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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

VALUE ADDED TAX AND ECONOMIC GROWTH: THE NIGERIA EXPERIENCE (1994 -2010)

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ABSTRACT

The study empirically examines the effect of value added tax (VAT) on Nigeria economy, in line with the objectives of this study, secondary data were obtained from central bank of Nigeria statistical bulletin covering the period of 1994 to 2010. In concluding the analysis, multiple regressions were employed to analyze data on such variables Gross Domestic Product (GDP), value added tax, inflation, interest rate, exchange rate and export were all found to have significant effects on the Economics Growth with the Adjusted R^2 of 96.7%. Following the outcome of this study, it is therefore concluded that the income effect on the aggregate consumption is clearly negative because the rise in the VAT rate decreases people's dispensable income. In addition to income effects, a change in the VAT rate has a substitution effect, which means even if the government reduces the income tax rate in order to offset the decrease in people's income due to the rise of the VAT rate, aggregate consumption will change. To uphold VAT's revenue role in the government's finance, it is recommended that the government should supervise the collection of VAT to ensure orderly, fair and equitable dealings in collecting VAT revenue and to forestall illegal deals by privilege insiders in order to raise the revenue generated by this tax as effectively and efficiently as possible.

KEYWORDS

Value added tax (VAT), Economy growth, Export, Exchange rate.

BACKGROUND OF THE STUDY

It is the expectation of the public to see that government provides basic infrastructure such as good road, network, bridges, airports, seaports, e.t.c. and other social services like education, electricity supply, pipe-borne water, housing and other services that cannot be executed by private hands. These expectations cannot be actualized except there is an enabling financial resource. It is therefore demanded that Government should search for the required substantial amount of funds to meet these obligations. Government usually raise funds from various source such as issuing of public debt, levying of taxes, fees, fines and specific charges, among the various sources from which Governments can raise finance, taxes are the most important and reliable. Emerging economies are nations that have large territories and populations, and they are undertaking extraordinary development projects that call for new infrastructure, such as power-generating plants and telecommunications systems. These countries
have pursued economic policies leading to faster growth and expanding trade and investment with the rest of the world. These infrastructural developments demand a lot of resources and funding.

Nigeria is a developing country and emerging economy whose exports are mainly crude oil. Her other natural resources asserted include: Natural gas, tin, iron ore, coal, limestone, lead, zinc and Arable land (Angus and David 2011). Value added tax (VAT) is one of the ways of funding infrastructural developments.

VAT is a tax on consumption of goods and services. VAT was first introduced in Nigeria in 1994 to replace the sales tax. The decision to replace the sales tax with VAT was influenced by the fact that VAT is applied on a broader range of goods and services (including those that were exempted from sales tax), so it was meant to broaden government's tax revenue base. Currently, VAT is charged at a rate of 5% on all goods and services. Goods that are subject to VAT include among others food, household appliances, electricity, water, land and buildings, computers, stationery etc. Services subject to VAT include commercial services, electricians, plumbers, builders and professional services such as lawyers, doctors, accountants. VAT is a consumption tax levied at each stage of the consumption chain and borne by the final consumer of the product or service. Where the VAT collected on behalf of the government (output VAT) in a particular month is more than the VAT paid to other persons (input VAT) in the same month, the difference is required to be remitted to the government, on a monthly basis, by the taxable person (Oserogho and Associates, 2008).

This impressive performance of VAT in virtually all countries where it has been introduced clearly influenced the decision to introduce VAT in Nigeria in January 1994 (Ajakaiye 2000). VAT is a consumption tax that is relatively easy to administer and difficult to evade and it has been embraced by many countries world-wide (Federal Inland Revenue Service, 1993). Evidence so far supports the view that VAT revenue is already a significant source of revenue in Nigeria. For example, actual VAT revenue for 1994 was N8.189 billion, which is 36.5% higher than the projected N6 billion for the year. Similarly, actual VAT revenue for 1995 was N21 billion compared with the projected N12 billion. In terms of contributions to total federally collected revenue, VAT accounted for about 4.06 % in 1994 and 5.93% in 1995. As much as N404.5 billion was collected on VAT (5.1% of total revenue) in 2008 (Adereti, Sanni & Adesina 2011).

Value-Added Tax (VAT) is a type of consumption tax that is placed on a product whenever value is added at a stage of production and at final sale. Value-added tax (vat) is most often used in the european union. The Amount of value-added tax that the user pays is the cost of the product, less any of the costs of materials used in The product that have already been taxed. Many VAT systems can be described as having a basic rate, special rates for some goods and services, and Exemption status for certain economic activities or specific goods and services. These features influence the Nation's aggregate effective tax base.

STATEMENT OF THE PROBLEM

An increase in the VAT rate of a country often arouses public interest and sometimes becomes an important factor for elections. Many people believe that a rise in the VAT rate will have a bad effect on aggregate consumption and will weaken economic growth.VAT is feasible only as a self assessed tax that substitutes for effective risk-based approaches within a self assessment environment cannot be expected to provide sustainable solutions to compliance problems related to VAT refunds. There is no literary work assessing the relationship between VAT, export, interest rate, exchange rate and GDP (national expenditure), and whether that is significant or not in Nigerian. The study based on empirical data, by this means assesses VAT's reliability as an effective revenue generation device for the nation's public use.

OBJECTIVES OF THE STUDY

The main objective of this study is to examine the impact of value added tax (VAT) on economic growth in Nigeria. Other specific objectives are:

1. To examine the effect of VAT on exchange rate
2. To examine the effect of VAT on the export.

LITERATURE REVIEWS

VALUE ADDED TAX IN NIGERIA

VAT is a consumption tax levied at each stage of the consumption chain and borne by the final consumer of the product or service. Each person is required to charge and collect VAT at a flat rate of 5% on all invoiced amounts, on all goods and services not exempted from paying VAT, under the Value Added Tax Act 1993 as amended (Adereti, Sanni & Adesina 2011).

Value Added Tax is a consumption tax that has been embraced by many countries worldwide. Because it is a consumption tax, it is relatively easy to administer and difficult to evade. The yield from VAT is a fairly accurate measurement of the growth of an economy since purchasing power (which determines yield) increases with economic growth. VAT is a self-assessment tax that is paid when returns are being rendered. In-built in the new tax is the refund or credit mechanism which eliminates the cascading effect that is a feature of the retail sales tax. The input-output tax mechanism in VAT also makes it self-policing because of the need to obtain receipts at each stage of the transaction. In essence, it is the output tax less input tax that constitutes the VAT payable. It is the equivalent of the VAT paid by the final consumer of the product that will be collect by the government. Although VAT is a multiple stage tax, it has a single effect and does not add more than the specified rate to the consumer price no matter the number of stages at which the tax is paid (Ofe, Onyemachi and Caroline 2008).

Value added tax replaced the sales tax which had been in existence since 1986. Value added tax was introduced in Nigeria on 1st December, 1993, its effective take off date however, was 1st January, 1994.The value added tax presently application in Nigeria is at a flat rate of 5% levied on all vat able goods and services.

Keen and Lockwood (2006) confirmed that VAT is a money machine, particularly in OECD member nations on which the study was based. Money machine suggests that VAT effectively generates revenue. Relationships that were considered in the study referred to included VAT and GDP, so also was Lin (2007), on evaluating the VAT in china suggested a relationship between VAT and GDP exists.

Eltony (2002) used time-series and cross-sectional country data for the period 1994-2000 for 16 Arab countries to examine the determinants of tax effort. The results showed that the main determinants of tax revenue share in GDP where per capita income, agricultural output-GDP ratio and mining-GDP ratio. The share of exports, imports and outstanding foreign debts were other variables found to be important. Also, country-specific factors such as the political system, attitudes toward government, the quality of tax administration and other institutions of government appeared to be important determinants of tax-GDP ratio.

Ofe et al (2008), the value added tax scheme is administered by the Federal Inland Service (FIRS) through its VAT Directorate. There is a network of zonal and local VAT office all over the country. The VAT Directorate works in close co operation with the Nigeria Customs Services and the state internal revenue service's suppliers of goods and Service under the VAT scheme who may disagree with the assessment of a VAT office may appeal to the local VAT office. If still not Satisfied they can appeal further to the VAT zonal office and from there to the VAT Directorate at Abuja. If still not Satisfied with these administrative review panels, they could still appeal further to the federal high court. All business organizations that are registered with the Federal Board if Inland Revenue (VAT directorate) for VAT purpose are classified as registered persons. Such registration is carried out not later than six months from the date of commencement of the VAT decree whichever is earlier. Each registered person is issued a registration certificate which is displaced in the principal place of business.

The registered person also referred to as a VAT able person will pay 5% VAT on all goods and Services purchased by the business. The tax paid is known as input tax. On selling such goods and services, The registered person will charge 5% VAT , which the registered person includes in the selling prices of such goods and Services is known as output tax where the output tax exceeds the input tax, the difference is known as net VAT payable, which should be paid to the federal board if inland, if the input tax exceed the output tax, the difference will be refunded to the registered person is a claim is put up and it is accepted as valid by the federal board of inland revenue. Every VAT able person is expected to make returns including remittance of net VAT payable to the local VAT office on or before the end of the month next following that in which the supplies were made.

Okezie (2003) brought out that Value added tax (VAT) is a tax introduced in Nigeria in 1993. It is imposed on goods and services at the rate of 5%. The main aim of this tax is to raise revenue to government and its incidence is borne by the final consumer. VAT is collectible from both imported and locally manufactured goods and services. Soyode and Kajola (2006) defined VAT as a consumption tax, charged at 5% on all vatable goods and services. They went further to state the attributes of VAT as:

1. VAT is a consumption tax;
2. VAT is a multi-stage tax, and
3. The incidence of VAT is on the final consumer.

According to Ofe et al 2008), the following are the main reasons for the replacement of sales tax with value added tax in Nigeria:

- The sales tax had a very narrow base as it covered only nine categories of goods. It negated the basic principle of consumption tax, which should cut across all consumable goods and services.
- The sales tax concentrated on locally manufactured goods only, thus placing these locally manufactured goods at a disadvantage in relation to foreign imported goods. The value added tax on the other hand covers both locally manufactured goods as well as foreign goods.
- The value added tax is based on the general consumption pattern of the populace. Thus, it is expected to yield huge revenue to the government.

Ofe et al (2008) brought out further that Federal Inland Revenue Service administers VAT system in Nigeria. While the VAT Directorate is based in the Federal Territory – Abuja, there are zonal and Local VAT offices all over the country. Even though VAT is administered by the Federal Government, the proceeds are shared by the Local, State and Federal Governments. The Federal Inland Revenue Service Board is empowered to provide direction, impose condition and specify records to be kept by traders. In Nigeria, there is a Value Added Tax Technical Committee which comprises

- a Chairman, who shall be the Chairman of the Federal Board of Inland Revenue;
- all Directors in the Federal Inland Revenue Service;
- a Director in the Nigeria Customs Service, and
- three representatives of the State Governments shall be members of the Joint Tax Board.

The functions of this Technical Committee include:

- to consider all the tax matters that require professional and technical expertise and make recommendation as appropriate;
- to advise the Board on the administration and management of VAT; and
- to attend to such other matters as the Board, may from time to time refer to it.

THE EFFECT OF VALUE ADDED TAX ON NIGERIA ECONOMY

The purpose of taxation is to raise money for activities which cannot be pursued without government action. These include the public contribution to economic investment, as well as enabling people to meet their basic needs and enjoy wider opportunities. Without taxation, government cannot create a better society. VAT is a multi-level tax that is obtained in different steps of the production-distribution cycle based on percentage of the value added to the products or services. In fact, this tax is a kind of a multi-level tax on sales that exempts the indirect purchase of goods and services from tax. The countries that performed VAT have a more per capita GDP level and are less dependent on the international trade (Ahmad, Mehrnoosh and Abedini 2012*).* Owolabi and Okwu (2011) empirically evaluated the contribution of VAT to the development of Lagos State economy. Development aspects considered included infrastructural development, environmental management, education sector development, youth and social development, agricultural sector development, health sector development and transportation sector development. VAT revenue contributed positively to the development of the respective sectors. The purpose of replacing trade taxes with domestic consumption taxes that is value added tax (VAT) was mainly to improve macroeconomic stability, and to introduce the benefits of free trade to developing economies. Export taxes are seen as inefficient, because they put the local producers who export their goods at a disadvantage compared with foreign producers. VAT was viewed as more efficient than import taxes, as it does not discriminate between domestic and imported goods. By eliminating import taxes, local consumers benefit from lower prices in the competition created between domestic and foreign producers, and it forces the local producers to become more efficient and concentrate their efforts on their comparative advantage (Mohammad 2012). According to Nigerian institute of advanced legal studies Lagos, the government of Nigeria, like others in different parts of the world has legislative powers to impose on its citizens any form of tax and at whatever rate it deems appropriate. Such taxes when collected, are used to execute government functions like provision of infrastructure, maintenance of law and order, health and education of the citizens and as well as a fiscal tools for controlling the economy. According to them, the objectives of the Nigerian Tax System include:

- To promote fiscal responsibility and accountability.
- To facilitate economic growth and development.
- To provide the government with stable resources for the provision of public goods and services.
- To provide economic stabilization.
- To pursue fairness and equity.
- To address inequalities in income/wealth distribution.

VAT revenue is generated for distribution to the state and local government in Nigeria, unlike the oil revenues whose market government has no control over. This helps to reduce overdependence on oil revenue; this assures a sustainable economic growth and development (Denis 2010). Ghafoor (2005) as stated in Sekwati and Malema (2011) brought out that VAT, in addition to being a money machine for government, helps businesses to compete internationally since it does not affect export prices and encourages saving that could lead to capital formation in the long run. They further argue that since VAT has great potential to generate a tremendous amount of revenue with very low rate, it could help in addressing the budget deficit and balance of payment problems. In addition, VAT can be considered as a tool for reducing the amount of unregistered economy in a country. VAT emphasizes employment more than consumption and ensures neutral treatment of imported and domestic goods by taxing imports and domestic goods going into domestic consumption at the same rate (Mohammad 2012).

According to Bumpei (2011), the effect of the change of the VAT rate on aggregate consumption and economic growth is easily understood theoretically, but it is difficult to grasp the significance of this effect in practice. It goes without saying that aggregate consumption and economic growth are not determined only by the change in the VAT rate. There are many papers on the determinants of the change of aggregate consumption and economic growth.

In other word, VAT is regarded as money making machine that could possibly lead to increase in public spending and consequently large public sector (ibid). They further argue that VAT is a hidden tax therefore its rate could be raised more easily than other taxes, which would raise consumer prices immediately and consequently higher inflation. The inflationary impact of VAT could appear in the form of slow economic growth or even a recession and a lower real value of existing savings. A good VAT administration is critical in fully implementing the design attributes of the tax and reducing gaps between the effective taxation and what it is purported to be in the legislation. More broadly, a good tax administration, VAT administration in this case, is important to achieve the policy objectives of a government (Wollela 2006).

METHODOLOGY

This chapter describes the methodology employed in this study. Methodology consists of the procedures to be used for collecting data, summarizing and analyzing the data gathered in other to answer the research questions. It is intended to applying the chosen methods in the research to minimize the costs of obtaining the data and analyzing them while maximizing the expected values of resultant information as well as association level of accuracy. For the purpose, issues addressed include; research design, study population sample and sampling technique, data collection and research instrument validation. Economic growth is one of the substantial problems in the developing countries. There are many models to analyze the impact value added tax on Nigeria economic growth.

METHOD OF DATA COLLECTION

Method employed in Carrying out this research work was by secondary data. Secondary data is the name given to data that has been used for some purpose other than that for which they were originally collected. Secondary data generally used when the term manpower resources necessary for survey are not available and of course the relevant information required. Secondary data were gotten from different sources e.g. CBN Statistical Bulletin and Federal Inland Revenue service Bulletin.

SAMPLE SIZE

The duration of my research was basically from 1994-2010 which is in the range of 17yrs. This duration was used because it is detailed enough to give a good result and analysis. This study employs annual data on the rate of value added tax (VAT), inflation, exchange rate, interest rate and economic growth (proxied by Gross domestic products) for Nigeria over the period 1994 to 2010. Data were obtained from the CBN Statistical Bulletin.

DATA ANALYSIS TECHNIQUES

The analysis was carried out in two forms and they are regression analysis and correlation. Regression analysis includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables.

Regression models in the following variables:

The unknown parameters denoted as α: this may be a scalar or a vector.

The independent variable M

The dependent variable P

In various fields of application, different terminologies are used in place of dependent and independent variables

A regression model relates P to a function of M and α

$P = U(M_1, M_2, M_3, M_4 \ldots M_n, \alpha)$

Where M_1 - M_N are the independent variables.

MODEL SPECIFICATION

$$vat = a_0 + a_1 GDP + a_2 infl + a_3 exch + a_4 itr + a_5 expt + \mu \qquad 1$$

$$logvat = a_0 + a_1 logGDP + a_2 loginfl + a_3 logexch + a_4 logitr + a_5 log\ expot + \mu \qquad 2$$

$log\ GDP$ – $log\ of\ Gross\ Domestic\ Product$

$logvat$ – $log\ of\ value\ added\ tax$

$loginfl$ – $log\ of\ Inflation$

$logexch$ – $log\ of\ Exchange\ rate$

$logexpt$ – $log\ of\ Export\ rate$

PRESENTATION AND ANALYSIS OF DATA

This chapter will be used in analyzing and presentation of data collected from different reliable source like CBN Statistics Bulletin 2010. This was done so as to determine the effect of value added tax on Nigeria economy from the period of 1994 to 2010.

According to the research question, to what extent does the value added tax affects the economic growth in Nigeria? The following tables below are actually gotten from different sources but they are answers to these research questions.

TABLE 1: THE EFFECTS OF VAT ON ECONOMIC GROWTH

Dependent Variable	Independent Variables	Coefficient.	Standard Error	t	P>|t	[95%Conf. nterval]	
vat	*GDP*	.584318	.1931032	3.03	0.023	.1118115	1.056825
	infl	-1.28e+08	2.32e+08	-0.55	0.601	-6.95e+08	4.39e+08
	exch	3.39e+08	2.54e+08	1.33	0.231	-2.83e+08	9.60e+08
	itr	1.60e+09	3.18e+09	0.50	0.633	-6.18e+09	9.38e+09
	expt	-302617	332824.2	-0.91	0.398	-1117008	511774.4
	constant	-1.90e+11	9.60e+10	-1.98	0.095	-4.25e+11	4.46e+10
R-square= 0.9831	Adj R-square = 0.9691		Root MSE = 1.2e+10		Prob > F = 0.0000	F(5, 6) = 69.95	

The above table is represented by regression plots below:

FIG. 1

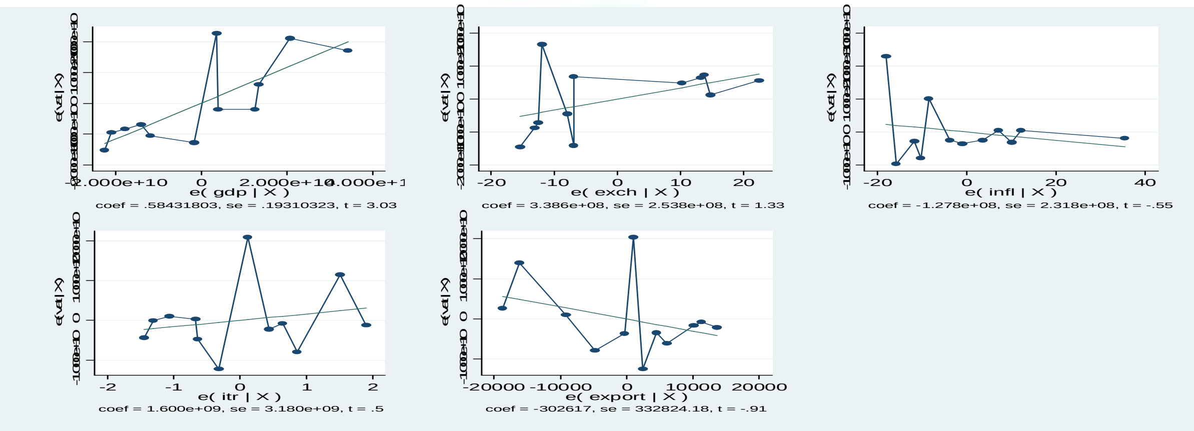

TABLE I shows the result of the output effects of VAT policy in Nigeria in the short run. A 1% increase in the value added tax (VAT) increases economic growth (GDP) by 0.58percent. This suggests a positive relationship between the rate of VAT and the GDP in Nigeria. The result is also significant. 1% increase in the value added tax increases exchange rate (EXCH) by 3.39%.This means that the relationship between VAT and EXCH is also positive suggesting that if VAT increases EXCH increases. The relationship between VAT and inflation (INFL) is negative suggesting that if VAT in Nigeria increases, the inflation reduces that is 1% increases in VAT reduces INFL by 1.28%. Also the relationship between VAT and interest rate (ITR) is positive, this means that 1% increases in VAT brings over 1.6% increases in ITR. Also the relationship between VAT and export (EXPT) is negative suggesting that if VAT in Nigeria increases, the export reduces that is 1% increases in VAT reduces EXPT by 1.28%.

Given the adjusted R^2 significant 96%, it presages the independence variables incorporated into this model have been able to determine variation of VAT to 96%.The F and probability statistics also confirmed the significance of this model.

TABLE 2

Dependent Variable	Independent Variables	Coefficient.	Standard Error	T	P>|t	[95%Conf. nterval]	
log vat	*logGDP*	.2879729	.9827592	0.04	0.971	-18.44571	19.02166
	loginfl	-1.078672	.0429721	-1.10	0.314	-3.483397	1.326053
	logitr	.1678882	7.885634	0.02	0.984	-19.12756	19.46334
	logexch	2.085545	1.795288	1.16	0.289	-2.307367	6.478458
	logexport	.7805699	.0420063	3.55	0.584	-2.52111	4.08225
	constant	1.396501	1.349325	0.58	0.995	-491.0543	493.8473
R-square= 0.8717	Adj R-square = 0.7647		Root MSE = 1.4852		Prob > F = 0.0119	F(5, 6) = 8.15	

The above table is represented by regression plots below:

FIG. 2

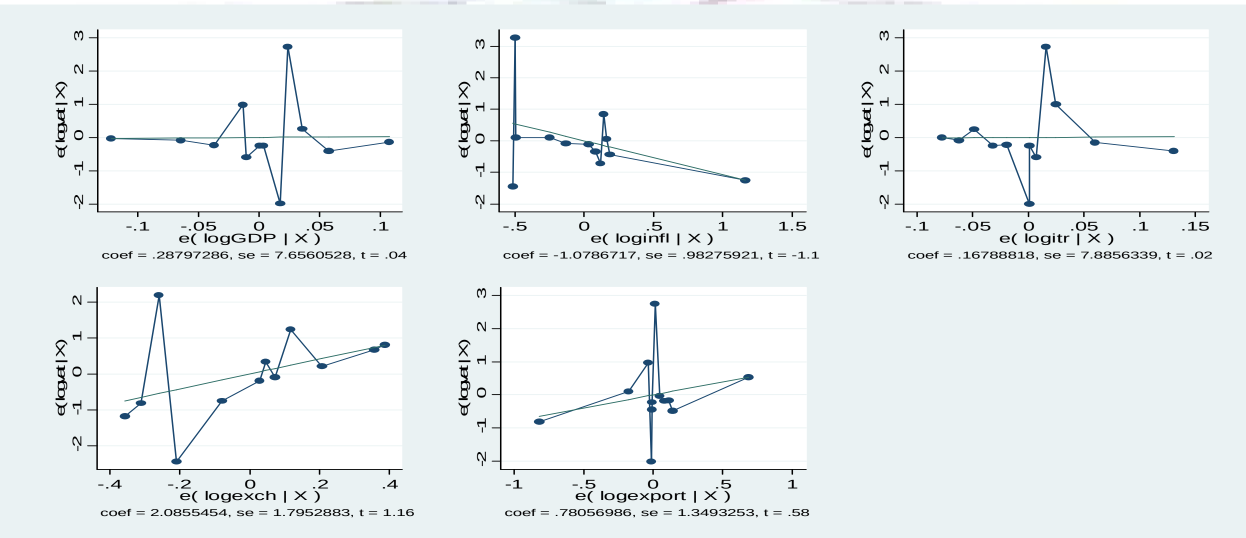

Table 2 also shows the result effects of VAT on export, inflation, exchange rate, interest rate, and gross domestic product (GDP) on Nigeria economy in the long run by finding the log of VAT compared with logarithms of on the independent variables.1% of increase in VAT brings about 0.28 % increase in GDP. An increase in the VAT has a positive impact on output. This also suggests a positive relationship between VAT and economic growth in Nigeria in the long run decision planning. The result is also significant. The relationship between log of VAT and log of interest rate is also positive suggesting that if VAT increases in the long run, the interest rate will also increase. The relationship between log of VAT and log of exchange rate is also positive.1% increase in VAT in the long run reduces log of inflation rate by 1.07%, suggesting that there is inverse relationship between VAT and inflation rate in the long run. The relationship between VAT and export is also positive.

Given the coefficient of determination (R^2) to tune of 87% and Adj R-squared to be 0.7647 (76%), it connotes the independence variables incorporated into this model have been able to determine variation of VAT to 87%.The F and probability statistics also confirmed the significance of this model. The results indicate that the coefficient of VAT is statistically significant and the constant is statistically significant.

SUMMARY AND CONCLUSIONS

This study has reviewed the effects of VAT on Nigeria economy. The links between VAT and economy growth has assessed. VAT has a positive impact on growth after a considerable lag. All the variables are statistically significant. The countries that performed VAT have a more per capita GDP level and are less dependent on the international trade. Estimated results suggest that VAT impacts strongly upon inflation, exchange rate, interest rate, export and gross domestic product. The second is that VAT and inflation are closely related, such that VAT is viewed as one of the policies available for the control of inflation.

The income effect on the aggregate consumption is clearly negative because the rise in the VAT rate decreases people's dispensable income. In addition to income effects, a change in the VAT rate has a substitution effect, which means even if the government reduces the income tax rate in order to offset the decrease in people's income due to the rise of the VAT rate, aggregate consumption will change. It was found that an increase in VAT reduces the volume of export. Result showed that VAT revenue contributed positively to the development of the respective sector. The study also reviewed that there is a negative relationship between VAT and inflation returns as supporting economic theory suggestion that VAT are a good hedge against inflation.

POLICY RECOMMENDATIONS

Based on the findings made in the course of this study, the following recommendations are hereby suggested

1. To uphold VAT's revenue role in the government's finance, the government should supervise the collection of VAT to ensure orderly, fair and equitable dealings in collection of VAT revenue and to forestall illegal deals by privilege insiders in order to raise the revenue generated by this tax as effectively and efficiently as possible.
2. Nigeria government should use its tax system to minimize the negative impacts of volatile booms and recessions in the economy and also to help complement the efforts of monetary policy in order to achieve economic stability.
3. To ensure effective control in the system, it would be better for government to ensure that one agency is responsible for collecting a tax and ensuring the validity of claims for exemption or refund especially when the horizontal flow of information between different agencies is difficult.
4. Government should transparently and judiciously account for the revenue it generates through VAT by investing in the provision of infrastructure and public goods and services. It is expected that the more effectively and efficiently revenue is utilized by Government to create growth, employment opportunities and wealth in the economy, the more willing taxpayers would be to meet their obligations to the Government and discharge their duties in the overriding goal of achieving National Development.

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