measure to meet changing needs.

Value Added Tax (VAT) in Nigeria of today replaced the existing sales tax which had been in operation under Federal Government, legislated Decree NO 7 of 1986 but which was operated on the basis of residence. Apart from the high revenue generation capacity of Value Added Tax, because it is consumption tax, it is not easy to avoid nor evade as it is being done easily with other taxes The introduction of Value Added Tax (VAT) in 1994 was one of the means of re-organizing the Nigerian economic system. This is one of the leaves borrowed from the submission of Carlo (1999); in the early stage Value Added Tax precisely 1995 and 1996 .The estimated growth rate of the economy was 3.25% compared to 2.2% and 1.3% achieved in 1995 and 1994 respectively (Budget, 1997).

By the introduction of Value Added Tax (VAT) it was intended that government revenue priorities will move away from crude oil, sales, oil royalties and Petroleum Profit Tax, all which are vulnerable to international petroleum price fluctuation, to a more stable internally generated revenue service. Internally generated revenue was seen by the government as the heart of efficient fiscal policy, it was seen by the resources needed for society want shall be taken from all various enterprises and be made available for public goods and service. Such a move would boost government revenue. In the submission of Okele (2003).

The introduction of the Value Added Tax requires a lot of preparation and enlightenment, on the part of the government because of the complexity of the tax and the need for c0-operation of the tax payers. The problem with tax in Nigeria is that only the poor and employed pay taxes. The Pay As You Earn (PAYE) is about the only effective taxation we have in the country. The rich are affluent in the informal and formal sector hardly pay taxes. As it had been stressed by Osakwe (1999) that:

    The subsequent individual income tax reform showed
    government determination to shift revenue generation gradually from the individual income tax to Value Added Tax.

- It can then be said that the continued upward in income tax revenue in spite of the low tax system, was largely as a result of substantial improvement in the individual state's tax administration and tax efforts. The question now is,
- What are the perceptions of the citizens on Value Added Tax?

In line with the above question the following objectives will be carried out in this study, to determine the impact of VAT on the revenue generation in Nigeria and the perception of the citizen on VAT and Inflation and to make recommendation.

HYPOTHESES OF THE STUDY

For the above objectives to be fully achieved the following hypotheses are stated in Null form.

H1: The perception of citizens on VAT has no significant effect on its acceptance and on the economy.

H2 VAT has nothing to do with inflation rates

H3: Value Added Tax (VAT) is not a source of revenue generation in Nigeria

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Prior to 1904 when income tax was introduced to Nigeria by the late Lord Lugard, Nigerians cheerfully pay their taxes in kind by rendering services which may include clearing the bush, digging pit toilets etc, used by the community as a whole. Anybody who fails to render these services may have his property seized which might be reclaimed on payment of money. The late Lord Lugard introduced income tax to Nigeria in 1904; he later made changes, which brought about he native revenue ordinance of 1917. This can be traced to the time the British came to Nigeria, they enacted various taxing ordinances notably the Native Revenue ordinance 1917, the native Direct Taxation ordinance 1937 and the Colony Taxation Ordinance 1940 and the Income tax Ordinance 1943. The former status provided for the taxation of "native" and the latter for the taxation of "non-nature" and of companies (Abdulrazaq, 2002).

EVOLUTION OF VALUE ADDED TAX

When it became apparent that Nigeria couldn't survive favorably by sole dependence on the oil-derived income/revenue, the need to diversify the source of revenue by the government forced it think of restructuring the economy. As part of the efforts at comprehensively country's tax system. In 1991, two study groups were established; one on directs taxes and the second on indirect taxes. The objectives of the study is to: reduce dependence on oil revenue; improve the administration of indirect taxes; shift taxation towards consumption (indirect) rather than saving (direct); and   provide incentives for export production .The introduction of VAT automatically replaced the sales Tax that was introduced in 1986s through Decree No 7.

Value Added Tax (VAT) [a tax on spending], was started in January 1994 and replaced the former sales tax imposed on luxury of goods in Nigeria. VAT is basically a consumption tax levied at a flat rate of 5%. It is collected on behalf of the government by business and organizations. Its implementation is such that a tax of 5% is added when goods pass from one hand to the other, Certain items are exempted from VAT and these include: basic food items such as rice, beans, garri, maize, yams, fish, et cetera: Baby including laboratory equipment and instructional aids; Baby products such as clothing accessories, cosmetics, agricultural equipment, fertilizer and farm transportation equipment; all diplomatic goods on the Federal Government's duty free concession; House rent; Medical and Health care services; International air transport; Religious services; Services by Community Bank, People's Bank and Mortgage Institutions; Postal Services; Plays and performance conducted by educational institutions as part of their curriculum.

TAX REFORMS IN NIGERIA, VALUE ADDED TAX AND FEATURES.

Tax experts had argued in different ways as regards the success of value added tax in Nigeria. Some even said that the success of VAT in developing country like Nigeria, is going to be dependent on the level of publicity bring into it, as well as the level of education of potential prayers. Babington (1995) argued that quite a number of people are not even aware about the basis of its computation. This is very common with small scale industries and sole.

Proprietorship that is obviously unable to afford qualified personnel. This category of people will only show interest in VAT as the threat of prosecution.

RESEARCH METHODOLOGY

The researcher had adopted the descriptive research approach for the study of the subject matter. Accordingly, data gathered were two types; primary and secondary data.

Primary data were obtained from oral interviews and structured questionnaires. While secondary data were obtained from federal Inland Revenue Service (annual reports), Nigerian Tax news, Value Added Tax Decree, Federal office of statistics, Annual abstract of statistics, Federal ministry finance Abuja; Quarterly performance report of the Economy and budget of Economic growth and development, and daily newspaper, Guardian, Thursday newspaper and Punch newspaper. The secondary data gathered from the above sources are: the total government revenue between (1994-1997), the Value Added Tax between (1994-1997); Inflation rate between (1990-1994), Inflation rates between (1998-2003),   in conjunction with above secondary data, a sample of 400 (four hundred) respondents that cut across officials of FIRS, High court, Audit firm, manufacturing companies, ministries (Federal Ministry of Statistics and finance) and some tax consultants were randomly selected from Abuja, Ibadan and Lagos respectively. Almost half of the questionnaires were distributed to Audit firm & tax consultants just because of their professional commitment and rule observance among them

NATURE OF DATA AND COLLECTION PROCEDURES

The primary instrument of this study is questionnaire survey of assessment of administration of VAT as source of revenue generation in Nigeria. The questionnaires consisted of thirty-five (35) questions. 86% of the sample respondents returned the filled questionnaire and collection were made by hand in Lagos, Ibadan and Abuja respectively.

DATA ANALYSIS METHODS

The data presented above were subjected to analysis after considering the following null hypotheses:

The perception of citizen on VAT has no significant effect on its acceptance and the economy.

VAT has nothing to do with inflation rates

Value Added Tax (VAT) is not a source of revenue generation in Nigeria.

DECISION RULE:

Accept the null hypothesis if the calculated t value is lesser than the tabulated t otherwise reject the null hypothesis and accept the alternative hypothesis vice visa.

Descriptive statistics of mean and standard deviations were computed on the response from the questionnaires. The inferential statistics use is the student's t-statistic. An alpha level of 5% and (n-1) degree of freedom were set to validate hypothesis 1&2and 3 which respectively; assess the level of significant of the Value Added Tax (VAT) on the perception of the citizens about its acceptability and it effect on economy.

The second hypothesis, which deals with respect to the relationship between the Value Added Tax and the government revenue, on the other hand were validated with the use of Pearson correlation; kendal's taub correlation coefficient and spearman is rho correlation coefficients. Above all, the data obtained had been presented using tables, charts, and line graph respectively.

TOTAL GOVERNMENT REVENUE

	1993 ₦ million	1994 ₦ million	1995 ₦ million	1996 ₦ million	1997 ₦ million
Total Federal collected revenue	192,769.4	201,910.8	459, 987.3	520,19 0.0	600,356.2
Oil Revenue	162,102.4	160,192.4	244,902.3	266,00 0.0	434,357.2
Non Oil Revenue	30,667.0	41,718.4	135,439.7	151,00 0.0	166,000.0
AFEM surplus Revenue	N.A	N.A	79,645.3	103,19 0.0	-
VAT	-	7,260.8	20,761.0	31,000.0	34,000.0
FED Govt. Retained Revenue (VAT)	-	1,4522	7,437.8	10,746.0	12,238.7

Source: Annual Abstract of Statistics 1998 edition Federal Office of Statistics Abuja Nigeria.

➢ The estimates were to be reviewed in the light of changing exchange rates, expanding base, time value of money and other economic factors. Therefore, from above table the following observations were pertinent.

➢ The first four years of VAT implementation recorded a remarkable achievement. (i.e) It graduated from N7,260.8m to N34,000.0m

➢ There are subsequent favourable variances of: N1260800m 1994, N11,761000 in 1995, N16,000,000 in 1996 and N14,000,000 in 1997.

THE PLACE OF VAT IN TOTAL FEDERAL COLLECTED REVENUE 1993-1997

Year	Petroleum profit tax (PPT) ₦ million	Non-oil Revenue ₦ million	VAT ₦ million	Amount collected ₦ million	% of VAT %
1993	162102.4	30667.0	Nil	192769.4	Nil
1994	160192.3	41718.4	7260.8	209171.8	3.5%
1995	244902.3	135439.4	20761.0	401103.0	5.2%
1996	266000.0	515000.0	31000.0	448000.0	6.9%
1997	434357.2	166,000.0	34000.0	634357.2	5.4%

Source: primary data 2008

Note: Non-oil revenue include, Capital Gain Tax, Personal income tax (Armed forces, police, residents of the FCT Abuja etc): Stamp duties, Back Duty penalties; pre-operational levy, International companies capital Gains and individual's Taxes; and sales Tax, Abuja.

It can be ascertained that the place of VAT on total federal collected revenue is not somehow significant it ranges from 3% to 7%. The percentage is very low.

FEDERAL GOVERNMENT REVENUE (EXCLUDING EXCISE DUTIES) BETWEEN (1989-1993)

Year	Other taxes (oils & non-oil taxes)	Increases %
	₦ million	
1989	26,629.9	-
1990	40,443.2	51.8
1991	42554.5	5.22
1992	55499.4	30.42
1993	62,752.9	13.07
1994	201910.8	221.76
1995	459987.3	127.82
1996	520,190	13.09
1997	600,357.2	15.41

From the above table it can be said that earlier before the inception of VAT between 1989 and 1993 the highest increase recorded happen to be 51.8% and the least to be 5.22%. The Federal Government Revenue had not been stable. As it increases it also decreases. Shortly, after the introduction of VAT that took place in 1994 there was a skyrocket increase in the percentage of Federal Government Revenue of 221.76%. It absolutely shows the workability of the said tax in the first year of implementation.

INFLATION RATES AND THEIR ANNUAL INCREMENTS IN NIGERIA BETWEEN 1990 AND 2003

Year	Inflation rate	Increment	% Increase
1990	7.4%	-	-
1991	13%	5.6	75.68
1992	44.6	31.6	243.07
1993	57.2%	12.6	28.25
1994	70%	12.8	22.37
1998	10%	(60)	-
1999	10%	-	-
2001-2002	111/2%	1.5	15
2003	10%	1.5	13.04

Source: primary data 2009.

At 22.37%, it could clearly be seen that the percentage of increase in the inflation rate was even lower in 1994 when VAT was introduced than any of the years since 1990, even from 1998 till date the inflation rate had been constant at 10%. The only abnormal increase during the period under this study was in 1992. This was directly attributable to the sudden fall in the value of the Naira in that year.

While VAT may cause a once-and-for-all general increase in the price level, it does not normally lead to inflation as is commonly feared.
Beside in nearly all countries that have introduced VAT, it has been made to replace an existing tax. This fact is itself is sufficient to make VAT non-inflationary. For example, VAT of 5% was introduced in Nigeria at a time when the rate companies income tax had come down from 45% to 35% and the marginal rate of personal income tax was reduce from 65% to 30%! It was also a replacement of sales tax, which also had dual rates of 5% and 10%. Though, this is not to say that VAT introduction will not cause changes in relative prices as consumers adjust themselves in the process of making choices. Where the rate of tax is high and the base of this broad, there can be a general price increase on a once and for all bases.

Total Monthly Revenue Collection and
Monthly VAT collection between
Jan. 1994 to Dec. 1995

		Revenue Collection	VAT Collection
		₦	₦
1994	January	4668893,389	121668093
1994	February	5814245638	568927924
1994	March	3571296902	723881483
1994	April	4706145536	583349444
1994	May	4365796195	702216901
1994	June	4695884391	800041763
1994	July	4137945297	54689140
1994	August	4660899657	492376511
1994	September	4595265856	1000331966
1994	October	4286274598	750914904
1994	November	4502542810	861573644
1994	December	7063803685	1042985572
1995	January	3958616355	1058233843
1995	February	4259346408	1007667612
1995	March	4074648535	1156194929
1995	April	3361858675	1155443463
1995	May	4733116875	1700000647
1995	June	5052210341	1945505931
1995	July	5202710286	2002663396
1995	August	5102548593	1853488226
1995	September	4519527858	1994467120
1995	October	5156754693	1811860717
1995	November	4516222806	2024982098
1995	December	369638996	1736455135
Total	**Jan 94-Dec. 95**	**110,702,794,398**	**27,642,123,263**

Source: 1995 annual report (FIRS) VAT COLLECTION

1999	14730.9m
1999	55764.2m

With the use of Pearson correlation, Kendau's tau_b and spearman's rho the below tables were arrived at.

Assuming that the variables; Revenue and VAT are parametric Correlation's.

Correlations

		Revenue	Value added tax
Revenue	Pearson Correlation	1	.088
	Sig.(2-tailed)	.	.682
	N	24	24
Value added tax	Pearson Correlation	.088	1
	Sig.(2-tailed)	.682	.
	N	24	24

With the assumption that the variables: Revenue and VAT are non-parametric Nonparametric Correlations

			Revenue	Value added tax
Kendall's tau_b	Revenue	Correlation coefficient	1.000	.058
		Sig.(2-tailed)		.691
		N	24	24
	Value added tax	Correlation coefficient sig.(2-tailed)	.058	1.000
		N	24	24
Spearman's rho	Revenue	Correlation Coefficient	1.000	.127
		Sig.(tailed)	.	.554
		N	24	24
	Value added tax	Correlation Coefficient	127	1.000
		Sig.(2-tailed0	.554	.
		N	24	24

From above tables the following can be extracted; that there is ano correlation between the Revenue and VAT. The reason being that with the use Pearson correlation we have 8.8% while that of Kendall's tau_b is 5.8% and spearman's rho is 12.7% they are nearly of the same values. Therefore the result is in contrary with the views and opinions of the respondents that there is a significant effect of VAT on revenue. The only improvement could be of that 1999and 2000 of which there is sharp increment off 378.5% in 2000 and when the subsequent data for the years after is made available then it will equally depicts more increment.

TEST OF HYPOTHESES

Hypothesis I: The perception of citizens on VAT has no significance effect on its acceptance and on the economy.

Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Value Added Tax	12..96	342	4.93	27
Pair 1 Perception of citizen	18.67	342	2.08	0.14

Source: Primary data 2008.

Paired Samples Correlation

		N	Std. Deviation	Std. Error Mean
Paired	Value Added Tax Perception Citizen	342	0.257	.000

Source: Primary data 2008

Paired Sample Test

		Paired Difference							
		Mean	Std. deviation	Std. Error Mean	95% Confidence Interval of the difference		t	Df	Sig.(2-tailed)
					Lower	Upper			
Pair 1	Value Added Tax-Tax Evasion	94.29	4.763	0.26	93.78	94.8	364.84	341	.000

Source: Primary data 2008.

From the above tables in conjunction with hypothesis 1, the followings could also be extracted from the tables that;

The mean of VAT is higher than the mean of the perception of citizens. The standard deviation of VAT is equally higher than the perception of the citizens on its acceptance.

That there is positive correlation between VAT and the perception of the citizen but the correlation is very low.

It can be established that there is no significant effect between VAT and the perception of the citizens. Therefore, the null hypothesis that says the perception of citizens on

VAT has no significant effect on its acceptability can be upheld.

Hypothesis lII: *Value Added Tax (VAT) is not a source of revenue generation in Nigeria.*

The Pearson correlation was used to test the correlation between the Value Added Tax (VAT) as a source of revenue generation in Nigeria.

Correlation
Descriptive Statistics

	Mean	Std. Deviation	N
VALUE ADDED TAX	12.96	4.93	342
REVENUE	38.04	3.01	342

Source: Primary data, 2008.

		Value Added Tax	Revenue
Value Added Tax	Pearson Correlation Sig. (2-tailed)	1.000	.584(* *) .000
Revenue	N Pearson Correlation Si.(2-tailed)	342 .584(* *) .000	342 1.000 .
	N	342	342

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

Source: Primary data, 2008.

It can depict that the mean of VAT is higher than the mean of Revenue which is to mean that the revenue is depending on the VAT.

That the standard deviation of VAT at 4.93 is higher than the standard deviation of revenue at 3.01.Therefore there is significant correlation between the Value Added Tax and the total revenue generated in Nigeria at 0.01 level (2-tailed). This is to mean that the Null hypothesis of VAT is not a source of revenue generation cannot be upheld. Therefore, it can be established that Value Added Tax is a sources of revenue generation in Nigeria.

DATA INTERPRETATION AND THE RESULTS

Inflation Rates

One pre-occupation of every society in which VAT is to be introduced is the likelihood of its causing inflation! But mainly, this is borne out of ignorance. When VAT was being introduced in Nigeria, almost every public commentator (including university dons!) appeared unanimous in their agreement that VAT (even at low rate of 5%) would cause inflation! No one stopped to ask himself how a scheme that would take money academically tenable to canvass that VAT should be introduced to curb inflation! Of cause VAT was introduced in Nigeria in 1994and there was no noticeable increase in the rate of inflation that could be attributed to VAT. This statement is in contrary with view of some scholars as it can be seen in the above tables how the variability of inflation rates.

PERCEPTION OF THE CITIZENS ON THE VAT ACCEPTANCE AND ITS IMPACT ON ECONOMY

The following are the results of the findings; out of 342 (three hundred and forty two respondents) the mean in of its acceptance is 24.83, standard deviation 4.93 at the standard error of 27.

The correlation of the perception of citizens on VAT acceptance with that of VAT is 34.7%. In fact, it is at increase. In line with the oral interview held with some of the officials of FIRS, and some tax experts, the following are some of their comment.

Failure to register unreported sales or purchases Misuse or use without right of a taxpayers invoice, exaggerated refund claims Omission of self-deliveries incorrect description/classification of goods in a multiple rates system. Credit claims for uncreditable purchases Credit claims for inputs used for exempted items. Credit claims for invoices from unregistered suppliers false export claims imported goods, duty taxed but unreported sales Pocketing output tax since goods are imported illegally. Credit notes on purchases including VAT not shown on returns. Misused, or use without right, of a tax payers identification number bogus traders issuing false export or incomplete tax return or return Bogus barter arrangements file false or incomplete tax return or information Trading, but delaying recording of it for months, so as to make use of the tax as free loan. Falsification of books, records and other documents and presentation of it as if they are genuine. Failure to show or submit books, records and other documents. Failure to pay tax already withheld.

The consequence of the actions listed above is loss of revenue to the state. While the accountability element can be classified into two depending on whether there is criminal intent or not.

- **Negligence:** These are classified as misdemeanors that may not attract severe penalties. There is no criminal intent involved – tax avoidance.
- **Intentional:** These are classified as felonies and should attract very severe sanctions. There is deliberate felonious intent aforethought - tax evasion.

PROSPECTS OF VAT IN NIGERIA

An effective fiscal policy such as the Nigeria VAT, no matter what tax engineering work may later be done on it, cannot be likened to a plant which life-cycle ends at death. Of course, there will be financial ups and downs in the economy which VAT administration and revenue will reflect. But as long as the fiscal system exists so long will VAT continue to play a major role in the conduct of business, in consumer behaviour and in the mobilization, allocation and redistribution of economic resources. Certain future developments in the "career" of VAT in Nigeria, such as higher compliance, elimination of competing taxes etc, are already visible on the fiscal horizon.

One trend that can also be seen of Nigeria VAT is that of continue growth in revenue. The tax was expected to realize about (5-8)% of the GNP see table 4.11 in the first two years of operation, it did not only meet the revenue target but recorded an average of N175m excess proceeds on a monthly basis in the period. In the second year, the tax achieved will have effectively rivaled, if not overtaken, that of petroleum profit tax and other taxes including customs duties and income taxes. Already, the tax has enacted a fiscal coup in the tax system by outshining such taxes as capital gain tax, companies' income tax, stamp duties and personal income tax.

RECOMMENDATIONS

For a success of any fiscal policy, it must be properly planned, the duration depending on the level of the development of the country, also effective communication should be used to improve the quality of its implementation and increase the revenue collected. For tax to meet the challenges of the new millennium, if it is to ensure dynamic economy that is healthy, vibrant and buoyant, the following should be put into consideration.
- The need for openness and accountability – tax proceed collected over the years must be publicly declared and any disbursements published on the basis of full disclosure.
- The need for professionalism within the tax system – According to Okele (1999), drafting errors both in the original decree and some of the amendment to date form most of the shortcomings of tax confusion and ambiguities.
- Enlightenment campaign – Creating tax awareness among potential tax payers and bringing to their knowledge the nature and types of tax under the Nigerian tax laws. This enables
- Understanding and therefore, promotes compliance.
- The urgent need to promote appropriate legislation to give backing to the decision of the Joint Tax Boards on multiple taxes.
- Information technology otherwise known as "IT" is the hallmark of the 21st century. A look at most of the tax offices in Nigeria shows no evidence of information technology, thereby making it possible for tax payers and tax authorities to declare non-uniform and inconsistent claims and data, thereby creating loopholes for tax evasion.

The Nigerian tax system should be computerized and to a reasonable extent connected to the Internet. Stop this could be done through the business data processing of which very large storage capacity of computer be installed at the Federal capital territory at Federal Board of Inland Revenue services in Abuja. Whiles each of the Local Government headquarters should equally have user terminal. These user terminals of various Local Government headquarters could be connected by telephone line, to the central process unit in Abuja. This will enable the FIRS officials to have access to all the list of VAT payers at any point in time. It will definitely assist them to monitor and to update the data as regard the VAT proceeds remittance at all time.

- Staff quality – To talk of efficient tax administration in the 21st century, without good quality personnel, is to talk of "an Hamlet without the prince" To this end, staff training programmes should be embarked upon and attainment of high educational levels in tax related field should be encouraged.
- Staff inducement is necessary in order to encourage them to be more dedicated to their assignment.

The success of FIRS, there is no need to set up a separate commission to handle VAT, if necessary tax consultants could be appointed to monitor compliance on behalf of FIRS. Also measures should be taken to compel people to comply with the decree, a special VAT clearance certificate should be designed as the Tax Clearance Certificate introduced by a scholar Ola (1995) to be used by companies, and traders. The problem of multiple taxes should be declined so as to give value added tax (VAT) the prominence needed.

Above all, VAT rates should be reviewed upward to be in line with other nations of the world.

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