THE IMPACT OF VALUE ADDED TAX (VAT) ON THE ECONOMIC DEVELOPMENT OF NIGERIA: A CASE STUDY OF KWARA STATE

BY

AGBETOLA GANIYAT AYOMIDE

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CERTIFICATION

This research project has been read and approval as meeting the requirement for the award of Nigeria Certificate in Education (NCE) in the Department of Economics, School Arts and Social Sciences, Kwara State College of Education, Ilorin.

Alfa Otubu A.S.   _____   _____
Project Supervisor   *Signature*   *Date*

Dr. (Mrs.) Abdulmalik I.B.   _____   _____
Head of Department   *Signature*   *Date*

Project Coordinator   _____   _____
                                          Signature   *Date*

DEDICATION

I dedicate this project to Almighty God, my creator, my strong altar, my source of inspiration, knowledge, wisdom and understanding. He who has been the source of my strength throughout this program and his wings only I have soared. I also dedicate this work to my mom Mrs. Agbetola who has encourage me on all the way and whose encourage has made sure that I give it all take to finish what I have started.

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ABSTRACT

The research study was conducted to examine the impact of Value Added Tax on the Economic Development of Nigeria. The data for the study were collected using questionnaires administered to Lagos State Board of Inland Revenue (SBIR) member of staff and the chairman of the board, the direction of the state internal revenue service, legal advisers, directors of the state ministry of finance, secretary of the board and the two principal inspector of tax. The analysis of data was done by the use of percentage and weighted mean to test the relationship between Valued Added Tax and Government Revenue. These findings indicate a positive relationship between Value Added Tax and Government Revenue. It was concluded that Value Added Tax has positive efforts on the economy of Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Nigerian national which was amalgamated of the three (3) tribes which is known as the Hausa, Igbo and the Yoruba tribes. Those tribes were eventually managed by the British colonial master for many years before Nigeria got her independence in 1960.

Before the advent of colonial rulers there have been major system both direct and indirect taxation except for the fact that the system varied from one part of what is presently called Nigeria to the others. The form that location took varied significantly from the normal structure of modern taxation but there was still some form of taxation. It must be essentially emphasized that during the colonial era, taxation function principally on the ethnic basis a division of various tribes in the chieftaincies with a centralized authority, administrative machinery and judicial institutions such as Northern Nigeria, The Yoruba Land and Benin Kingdom where there are Emirs and Oba's respectively was a system of taxation.

In Kwara State which happens to be a situation analysis of this study, the system of paying taxes took different forms, because taxes were paid in cash, kind and obligatory personal services.

The advent of Value Added Taxin Kwara State could be traced to the "Isakole". This is a form of tax to pay obeisance to the local chief, at that time everybody in the state was expected to regulary pay the "Isakole" to the king.

And this involved non-monetary element which included the submission of tuber, gallon of palm oil etc. The payment of taxes were made of the value of goods or commodities extracted from the land. In facts, it was an obligatory for every dweller to a pay return to the king or supreme chief and failure to payment of the Isakole might usually attract payment of additional fines or other forms of penalty.

The payment of taxes on the value of good or commodities extracted to the king was generally believed that the land belongs to the king. That is, this was true then those who use the

land for whatever purpose were expected to pay tax for such use. At present, VAT is the most common and popular form of tax levied on both importation and exportation of good and commodities within the Kwara State, it has been seen as a means of controlling prices and regulating locally and non-locally made goods.

VAT is generally a tax on the supply of good and services which are ultimately borne by the final consumer but are collected at each stage of production and distribution chain. With VAT, government reasoned, it will be virtually impossible to evade tax. Hence, it was introduced in Nigeria through Decree 102 of 1993 and this marks the phasing out of the Sale Tax Decree No. 7 of 1986. The Decree that established VAT took effect from 1st December, 1993, but by administrative arrangement, invoicing for Tax purpose did not commence until 1st January, 1994 (Chigbu and Ali, 2014). This means that Nigeria introduced VAT in 1993; however its full implementation began on began non 1st January, 1994 (Onwucheka and Aruwa, 2014).

In most of the developed countries, Value Added Taxsystem is introduced to substitute tax on consumption and other taxes, especially company taxes by using the VAT. It is expected that substitution will have positive impact on production and economic growth. It is therefore imperative to empirically examine what happen when developing nation such as Nigeria implements this tax. Do they achieve faster or slower growth? It is in view of this that this study seeks to establish the empirical linkage between Value Added Taxand Nigeria economics growth by including recent data on the variables of interest to capture recent trends in the relationship.

Tax is a compulsory payment made by individuals and firms to the government of a country from which essential services are provided to the people (Onwucheka and Aruwa, 2014). Anyanwu (1997) defined tax as a compulsory levy by the government on individuals, firms, goods and services in order to raise revenue for its responsibilities and to promote social equity through the redistribution of income effect of taxation.

Value Added Tax on the other hand is an indirect tax in which a sum of money is levied at a particular stage in the sale of a product or service. This means that VAT is a consumption tax, levied at each stages of the consumption process and borne by the final consumer of the product or service (Onwucheka and Aruwa, 2014). Simply called the goods and services Tax (GST). It is levied on the value added that results from each exchange. It is an indirect tax

collected from someone other than the person who actually bears that cost of the tax (Ochei, 2010). It was invented by a French Economist, Maurice Laure, in 1954 (Onwucheka and Aruwa, 2014). Since then the tax system has been adopted by several other countries.

In Nigeria, every person, whether residing in non-residents in the country that sells good or renders services in Nigeria under the VAT act (as amended) is required to register for VAT within six months of its commencement of business in Nigeria. Registration is with the Federal Inland Revenue Service (FIRS). The VAT act (as amended) provided that a foreign non-resident person or company that carries out economic activities in Nigeria is also obligated to register for VAT, using the address of the person with whom it has economic activity for purpose of correspondence with FIRS and for compliance with the VAT law. The Foreign non-resident person or company is required upon registration for VAT to include in its invoice VAT at 5% with instructions to the receiver of the good or services to remit the VAT in the currency of the transaction to the Nigerian government on behalf of the foreign non-resident person (Onwucheka and Aruwa, 2014; Olatunji, 2009).

In Kwara State Value Added Taxserves as the most vital source of government revenue, it yielded over seventy eight percent of income to the government their place of Value Added Taxin Kwara State cannot be overemphasized personal, national and economic development.

1.2 Statement of the Problems

Value Added Tax is a special kind of payment levied on a specified commodity, the role of VAT towards economic growth and development of a national cannot be overemphasized.

Moreover, the statement of the problem of this is to examine various ways by which Value Added Tax has contributed to the increase in government revenue so as to assist as her in financing both recurrent and capital expenditure. Examination will be thoroughly done on the impact of Value Added Tax as a yield stick to achieve social unity through the redistribution of income and economic goods amongst different classes of the people in the economy.

1.3 Purpose of the Study

The major purpose of this study shall include the following as stimulate effective research.

To ascertain whether the existence of Value Added Tax will increase the process of those valuable foods services.

- To examine whether the impact of Value Added Tax lead to the achievement of full employment in the country.
- To investigate whether Value Added Tax represent another coherent forms of fiscal policy as to ensure on egalitarian society.
- To estimate the contribution of Value Added Tax towards effective redistribution of income among the citizen.
- To ascertain whether the inclusion of Value Added Tax will lead to increase in government revenue.
- Lastly, to ensure the efficient and effective running of the economy by reducing inflation and the rate of unemployment in the country.

1.4 Research Questions

To make the research easier, the following research questions were raised.

i. What are the Value Added Tax that effect on economic growth in Nigeria?
ii. What are the relationship between Value Added Tax (VAT) and economic growth in Nigeria.

1.5 Research Hypothesis

H0$_1$: Value Added Tax (VAT) has no significant effect on economic growth in Nigeria.

H0$_2$: There is no causal relationship between Value Added Tax (VAT) and economic growth in Nigeria.

1.6 Significance of the Study

Value Added Tax plays a vital role toward economic growth and development, significance, different types of stakeholders will benefit from the result of this findings.

The result of the findings will enable government to have adequate knowledge towards an equitable distribution of income and how to make vivid plan on expenditure. The findings will give insight to the government on the various sources by which incomes can be generated and ways by which incomes can be allocated to the various project.

The eventuality of this study will provide general guidance to the government for the national economy in terms of growth and stability. The employees will be aware and enlightened through this study the taxable income due for them during a particular period and how to make loadable adjustment over-their daily activities.

This study will expose tax payers to the relevant tax authorities as to ensure timely payments of their taxes from those activities engaged in.

With the studies, the manufacturers in selling their products will be able to know the normal price to be charge on each goods or commodities produced at a partial point in time. This study will encourage management in various fields to understand the necessity for paying tax and how it can be used for the creation of social services.

Other researches in this field will find the result of the finding most interesting as a rudiment for further study. The recommendation proffer in this study shall encourage interested parties in civilizing existing method of charging tax objectively and making relevant and constructive suggestions.

1.7 Delimitation of the Study

This research work will be delimited to the Kwara State, as a situation analysis of this study. The research would consider various techniques adopted by the Kwara State Government in collecting taxes through VAT.

Necessary information and data needed for the development and complexion of this research project will be obtained freshly from the relevant tax authority department.

1.8 Limitation of the Study

Despite the expectation of researcher to cover wide areas of the study, there are some myriad of problems that confronting this study. These limiting factor include the following.

Time Construction: The time and period given for the complexion and submission of this research work is not sufficient enough to carry out necessary investigation. This limited time is coupled with school academic works.

Luke Warm of Tax Collectors: The behavior of some tax collectors in Kwara State which happen to be the source of information needed for this study were nothing to write home about, majority of the people there failed to fill the necessary spaces in the questionnaire.

Insufficient Funds: This is one of the factors affecting the researcher to obtained in depth information. The researcher is a student that engaged in several activities in the school during the course of this study which disallows her to find a menial job as a source of capital.

Inadequacy of Record Keeping: The Kwara State Government failed to keep accurate records on the actual amount generated through Value Added Tax.

1.9 Operational Definition of Terms

There are some technical terms commonly used in the study which need to be identified and defined for better understanding. These are itemized below;

Taxation: This is a compulsory levy imposed by the government on individuals and business firms and paid by them to the government.

Income Tax: This is a tax on the income of individuals after all allowances have been deducted.

Company Tax: This is a tax on the profit of a company.

Pull Tax: It is a flat rate levied on every individual in a country.

Tax Evasion: It is deliberate attempt not to pay tax.

Tax Avoidance: It is an attempt to exploit the flows or loopholes in the tax law with a view not paying the required tax.

Direct Taxes: These are taxes levied on the income of an individuals and firms and on their properties. These taxes are paid directly by the payers to the government.

Progressive Tax: A tax is said to be progressive if the rate increases as the size of income increase for instance, individuals x and y again let x be N200 and let her tax be N20 a year that is 10% of her income. Let y earn N1,000 and let her tax be N200, her tax rate is 20% of her income. The burden of tax falls more on the individual with higher income.

Proportion Tax: A proportional tax is a tax which taxes more from the poor in absolute terms when than the rich, but in which both of the rich and the poor pay the same percentage of their income in taxes.

Regressive Tax: A regressive tax takes a smaller proportion of income as income rises.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

There is no disputing the fact that the Value Added Tax has been used in Nigeria to generate revenue or income to the government. Although, there are many ways that government can use to generate revenue.

Value Added Tax is also part of the income of the government which it is used by the government to tax manufacturers, to the wholesalers, to the retailer and to the final consumers.

2.1 Meaning of Taxation and Its Principles

Taxation is used for various numbers of purpose, while it is being use by the government in other to raise or generate income the taxes to be imposed must meet certain necessary condition or principles which is as follows;

The principle I simplify means quality rules, a tax is good when it meets such quality rules and based aspects of it is when it meets such rules. TAX is a compulsory sum levied by the government or its agency on individuals and firms or on goods and services for the purpose of meeting the cost of its expenditure or for providing economic and social benefits for the public. The tax levied could be direct or indirect.

1. Certainty

Tax must be certain, the tax object, the amount and rate must be certain to the collection as well as the tax payers. Tax must not be arbitrary. Annual assessment tax in Nigeria fails the principles of certainly, likewise instant amount rate and its most often are arbitrarily determined.

2. Convenience

A good tax must be convenient to collect from the payers. Income that is collected at source by the employer, such as pay as you earn meet this requirement most of the flat rate taxes levied on the peasant farmers are at ten collected as not too convenient time for the tax payers.

3. Equality of Fairness

The Tax burden must be equally distributed, since it is generally believed that the rich has greater ability to pay than the poor equality exist when the rich pays more than the poor. Both the proportional tax a progressive tax will satisfy the principle of equality and fairness.

4. Flexibility

A good tax must be useful as policy instrument which can be increased or decreased as situation demands.

The base year is then represented by100 price index is the one that measure changes the level of prices of certain commodities difference.

5. Economy of Administrations

A good tax must be easy to collect any tax will cost money to collect the cost of collecting a good tax must be a small portion of revenue from the tax itself. If it cost more to collect a tax, than the amount collect, it would be better not be impose such as tax pool taxes which are uniformly levied on self-employed and peasant farmers in West Africa are difficult to collect such a tax the cost of administering taxes significantly exceeds total revenue from such taxes.

6. Neutrality

It is argued that a good tax should not adversely affect incentives. A tax must not produce disincentive to saving or investment, a profit tax that is too high may discourage saving in the form of accumulated wealth and may encourage frugal living.

2.2 Fundamental Forms or Classification of Taxation in Nigeria and their Advantages

A tax can be forms in two ways;

i. Direct Tax
ii. Indirect Tax

A direct tax is a tax levied directly on the revenue of individual and business firms. There is are several type of this.

A. Income Taxes

This is the tax on the income of an individuals after all the allowance have been deducted, the income tax then fall on the reminder which refers to as taxable income.

Advantages of Income Tax

i. It is usually regarded as conforming to the principle of equity.
ii. The incidence of taxation that is where the effect is certain.
iii. It is easy to estimate the revenue from this tax, because the incidence is certain.
iv. It is very easy to collect, this is even more so if it is based on the pay as you earn (PAYE) system.
v. Since it is paid out of income, it cannot be shifted to another person and there cannot affect the prices of finished goods or products.

Disadvantages of Income Tax

i. It is likely to diminish the incentive to invest.
ii. It reduces the income available to an individual that is disposable income for spending.

B. Company Tax

This refer to the tax on the profit at a company.

Disadvantages of Company Tax

i. It tent to discourage investment
ii. It is often regarded as a double taxation in the sense that the company as a unit is taxed and the shareholders also pay tax on their dividends.
iii. Its incidence is uncertain because it is possible for a company to shift the tax to consumer.

C. Property Tax

This is the tax on the property of individuals.

Disadvantage of Property Tax

i.   It can be arbitrary in the sense that it is not always easy to value a property correctly.
ii. It can be regressive in the sense that it is likely to fall more on the poor people who spend a higher proportion of their income on housing than rich people.
iii. It does not conform to a basic principle of taxation the ability to pay principle ownership of a property is not good indicator of the ability to pay.

D. Capital Gain Tax

This is the tax on the appreciated value of an asset. An asset can appreciate (i.e increase in value) overtime. The capital gain tax on the increase value of the assets.

E. Poll Tax

A poll tax is a flat rate levied on every individual in a country.

Advantages of Poll Tax

Since it is usually levied on people whose income are low or whose income cannot be correctly assessed, it is ensures that all citizens pay tax.

1. Indirect Taxes

These are taxes on goods and services and usually come in two forms as follows;

a. A specific tax: This is fixed tax imposed on a commodity per unit. For instance, the sum of N5 is imposed on a shoe that fixed tax of N5 is a specific tax.
b. An advalorem tax on the other hand is tax impose as percentage of the cost of the commodity. Suppose the price of a commodity is N100, if the advalorem tax is 10% then the tax paid is N10.

Therefore several types of indirect taxes

A. Sales Tax

This is a tax levied on the sale of a commodity and the tax varies according to the amount of commodity sold.

Advantages of Sales Tax

i.   It is easy to collect.
ii. It can be revenue from sale tax is certain and the revenue from it can be large.

Disadvantages of Sales Tax

i.   Since the tax is paid in equal amount by both the poor and the rich, it does not conform to the principles of the ability to pay usually rich people are more able to pay than the poor people.

B. Exercise Tax

The duties tax is a tax on goods manufactured within a country.

Disadvantages of an Exercise Tax

It discourage domestic production of manufacture goods dealer than imports, it may encourage importation of manufactured goods from abroad.

C. Import Duties

These are taxes levied on imported goods and services.

Advantages of Import Duties

i.   It is very easy to collect since they are levied at the point of entry into the country.
ii. It is a sure source of government revenue particularly in development countries.
iii. They can be used to discourage imports with a view of promoting domestic production.

iv. They can be used as a weapon to collect balance payment deficit. When they are imposed, they discourage imports and helps to restore equality between exports and imports. They can also be used to conserve foreign exchange.

Disadvantages of Import Duties

i. Individuals may like to avoid the tax and this may lead to corruption at the ports.
ii. If imposed for a prolonged period of time, they may be protecting domestic inefficient industries.
iii. If the rest of the world retaliates by imposing import duties they may have the negative effect of reducing a country exports.

Advantages of Export Duties

i. They are sure sources of revenue particularly for the countries in West Africa.
ii. They are easy to collect.

Disadvantages of Export Duties

i. They tend to reduce the volume of exports of accounting.
ii. They tend to usually double taxation on produce are individual they pay income tax and if they are arms they pay company tax and they are then subjected to export duties as a double taxation that they are export duties may discourage production.

D. Custom Duties

Custom duties refers to export and import duties.

2.3 Economic Effects/Uses of Taxation in Nigeria

1. The main purpose of imposing taxes is to generate revenue for the financing of government activities, just as individuals must earn income in order to meet their expenditures, the government must raise revenue in order to finance its expenditure.

2. Taxes can be also imposed to control the economy. If an examples, a country is experiencing inflation, the government can increase taxes. And this will lower disposable income and hence aggregate the demand. On other hand, if an economy is experiencing a recession, the government

can lower taxes. This will increase disposable income and hence their demand for goods and services.

3. Taxes can also be used to redistribute income under a progressive tax system, more money is taken from the rich than the poor. The money collected is then used to finance project which will benefit the poor and the rich equally.

4. Taxes are also imposed to discourage the consumption of certain good. High import duties on heavy ears will discourage the consumption of this commodity.

2.4 Factors that Enhance Efficiency of Value Added Tax Administration in the Country

a. Accounting Records: Adequate accounting records of businessmen professionals and other self-employed people should be kept for the tax authority to examine a good tax system and to encourage the keeping of accurate honest and reliable accounts.

b. Voluntary Compliance: The popular should voluntary pay tax rather than being concerned to pay. Voluntary compliance could be better achieved of people are satisfied with the way government spends, the revenue by providing adequate amenities and economic infrastructures.

c. Political Will: There must be a political will, which is and honest to ensure that everybody pays tax respective of social studies.

d. Competent and Honest Staff: There is need for every honest and dedicated staff who must possess sufficient technical and administrative competences to be able to practicalise the tax law as may be modified from time to time. In order to avoid or reduce corruption of cross checking or checks and balance must be introduced.

e. Literacy: It I believed that educated people can read and understand the tax law and would therefore co-operate fully in reading consensus with tax authority on tax liability where as it will take a lot of time to deal with illiterate tax payer who cannot even understand and complete the simplest income returns.

2.5 Concepts of Value Added Tax

Value Added Tax (VAT) belong to the family of indirect tax and indirect tax by consensus is the major source of revenue in many countries largely because of their advantages over to other form of taxes.

In the incident of tax indirect tax falls seriously on the popular hence, the desire that it must be equitable and also properly focused. Many government decide to adopt Value Added Tax because its incidence falls inherently on all categories of consumers and has wider coverage than direct taxes.

In Nigeria the introduction of Value Added Tax become very necessary because government expenditure was steadily over-shooting revenue resulting in wide deficit.

Therefore, Value Added Tax is a tax chargeable and payable in the supply of all goods and services referred to as taxable goods and services in the decree other than those goods listed in the schedule to the decree.

While withholding tax is a method of collecting tax sources from certain services of income example of incomes that suffers withholding tax are rent, dividend, interest, royalty etc. and they are remitted to the relevant tax authority Value Added Tax decree 102 of 1993 (which is the new act of national assembly) was introduced effectively from 1st September, 1993 but because operation in 1994, this means to replace the sales tax the whole sales tax was very narrow as its covered only limited categories goods and services.

Similarly, only locally manufacture good and services were targeted. Value Added Tax (VAT) is a multi-stages collected on sales at all stage of sales and distribution in Nigeria Value Added Tax is imposed at a single rate of 5% on invoiced value of goods and service (as determined under section 35 and 6 at the decreased supplied by taxable person.

The manufacture will tax on a supplier (term 'output tax").

The impute are possessed by labour to produce final goods and services which then sold to the final consumer. The incidence and burden of the tax are shifted forward or developed unsuccessful stages so that at the end, it is the final consumer that pays the tax.

The manufacture will deduct the tax he has paid on his supplies for the tax he collcted from these sales and remitted the difference to the Federal Board of Inland Revenue (FBIR) on monthly account bases the wholesalers and retailers will retailers will repeat the process along the distribution chain until the good reach the final consumers.

2.5.1 Valued Added Tax (VAT) VERSUS SALES TAX

Notwithstanding the conceptual reasoning given in the first chapter on why many countries introduces values added tax, people are still wondering why Value Added Tax has being introduce in Nigerian to replace Sales Tax. The following are some of the reasons.

i.   Value Added Tax (VAT) assures that the states of the federation more revenue than they would have realized under sales tax. The tax law under write provision for revenue or sharing formula intends to allow 80% of while 20% shall accurate to the government to meet cost of collecting.

ii. There is refund or credit mechanism in Value Added Tax which should eliminate serious cascading effect which is a feature of retail sales tax.

iii. The base has been significantly broadened to include taxable goods and 23 services as contained in section A (schedule I and II) of the law as compared with only one taxable services and a taxable goods under sales tax law of 1987.

2.5.2 Value Added Tax (VAT) Exemption and Zero

Zero rating is a form of exemption simply put such good and vatable but is taxed at zero percentage. It should be noted that no value tax is collected from foreign buyer and at the time any input tax is refundable. But for Value Added Tax exemption Value Added Tax is not chargeable and there is no refund in respect of exemption.

The difference between zero rated goods exempted goods is that, input Value Added Tax (VAT) is refundable in respect of zero rating but not refundable in respect of exemption up to 1995. All exported goods are classified as zero rated but with effect from 1996 are treated as exempted items.

2.5.3 Value Added Tax as an instrument of physical policy

The economy is capable of accepting a workable system, Value Added Tax is an excellent form of indirect tax in the field of indirect taxes it is superior to a sales tax both theoretically and practical. The zero rating system has produce the right answer for export and for necessities such as food, but can one call it a reform when essential clothing attract the same rate of Value Added Tax as does on imported good watch.

From the point of view of accounting simplicity it is certainly a reform. Economically, the answer must be different from the authorities point of view, a value added tax with only on effective rate is too blunt as an instrument of fiscal policy reform.

According to Ola (2015) Value Added Tax has received the further advantage for business man in that it is simple to operate and as an entirely neutral effect on their business decision.

It is easy to collect in that the tax is paid to the authorities by the traders. But the trader is not bear from it and is not normally harmed in a cash flow sense. In essence, Value Added Tax is form of expenditure tax. It falls on the ultimate consumer and if he tries to refrain from spending on is unable to spend he will avoid tax.

Home consumption may therefore be greatly affected by the rate of Value Added Tax but exports never suffer. There is no doubt however, that Value Added Tax is an expensive tax to collect compared to sale tax.

2.5.4 Value Added Tax (VAT) as another Sources of Government Revenue

Value Added Tax is a consumption tax that has been embraced by many countries worldwide. It is relatively easy to administrate, but difficult to evade, this yield from Value Added Tax (VAT) (REVENUE INCOME) is a fairly accurate measurement of the growth of an economy. Since purchasing power (which determine yield) increase with economy growth.

It is a self-assessment tax that is paid which returns are being rendered. It is already built on the new tax Value Added Tax is the fund or credit mechanism which eliminates the cascading effort that is a feature of the retail sales tax.

The input output mechanism in Value Added Tax (VAT) also makes itself policing. According to Ola (2015) Value Added Tax will generate a lot so income for the federal government to exercise its numerous programmes since it will be levied on all items consumed and it will greatly relieve the inland and revenue of its present difficult tax of collecting from traders.

The introduction of value added tax must reduce considerably the impact of heavy taxation being experienced by pay as you earn (PAYE) employed by government reduction of the rate payable on PAYE; otherwise PAYE employee will experience more suffering by paying the form of taxation at the same time.

This will not only be unfair but will cause poverty under the present tax system may traders are far better off than civil servant or private sector employees and virtually nothing as tax.

Thus, in order to alleviate the suffering of the PAYE class its desirable for the government to introduce Value Added Tax on any form of indirect tax from where it can generate reasonable income.

The net proceeds of Value Added Tax go solely to the state government after making are allowance of 20 to cover cost of administration. In essence the st ate government will benefit the of 80% of the entire Value Added Tax collector.

2.5.5 Economic Effects of Value Added Tax (VAT)

Bakare (2016) states, that Value Added Tax like other forms of taxation has its side effects which depends on the state of the economy. In a economy a tax on consumption might reduce the rate of inflation by mopping up excess purchasing power of people, but in a depressed economy like ours one of the main effects of Value Added Tax is that it may be inflationary or increase inflation where one already exists, but if the revenue yield of VAT is judiciously spent, the initial inflation caused at its inception needs not persists.

Moreover, the income distribute effect of VAT is difficult to ascertain, the is why the burden of Value Added Tax will be distributed among the income group and classes. There is not doubt that since the lower income group bear greater burden of any consumption tax. That is

why most countries that have introduced VAT have tried to exempt certain basic consumer goods and services from VAT.

Items like foods, drugs, education and other materials that play a large part in the budget of the poor than that of the rich are exempted.

2.5.6 Problems of Value Added Tax in Nigeria

Soji (2013), opinion that the introduction of VAT requires a lot of preparation and englightment on the part of government because of the complexity of and need for cooperation of the tax payers. As at the time VAT was introduced in Nigeria on the 1st of January, 1994 adequate machinery for efficient implementation of the tax were put in place. These include public englightment and consumer education many companies had not registered for VAT and many more tax payers were confuse.

The problem created by the inadequate preparation and lack of understanding on how VAT works and what government intends to do with the revenue tends to make the tax unpopular unless the administrative facilities were strengthened cross checked, prevention of tax invasion may be difficult. Although, price of vatable goods are expected to rise by the full amount of VAT passed unto the final consumer. It appears that traders in Nigeria are taking advantages of the situation to increase price arbitrarily.

Apart from passing on the tax cost to consumer business have seized the opportunity to increase profit margin on their goods whether vatable or not. The excessive price increase has further led to a higher in proportion than the percentage charged. It is believed that, for most countries, VAT is probably not worth introduced at less than 10%.

Ayinde (2018) opines that inadequacy of record kept by business in another problem of VAT in Nigeria. Some organization do not use invoice at all an since VAT relies very much on adequate records and account, the system may not survive and even it does, the yield in terms of revenue may be lower than anticipated from Federal Inland Revenue Services (FIRS).

2.6 The Challenges of Expanding Revenue Base

In order to have a proper understanding of this it is pertinent to discuss major source of revenue to Nigeria government this may be classified under two headings oil and non-oil.

On the first classification, the federal government has little or no control on the market price of commodities because market forces determine these attempts by Organization of Petroleum Exporting Countries (OPEC) could not do much to influence the price of commodities because of the consumption from other producers outside OPEC. It therefore become imperative for the federal government not to tie its fortune to this section because of the unpredictability of the market price, even though with the conservation in budgeting for revenue from its source. Hence, it cannot be over emphasized that in broadening the revenue base, attention should be focused elsewhere.

The second classification include company's income tax, customs and exercise duties, revenue from other non-oil, exports like cocoa, groundnut, palm karnel etc. One should give credit to the FIR for its aggressiveness in the first two year in enforcing collection. At the same time the board should caution against high-handedness and over zealousness of some of its officers as trampling on the tax payers right which is granted in the tax law has recent been a common features in dealing with some of the officers of the board.

A typical example is where a tax payer is due for tax refund and he is neither given gets the refund, nor is allowed to use the credit as an offset against his tax liability for another year or assessment.

Irrespective of individual opinion one is not convinced that the government is collecting up to 20% of the revenue on all imports into the country. We all know the way custom officers molest innocents passengers coming from overseas with one suitcase.

Whereas other travelers who are found of bringing banned goods into the country in a container and air cargoes are often piloted to their home or warehouses. How could this have happened, if importers have not bribed their way through? If there is no collaboration between the smugglers and those who are to collect revenue for government, how can one explain why our markets are flooded with imported textile material up to this hour hardly can one se anybody

in his/her environment wearing locally made materials, the government can still collect more revenue from this source by subjecting the customs officers to strict surveillance.

It appears that the more a commodity remained banned the greater the desire for it noted by ACCA (1959) why not lift the ban and increase the duty on them substantially and then ensure that the duties are collected say up to 75%, if no 100%, it is most unfortunate that while the cost of our imports continue to rise, the value for our exports continue to divide and then less in coming in.

This is as a result of our inability to process crops like cocoa, beans and groundnuts up to a certain level before they are expected. By this, we have put ourselves at the mercy of international customers who may have deliberately offered us a less than what the good worth, know that we cannot consume the good ourselves as we need the foreign exchange badly.

Although, we have started processing some of the products from raw materials to the stage of partly finished good companies engaged in the industry should be encourage to improve on the stage of development and have finished products which will meet international standard for exports unless the government create job opportunities for the unemployed and there is considerable improvement in the existing infrastructures the broadening of the revenue base may be a wishful thinking some of the finding are as follows;

i. There is a positive relationship between the state of Nigeria economy and VAT generated because increase in VAT generated is a function of development in the state of economy.

ii. Value Added Tax contribute in no small measure to the state of economy.

iii. The focus of Nigeria government is no revenue from exportation of oil.

Government have failed to consider other non-oil sector like custom and exercise duties, exportation of agricultural products, cashew nut and rubber etc.

Taxable Good and Services

Under schedule 1 section 2 of the law that established Value Added Tax (VAT), the followings are the taxable goods and services.

S/N	A	B
1.	All goods manufactured in Nigeria	5%
2.	All goods imported into Nigeria	5%
3.	All second hand goods	5%
4.	Household Furniture and Equipment	5%
5.	Petrol and Petroleum Product (including Engine oil & Gas)	5%
6.	Textiles, Clothing, Carpet and Rugs	5%
7.	Beers, Wines, Spirit, Soft drinks	5%
8.	Cigarette and Tobacco	5%
9.	All vehicles and their spare parts	5%
10.	All air crafts, air craft bodies and parts	5%
11.	Perfumes and cosmetics (including toilets roll)	5%
12.	Soaps and Detergents	5%
13.	Mining and Minerals	5%
14.	Office Furniture and Equipment	5%
15.	Electrical Material of Nay description	5%
16.	Such other goods as may be determined	5%

By the board from time to time as taxable goods.

The following are the taxable services for the purpose of Value Added Tax is enshrined in schedule 2 section 2 of the law.

Taxable Services

S/N	Taxable Services	Rate (%)
1.	All services rendered by financial institution to their customers	5%
2.	Accountancy services, including any types of auditing, book-keeping or related services.	5%
3.	The provision of report, advice information or	5%

Similar technical services in the following areas;

a) Management, financial, taxation and related consulting services
b) Recruitment, staffing and training
c) Market Research
d) Public relation and advertising

1.	Legal services including services supplied in connection there with.	5%
2.	Computer services including the provision of bureau facilities system analysis software design site development and training.	5%
3.	Services supplied by architectures (including landscape architects) and draughtsman	5%
4.	Service supplied by land and building surveyors, quality surveyors, insurance companies and accessories fire and marine insurance loss adjusters or similar services.	5%
5.	Services supplied by consulting engineers	5%
6.	Service supplied by auctioneers, estate agents and values.	5%
7.	Services by secretariat agencies including the supply of typing, photocopy, fax mail and typesetting	5%
8.	Service supplied by security companies and enterprises.	5%
9.	Courier Services	5%
10.	Repairer, Alternation, Processing in connection with designated goods by designated dealers.	5%
11.	Services supplied in the course of cluttering processing, assembling, packaging, packaging bottling or manufacturing goods owned by another person.	5%
12.	Telecommunication service including rental of communication equipment, installation and maintenance services	5%
13.	Lending of video tapes or any other audio-visual record or hiring, copying and rewriting of video tapes and similar services.	5%
14.	Entertainment services including plays and performance, cinemas show	5%

	and music concerts, excluding play and performance conducted by educational institution as part of learning.	
15.	Accommodation and all other service provided by a hotel owner or operator including bars, beverages, telecommunication, entertainment, laundry, dry cleaning, storage, safe deposits, conference and business services.	5%
16.	Restaurant Owner or Operatiors	5%
17.	All goods and service for repair and plant and machinery and equipment, air craft and related services.	5%
18.	Air travels and company co-heirs	5%
19.	Any other services as may be prescribed by the board from time to as taxable services.	5%

Advantages of Value Added Tax (VAT)

There are a number of advantages which Value Added Tax (VAT) has been compared with other forms of taxes, particularly, the single tax.

In the first place, Value Added Tax according to Buhari (2013) can be used to stimulate output in particular sector of economy, for example in Nigeria where exported goods in zero-rate.

This means that the country's exports will be deeper in foreign market compared with those competitors and thereby boost sales and foreign exchange earnings.

Secondly, it is relatively easy to check evasion, with a Value Added Tax than it is with single stage tax for examples, if an earlier stage evades the tax, the loss can be recomposed by the government at a later stage. This is because invoices are used extensively in Value Added tax and Value Added Tax is shown on invoices making it relatively easy to see evasion of earlier stage loss. Furthermore, Value Added Tax levied at uniform rate, like in Nigeria without exemption maybe neutral to consumption transfer.

Neutrality refers a situation where business and consumption decision are not influenced by a tax. This minimize excess burden and by this brings modernization and rationalization, sales proprietorship, partnership and companies all bear the tax burden on their product.

This in turn makes the tax neutral to the firm of business organization than is unlike company tax, which may be avoided for example by deciding to set up a sale proprietorship type of organization instead of joint stock company.

Finally, Value Added Tax is advantages to the marginalize mass because it does not affect the basic needs of life and variation in the Value Added Tax rate will tend to have a greater input on consumer spending than equivalent variation in personal income tax. This is because the impact on consumption is direct unlike a tax on income part of which might be saved.

Disadvantage of Value Added Tax (VAT)

Ola (2015), pointed out in his book, Nigeria income tax law and practice, that one major disadvantage of Value Added Tax for a developing country like Nigeria is the numerous book keeping and audit, it may entail in order to enforce compliance. Certainly all those liable to pay Value Added Tax records and processing information required for the payment of tax and for claiming refund from tax agents to check evasion, but in Nigeria when we have market women who ate illiterate.

It is difficult to implement Value Added Tax successfully another major problem as pointed out by Olatunji (2014) with the operation of Value Added Tax system in a country like Nigeria is that it increase the cost of administration to the government because of a number of tax officers is needed to administer Value Added Tax.

Quite clearly, Value Added Tax administration requires enormous paper with an adequate records keeping when compare with a sales tax.

Finally, Value Added Tax can lead to double tax on the workers because they pay as you earn (PAYE) and will pay Value Added Tax on goods bought indirectly in the cause where by the trader may take advantage of value added tax to inflate the prices of their products which eventually create economic leadership on the masses.

Price Index

An index number is a device or mechanism which measured the relative change in the magnitude whether or increasing of a group in a related, district variable in two or more situations for instance, index number may use to measure changes in price, quantities, wages, production, salaries, employment and so on over a period of time in constitution an index number, a particular year figure is taken as the based and that of other year are expressed in terms of the base year.

The based year is then represented by 100 prices index is the one that measure changes in the levels of prices of certain commodities different prices over a period of time when the price of change movement is shown, the movement is not easy to observe and as some prices may be arising the other are falling, it may be difficult to say whether the average price involved in going up or coming down we may rely on personal impression and point to a number of general trend.

But it is obviously desirable to have a more exact measure and this is provide that is known as index as stated above, which are indices of average change in a price. An index number of the cost of living, taxing some base year in the past as 100 aim at measuring changes in the value of money used by a typical consumer for the purchase of finished goods or to look at things on the other way round in the price level of good and services sold to consumers. Instead of a single price level there is a host of price list, the repent price level of wages and so on.

A separate index number can be calculated to measure change in each price level and exactly the same as the used in constructing of living index number.

Types of Price Index

There are three (3) categories of price index and the consumer price index. The wholesale price index simply measures the changes in the wholesale price of commodities.

The retail price measure the changes in the retail price of commodities. This index is often thought as a cost of living index but, in fact it is only an index of price change.

A cost of living index would need to measure changes in the amount and kinds of goods that people buy; the consumer price index is used to measure changes in price of certain commodities bought by group people.

Wholesale Price, for example, outstrip

Retail prices and other costs that may lay behind normal profit margins and price relationship are unset and strain and stress are setup in the price structure. The pressure in productive activity at various points can be judged by the use of price index. We can where normal profit margin has been disturbed and on what scale the disturbance has be.

A comparison of index of import and export prices for examples, shows whether a country is obtaining import more cheaply in terms of the exports which it sends in payment index number of prices sum of change that re-orientate business activity this makes it easier to interpret these changes intelligence and to control them.

Construction of Price Index

As earlier stated, index of retail prices effectively compares that cost of buying basket of good at one point in form with the cost of buying the same goods at subsequent point in time.

The following decision takes place in the content of index number for price since there are commonly used but the methods are equally applicable to construction of index number for production, quantity, export, import or any other variable interest.

The primary function of price index number is to compare price in one year with these in some year.

Technically, prices in a given year to be compared with prices in the base year which is taken as a standard, conventionally it refers to the price in the given year and to the price in the base year.

If only one item such as broad is being considered, the comparison between may be made by the collection of price relatives to the base year price relative.

2.7 Effects of Value Added Tax on Price Level Index

Index number measures damages in the value of money for a particular purpose or particular groups through Value Added Tax has achieved an advantages in practice for the average business man, it is simples to operate and has been entirely neutral effects on his business decisions.

In essence, ass Horby said, it is a form of expenditure tax it falls on the ultimate consumer and of the consumer care to refrain from spending or is unable to spend, he will avoid the tax. The complaints about he adverse effects of Nigeria Value Added Tax suggest that there is a problem with the way VATABLE organization are treating their liabilities especially the Value Added Tax they pay on their inputs.

Moreover, there may be a problem with the way government is managing the expenditure of the Value Added Tax revenue. It is the official view that the Value Added Tax should hve no cascading or communicative effects whatever.

Yes, no feasibility study was done on the impact of the tax before it was introduced, nor have impact assessment have been since to ensure the sustain ability of the tax and it is beneficial effects. Governments needs to know its macro-economic impact on prices, output, income and consumption on concern over the economy wide effects of the Value Added Tax is important because of the possibility that the tax may cause consumer to cut consumption of contain commodities, hence affecting labour productivity.

The Nigeria Value Added Tax has be a very wide base with relatively few exemption, Value Added Tax does not replace any of the usual indirect or income service, it did replace the sales but introduces good and services it excluded impacts. It can be assumed that the Value Added tax revenue is not sterilized but injected into the economy thorough increased government consumption expenditure.

In short, Value Added Tax is paid on virtually in all goods and services but the credit system implies that the Value Added Tax revenue received by government should be avoid of cascading. In the absence of cascading effects the increase prices of final goods and services

should not be more than the Value Added Tax rate, since the tax liability of a VATABLE organization is the difference between value added tax in output and Value Added Tax input.

In essence, even though VATABLE organization deduct the Value Added Tax paid on inputs from the value added tax acquiring on their output before remitting the balance to the Value Added Tax office. They still regard before their input on Value Added Tax as costs.

The study found that if VATABLE originations treats the Value Added Tax in the neither expected nor cascading way, all sectoral prices and the general prices level will increase by only the amount of the tax.

However, the impacts on the other key economic variable such as consumption, expenditure, output hence employment factor income and its distribution.

Private and foreign savings depend critically on the prevailing fiscal policy. VATABLE organization should be required to publish the recommendation retails price for their product or services and clearly indicate the pre VATABLE and Value Added Tax inclusive retail prices.

Ola (2015) in one of his books agreed that Value Added Tax is neutral tax and suited for fiscal reform, but said further that it does not affect the cost of living which means there is a services.

There is no gain saying the fact that the price of goods and services in Nigeria is always increasing due to inflationary trend in the economy there the price index keeps charging from year to year which has adverse effect in the price of goods and services.

Hence, apart from Value Added Tax inflation also contribute its own quarter to every increasing price in the economy.

2.8 Appraisal of Literature Reviewed

Attempts have been extensively made in this chapter to study the basic background, the statement of the problem, the purpose and significance of the study.

In the same vein, efforts were equally made to formulate necessary research questions.

Questions and hypothesis needed for extensive study, the basic assumptions of the study as regard to the impact of Value Added Tax on economic development of Nigeria. The delamination and limitation of the study and tax definition of some terms commonly used in this research project.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

Research design in the designing of this research work, the entire work is divided into ten (10) divisions, which are in chapter with different heading, which have to do with the topic questions.

It must be states here that the process adopted in making a systematic source of data for the topic of this study and the question of the knowledge obtained to the problems in question could be said to be descriptive and experimental in nature.

3.2 Population of the Study

The population in this research work covers the total respondents of top management of the State Board of Inland Revenue (SBIR).

The officers involved are the chairman of the board and the directors of the state internal revenue service, legal advisers and director of the state ministry of finance, secretary of the board and the two principal inspectors of taxes.

3.3 Sample and Sampling Techniques

The sampling techniques adopted for this study is simple random sampling techniques. It is adopted because the selection of a number of the staff has no influence on the selection of the other member of the staff. This is otherwise termed sampling.

3.4 Research Instruments

For the purpose of this research the instruments were structured questionnaire, interview and observation method.

The structure questionnaire was divided into two (2) sections;

Section A and B, Section A contain demographic questions which include sex, age, status, year of experience and qualification etc. Section B contains to carefully designed questions related to the study.

The questionnaire were distributed to the fifty (50) employee of the State Board of Inand Revenue (SBIR) chosen for this study.

This data used for the research work was sourced primarily. Primary data simply refers to the data plotted by the research directly form the source through the administration of questionnaire.

The questionnaire is a list of carefully prepared considered and selected question so as to avoid confusion, ambiguity of opinion from the respondents. The questionnaire is divided into two (2) section; there are section A and B.

Section A contain question one the personal data of the respondent, while section B made up of question include related to the matter of the study. The respondents are to tick, Agree and Disagree.

3.5 Validity of Instrument

According to Adewumi (2008), a measuring instrument is valid when it measure truly and accurately what it is supposed to measure. Ali (2003) said validity refers to the degree to which a test measure what purport to measure.

After the preparation of the instrument, the researcher gave it to experts and finally submitted to supervisor. The instrument was subjected to through examination before it was used.

3.6 Reliability of the Instrument

This is affirmed that a measuring instrument is said to be reliable if it measure consistently under varying condition and at different time a person's performance or trait. A person's performance or trait should be the same or similar if the measuring is taken at different times.

Reliability is the degree to which an instrument yields consistent scores when it is administered several times.

3.7 Administration of the Instrument

The administration of the questionnaire was done by the research herself through personal constant with the respondents. The researcher went to the sampled institutions to administer the instrument. The instrument was immediately collected for analysis.

3.8 Data Analysis

Data collected were analyze through the use of table of frequency, means and simple percentage method and the results of this analysis were used in making the decision of whether to accept or reject the null hypothesis

CHAPTER FOUR

RESULT AND DISCUSSION

This chapter aims of presenting, analyzing and interpreting research findings, having gathered all vital data from reliable sources, so as to give meaning to the raw data collected in order get the needed and reliable results.

This information given by the respondents in the administered questionnaire are analyzed in frequency distribution and percentage. For the purpose of interpreting the result, the assumed means of less (<) 3.50 is considered not significant while a means rate of greater than or equal to (>) 3.50 is considered significant for all respondent.

That, an items is significant implies that majority of the respondents agreed with the statement while an item railed not significant are those majority of the respondents that disagreed with the standard.

Analysis of Data

Sex Distribution of the Respondents

Variables	Frequency	Percentage(%)
Male	33	66%
Female	17	34%
Total	**50**	**100%**

Source: Survey Research 2025.

Analysis of the above table confirms that the total number of male respondent is higher than total of the female with 33 which is almost ratio 2:1 (male, female).

The table alos show that, the total respondent are fifty (50) meaning that all the questionnaire were returned.

Educational Qualification of the Respondents

Variables	Frequency	Percentage(%)
O/Level	4	8%
OND/NCE	9	18%
HND/BSC	15	30%
MASTER	19	38%
PHD	3	6%
Total	**50**	**100%**

Source: Survey Research 2025.

In the table above, respondents that have their masters are predominant with 38% followed by those who are HND/B.Sc holders 30%, those with OND/NCE 18%, O'Level 8% and those that have their Ph.D 6% are the last in numbers.

Respondents Year(s) in Services

Variables	Frequency	Percentage(%)
1 – 15 years	20	40%
16 – 25 years	19	38%
26 years and above	11	22%
Total	**50**	**100%**

Source: Survey Research 2025.

In the table above, there is closeness between the percentages of those that have spent 1 – 15 years in service 26 years and above carry 22%.

Respondents Level in Management of the Board Hierarchy

Variables	Frequency	Percentage(%)
Chairman of the Board	1	2%
Directors	25	50%
Legal Advisers	23	46%
Secretary	1	2%
Total	**50**	**100%**

Source: Survey Research 2025.

In the table drawn, the respondents fall into all the management level of Board Revenue but the directors of the board of Revenue, carriers the highest percentage (%) (50%) followed by legal advisers 40% while chairman and secretary carried 1% respectively.

Respondent's responses on the Incensement of Government Revenue

Statement	SA	A	VD	D	SD
Does the use of Value Added Tax (VAT) increase government revenue		11	36	3	-

Source: Survey Research 2025.

Table 4.2.4 (a) and 4.5 (b) show the frequency distribution of the responses of respondents on the Value Added Tax (VAT) as a means of increasing government revenue.

The weighted mean of 44.16 in the table 4.2.4 (b) is very significant and this implies that majority of the respondents agreed that there is incensement in government revenue as a result if Value Added Tax (VAT).

Table 4.2.5 (a) responders' responses on the contribution of Value Added Tax (VAT) to the survival of the economy.

Statement	SA	A	VD	D	SD
Does Value Added Tax contribute immensely to the survival of the economy?	19	31	4	4	1

Source: Survey Research 2025.

In table (b) above, the weighted mean calculated (3.9) from the frequency distribution is significantly this mean that majority of the respondents agree that the Value Added Tax contribute immensely to the survival of the economy.

Table 4.2.6 (a): Respondents views on the improvement of VAT on Domestic Manufactured Goods.

Statement	SA	A	VD	D	SD
Does the use of Value Added Tax improve the exportation of Domestic Manufactured Goods	8	22	13	3	4

Source: Survey Research 2025.

Analysis of table 4.2.5(a) and (b) confirms that the government use Value Added Tax to improve the exportation of domestic manufactured goods justly cause the mean weight of 2.54 is significant due to the fact that it is greater than 33.50 (i.e. 3.54 > 3.50).

Table 4 (a) respondents responses on the effect of Value Added Tax on production.

Statement	SA	A	VD	D	SD
Is there any correlation between Value Added Tax and fiscal policy in determining equitable distribution of income?	5	16	4	22	3

Source: Survey Resource 2025.

Table 4.2 show the frequency distribution of respondents view on the correlation between Values Added Tax and fiscal policy in determining equitable distribution of income and calculation of the weighted mean.

The weighted mean of 2.96 in the table 42.7 (b) is not significant; meaning that majority of the respondents disagreed viewed that there no correlation between the Value Added Tax and fiscal policy in determining equitable distribution income.

Table 4.2.8(a): Respondents Responses on the Problems of the Tax Collection.

Statement	SA	A	VD	D	SD
Is there any problem facing the tax collection in collecting tax from the tax payer.	5	26	8	11	-

Source: Survey Research 2025.

In the table 4.2.9(a) and (b) above the calculated mean (3.5) from the frequency distribution table is significant meaning that there are problems facing the tax authority in collecting tax from the tax payer.

Table 4.2.9(a): Respondent responses on the Advantage of Value Added Tax to Nigeria Economy.

Statement	SA	A	VD	D	SD
Is there any advantage of Value Added Tax to Nigeria Economy?	13	20	12	5	-

Source: Survey Research 2025.

Table 4.2.9(a) and (b) show the frequency distribution of respondents' responses on the advantages of impact of Value Added Tax on Nigeria economy and the calculated and their calculation of the weighted means.

In table 4.2.9(b) the weighted mean of 3.82 is significant, which implied that majority of the staff agreed that VAT contributed immensely to Nigeria economy.

Table 4.2.10(a): Respondents responses on Disadvantages of VAT to Nigeria Economy.

Statement	SA	A	VD	D	SD
Is there and disadvantages of Value Added Tax to Nigeria Economy?	1	2	5	29	13

Source: Survey Research 2025.

Analysis of the table 4.2.10(a) and (b) shows that majority of the respondents disagree that the Value Added Tax has no disadvantages to Nigeria economy. This is deducted from the fact that the weighted mean calculated 1.98 is not significant.

4.2 Discussion of Finding

Kwara State Board of Internal Revenue (SBIR) is a very big board of revenue among other State Board of Internal Revenue. During the research, I realized the different method used by the tax authority of collect tax from the payer.

Collection of Taxes

The official of the Internal Revenue are involved in taking steps that would result in the tax payers settling their tax liabilities with the revenue. They are concerned with the service of;

(a) Return of Income Forms.
(b) Notice of Assessment and
(c) Summonses and Affidavits and other supply of information.

They do not candle money or actually collect taxes but their efforts result in tax payer paying their taxes.

Inspectors of Taxes

The inspectors of taxes are under the control of the Board. They have a variety of duties and power are;

(a) Receipt and examination of tax returns and other information from tax payer and other services
(b) Make and issue assessments, based on the return on which tax is payable.
(c) Deal with claims for repayment when tax has been over paid by the tax payers.

I observed that both inspectors of taxes and tax collectors are under the State Board Inland Revenue. The inspector of the taxes are under the control of the board. They have a variety of duties covering all aspects of taxation while the collectors of taxes are the officials of Inland Revenue who involved in taking steps that would result in the tax payers setting their tax liabilities with the revenue.

I also find out that, there is penalty and interest for late payment. Any tax not paid on due date attracts a penalty of 10% per annum of the sum unpaid. A demand note shall be served on

the tax payers showing the amount of the penalty due. The penalty is to be paid within one month from the date of the service of demand note. The provisions of the decree relating to collection and recovery of tax shall apply to the collection and recovery of tax shall apply to the collection and recovery of the penalty section 75.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The purpose of the study is to evaluate the importance of Value Added Tax on the economic development of Nigeria. To ensure the efficient and effective running of the economy by reducing inflation and the rate of unemployment in the country to ascertain whether the existence of Value Added Tax will increase the process of those vatable goods and services.

Other specific objectives are to give insight to the government on the various sources by which to the government on the various sources by which income can be generated and various ways by which incomes can be allocated into the various project to provide general guidance to the government for the national economy in terms of growth and stability.

The major means by which the data were collected through questionnaire. The questionnaire prepared were personally administered to Kwara State Board of Inland Revenue (SBIR) workers and personnel randomly selected from chairman of the board, directors, legal adviser and secretary.

The study showed the following;

- That the Value Added Tax increases the government revenue.
- The Value Added Tax contributes immensely to the survival of the economy.
- Value Added Tax has effect on country productivity.
- Value Added Tax improves the exportation of domestic manufactured goods.

5.2 Conclusion

Value Added Tax (VAT) is a new source of revenue for the government and with higher, rates and better administration can be contribute substantially to federal government purse, state government and possibly local government too. This invariably will improve the finances of the government and reduce the budget deficit as well. It is a great challenge to make Value Added Tax (VAT) succeeds.

Public Education Programme help in educating the populace on the importance and benefit derivable from the implementation and payable of Value Added Tax government uses this tax revenue to provide essential social amenities which will encourage people in their tax appropriately.

In the lights of its importance to the government defaulters must be severally punished as a determinant to others who might want to avoid or evade its payments.

5.3 Implication of the Study

Overall, a study on the impact of Value Added Tax on economic development of Nigeria can provide valuable insights for policymakers, economists and stakeholders in shaping the country's fiscal policies and economic strategies.

Understanding how VAT affects economic development can contribute to a more sustainable fiscal strategy. The study can shed light on the optimal VAT rates, exemptions and thresholds that balance revenue generation with economic growth. If the study identifies how VAT policies to incentive these area, potentially driving job creations and economic expansion.

5.4 Recommendation

Though it can safely be said that Value Added Tax (VAT) has been a tremendous success in its ten year of existence but improvements can still be made to double its success. In the light of this, the government recommendations are made.

1. The administrative machinery should be strengthen and a record keeping culture should be developed overtime with adequate monitoring of business and other agents involved.
2. In order to ensure efficient administration of Value Added Tax (VAT), the following amendments in the Value Added Tax (VAT) Decree 102 of 1993 should be considered and adopted.
3. The tax is collectible until a supply is made therefore, section two of the law should be amended to be effect that tax is on the supply of the stipulated goods and services purse.

Section to subs-section 2 which deals with "input" and "output" taxes should be read.

The tax paid or due from a taxable person under sub-sectional of this section should be known as "input" tax and section 11 sub-section 2 shall read; The tax collected or collectible by taxable person under sub-section 1 of this section shall be known as "output tax".

4. The initial confusion that greeted the introduction of VAT can be lessened with paper education of the populace.

5. The percentage charge as VAT should be moderate since if higher it will increase the price of goods and services which can result inflation.

5.5 Limitation of the Study

When conducting a study on the impact of Value Added Tax (VAT) on the economic development of Nigeria, it's importance to considered potential limitations that could affect the scope, reliability and generalizability of the findings. Here are some common limitations to be aware of;

- Data Availability and Quality: The availability, accuracy and completeness of data related to VAT collections, economic indicators and development outcomes can impact the study's validity.

- Data Timeliness: Economic conditions and policies change over time using historical data might not capture the current dynamics accurately, affecting the study's relevance.

- Casualty and Correlation: Establishing a casual link between VAT and economic development can be challenging due to the presence of other factors that might influence economic growth.

- Missing Potentials: Long-term effects of VAT one economic development.

5.6 Suggestions for Further Study

i.   The future research endeavor to make the topic more elaborate by consulting related textbooks on the research work.

ii. The future researchers should see the research work as a perquisite for future studies on the topic.

iii. The future researchers should be take cognize of problems encountered by the researcher so as to make their research easier than this.

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APPENDIX

KWARA STATE COLLEGE OF EDUCATION, ILORIN

SCHOOL ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

QUESTIONNAIRE

Dear Respondent,

I am final year student in the department of above named institution conducting a research study on "THE IMPACT OF VALUE ADDED TAX (VAT) ON THE ECONOMIC DEVELOPMENT OF NIGERIA" in partial fulfillment of the requirement for the award of Nigeria Certification in Education.

I therefore solicit for your assistance in completing the attached questionnaire as objectively as possible because your organization has been chosen as the case study. I assure you all information supplied shall be treated in the highest and strictest confidence and of course, they are for academic and research purpose only.

Thanks for your anticipated co-operation.

Yours faithfully,

AGBETOLA GANIYAT AYOMIDE

KWCOED/IL/22/0985

RESEARCH QUESTIONNAIRE
SECTION A: PERSONAL DATA

Instruction: Please tick (✓) in the boxes provide for which ever that is applicable.

1. Sex: Male ( )   Female ( )
2. Marital Status: Single ( )   Married ( )   Divorced ( )   Widowed ( )
3. Age: Below 20years ( )   21-30years ( ) 31-40years ( ) 41years ( )
4. Qualification Background: O'Level ( )   OND/NCE ( ) HND/B.Sc ( )
                                                    Master/Post Graduate ( )   Others ( )
5. Working Experience: Below 5years ( )   5-10years ( ) 11-15years ( )
                                            15-20years ( )   26years and above ( )

SECTION B

Instruction: Please in the block provided for which ever that is applicable in either "Yes" or "No"

S/N	Items	YES	NO
1.	Do you know what Value Added Tax is?		
2.	Does the use of Value Added Tax increase government revenue?		
3.	Does the use of Value Added Tax improve the exportations of domestic manufactured goods?		
4.	Is there any advantage of Value Added Tax in Nigeria Economy?		
5.	Is there any problems facing the tax collectors in collecting economy?		
6.	Is there any problem facing the tax collectors in collecting tax from tax payer?		
7.	Is there any disadvantage of Value Added Tax to Nigeria Economy?		
8.	Does Value Added Tax very important for economy survival		
9.	Could Value Added Tax in Nigeria influence each other positively?		