

A Review of Value Added Tax (VAT) Administration in Nigeria

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Abstract: As a result of the uncommon nature of VAT system, majority of the populace in the country are unaware of its existence, consequently, the low credibility of government makes people scorn the payment and collection of VAT. The purpose of this study is to review the effectiveness of the administration of VAT as it relates to how it can improve government revenue and through more light on its contribution to the economic growth of Nigeria. In addition to the preliminary interviews was a review of study relating to the problems of administration and collection machinery of VAT. Simple percentages and chi-square (χ^2) were used for data analysis. There is need to embark on business enumeration in each state with a view to having data base on business. Seminars and workshops so far organized on this issue are narrow its scope and design. There should be functional VAT offices in every council area to coordinate a vigorous campaign to educate people and seek their cooperation. This will no doubt erode the negative attitude that some of the consumers have developed towards VAT. The government should adequately make provision for retrieving the proceeds of VAT from companies and other agents of collection.

Key words: VAT, administration, economic growth, seminars, workshops, Nigeria

INTRODUCTION

Country seeking to improve its revenue generation would opt for a concept enabling it to best realize its objectives with due regards to its peculiar socio-economic make-up. One of these ways is by Taxation. A tax can therefore, be defined as a means by which, a Government appropriate part of the private sector's income. The accumulated revenue is used in meeting recurrent expenditure. Tax occupies a unique position, because it is an important part of government policies. The ability of a government to generate revenue from this sector affects services offered by such a government. A mean of improving internally generated revenue is through value added tax.

Value added tax was first introduced by France in 1954. It has been embraced by well over seventy countries all over the world. These include the entire organization for Economic Co-operation and Development of countries, Japan, Canada, the state of Michigan in the USA and many African Countries.

In Nigeria, the March towards VAT system started with acceptance of the recommendation of a study group on indirect taxation in November, 1991. The decision to accept the recommendation was made public in the 1992 budget speech of the Head of State. This resulted in setting up the Modified Value-Added Tax (MVAT) committee on 1st June, 1992 as recommended by the study group. The recommendation of the committee that

VAT should be administered by an independent commission was rejected by the government. Tax administration was however given to federal Inland Revenue Services, which was already charged with the responsibility of administering most other taxes in Nigeria.

The introduction of VAT in Nigeria through Decree 102 of 1993 marks the phasing out for the Sales Tax Decree No. 7 of 1986. The Decree took effect from 1st December, 1993, but by administrative arrangement, invoicing for tax purpose did not commence until 1st January, 1994.

Value-Added Tax is tax on the supply of good and services which is eventually born by the final consumer but all collected at each stage of production and distribution chain. With VAT, government reasoned, it will be virtually impossible to evade tax.

The instrument that introduced VAT spells out goods and services that attract the tax. It shows, for instance that food items do not attract VAT resides, sellers of goods on which VAT is paid must first of all registered with the federal Inland Revenue Services, the aim is to ensure that the 5% VAT paid on goods and services. But, this is not exactly, what is happening now. Market women are charging VAT on food items, with the obvious that this tax. Simply increases their profit margin, landlords are charging VAT on house rent, hotels are also charging VAT. All these are contrary to the regulation governing this system. The fear is that very soon Nigerians will pay VAT on everything. It is this fear of the already

pauperized Nigerians. Sinking more into an abyss that informed the researcher's decision to look into VAT implementation and input on government revenue.

As a result of the uncommon nature of this tax system, majority of the populace in the country are unaware of its existence, consequently, the low credibility of government makes people scorn the payment and collection of VAT.

In addition to the above problem is the lack of adequate trained personal, mobility to reach remote areas, low level of literacy as well as poor social or political climate. These factors hinder the effective administration of the tax.

Furthermore, there is the fear about the ability of Federal Inland Revenue Service (FIRS) to administer VAT judge from their performance of administering personal income tax and other relevant tax over the years.

Lastly, judging from the administration of other tax system, certain questions should be asked; Has VAT been effectively administered?. What is the ability of the FIRS to administer VAT? To what extent has VAT contributed to government pattern of Nigerian? What economic implication will VAT have on consumption pattern of Nigerians? Are the existing tax laws on VAT adequate for efficient collection and returns?

The purpose of this study is to review, the effectiveness of the administration of VAT as it relates to how it can improve government revenue and through more light on it's contribution to the economic growth of Nigeria.

Formulation of research hypotheses: The following generated hypotheses are stated in a null form to determine how they relate to the research question. These hypothetical statements include:

- Value-Added Tax not been effectively administered
- There is the inability of the FIRS to administer VAT
- Value Added Tax has not had much significant impact on government revenue
- Value Added tax have no economic implication on the consumption pattern of Nigeria

Value Added Tax laws are not adequate for efficient VAT returns and collection.

Scope and limitation of study: This research covers the economy as a whole (The federal State and Local Government). But with particular reform federal Board of Inland Revenue Services (FIRS) which is the relevance tax authority for value-Added Tax.

MATERIALS AND METHODS

Review of literature: Although, very few literature exist on the subject of value added tax in less developing countries by different groups of scholar academicians, tax experts and professionals commissioner by International Monetary Funds (IMF), World Bank, Organization of petroleum exporting countries (OPEC), Extensive studies have nevertheless, been done on the alternation prominence of Indirect Tax in developing countries is general and Nigeria in particular. The core function of taxation as revenue generating tool is developing countries has been studied by eminent scholars.

Naiyeju (1996) argued that the positive result received from any tax depends on the tax extent of how it is properly managed. The extent of how the tax law is interpreted and implemented as well as the publicity brought into it will determine how a particular tax is able to meet its objectives. Also, Naiyeju (1996) was looking at the relationship among interpretation of the tax laws, IE's management between the success of tax system and tax justification using the issue of income tax in Nigeria where, State government has administrative and operational jurisdiction. He argued that with the development in the Oil sector (declining/fluctuation in the international price) but, the lower chance of generating higher revenue from import duties there is need to revisit the jurisdictional issue of taxation in Nigeria.

Value Added Tax is a consumption tax that has been embraced by many countries world-wide. 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 growth of an economy. Since, purchasing power which determine yield, increases with economy growth.

VAT is a self-assessment tax that is paid when return being rendered in-built in the new tax in the refund or credit mechanism, which eliminates the cascading effect that is a feature of the retail sales tax (Table 1).

In Nigeria, the idea of VAT started with the acceptance of recommendation of the study group on indirect taxation in November 1991, Set up by the Federal Government. The Federal Government was however, not satisfied with the revenue yield from the sales tax whose base is regarded as norms and which covers only nine categories of good plus sales and services in registered hotels, motel and similar establishment. It is felt that the narrow base of the consumption negates the fundamental principles of consumption tax, which by nature is expected to cut across consumption of goods and services. Value Added Tax, in contrary has a broader base

Table 1: African countries with rate of value added tax

Country	Date introduced	State levied	Tax rate (%)
Algeria	1992	Retail	7,13,21,20
Benin republic	1991	Wholesale	18
Cote. d'ivoire	1960	Wholesale	5,11,25,35
Guinea	1960	Retail	13,6
Kerya	1960	Retail	5,18,30,50,75
Madagascar	1960	Retail	15
Malawi	1989	Retail	10,35,55,85
Mali	1991	Wholesale	10,17
Mauritius	1983	Retail	5
Morocio	1986	Retail	7,14,19
Niger	1986	Retail	10,17,24
Senegal	1961-1980	Retail	7,20,30,34
South Africa	1991	Retail	14
Togo	1984	Retail	-
Tanzania	Mid-1994	Retail	-
Nigeria	1994	Wholesale	5
Tunisia	1988	Manufacturing	1,17,29

IMF various reports

and includes most professional services and banking transactions that are high profit generating sectors, only locally manufactured goods were targeted by the sale tax Decree of 1986, although, this might not have been the intention of the law. VAT is neutral in this regard. Under VAT, a considerable part of the tax to be realized is from imported goods. This means that under VAT, locally manufactured goods will not be placed at a disadvantage, relative to import and since VAT, locally manufactured good will not be placed at a disadvantage relative to import and since VAT is based on the general consumption behavior of the people, the expected high yield from it will boost the fortunes of the state government with minimum resistance from the payers of the tax (Ola, 1999).

GENERAL STRUCTURES OF VAT IN NIGERIA

Value Added Tax is a consumption tax on economic operations, which includes imported goods and services. It originated from the Rome treaty signed by the European Union countries in the late sixties. VAT is computed at a flat rate of 5% of price of goods and services and at zero rates for export (Seyi, 1993).

Aims of VAT:

- To broaden the nations revenue base thereby making it less dependent on oil export
- The tax is at a flat rate of 5%
- The tax collected on behalf of the federal government by business and organization, which have registered with the federal Inland Revenue Service (FIRS, VAT Directorate) for VAT purposes
- A business or an organization, which has registered for VAT, is classified as a registered person such person will pay 5% on good and services purchased but can claim credit for this tax (called input tax) when sold

- Five percent VAT (called input tax) is included in the price all goods and services supplied by registered person
- The registered person has to make regular VAT returns and either pay to or receives from the FIRS (VAT Directorate), the difference of the input and output
- VAT returns (and payments are normally made month to the local VAT office on or before 14th days of the month next following that is which the supply was made
- To claim credit for input tax, a registered person must hold Tax invoice
- Record and account has to be kept
- FIRS (VAT Directorate) provide a free information and advisory service to help you with VAT

This guide is based on the provision of value Added Tax Decree, 1993. Sources (FIRS, information Circular No. 9304).

Taxable goods and services and rates: VAT covers manufactured goods and imports as well as professional and Banking Services. Though, the list of affected goods and services published by FIRS is still subject to amendment. Table 2 shows some of the goods and services and specific rate chargeable.

Goods and service exempted: VAT exempts essential goods such as all medical and pharmaceutical product basic food, books and educational material, news papers and magazines, baby products, fertilizer agricultural and veterinary medicine, farming transportation equipment. While, services exempted include medical services, services rendered by community bank's, people's bank and mortgage institution as part of learning. All diplomatic items are exempted as covered by international agreements and airline tickets for international travel.

Administration of VAT: The VAT system in Nigeria is administered by the Federal Inland Revenue Service (VAT Directorate). The board is charged with the function of assessment and collection of the tax and shall account for all amounts so collected in accordance with the provision of the decree. Although, it is administered and controlled by the federal government using the existing tax machinery of the federal Inland Revenue Services in close co-operative with the Nigeria custom service and the state inland Revenue Service. The net proceeds from VAT are shared among the federal, states and local government in the ratio 45:35:20

Thy prospective VAT payer obtains and completes VAT from 002 and returns to the nearest VAT office. Once, registered the the VAT proceeds is expected on monthly basis to be paid to the VAT office.

Table 2: Taxable goods and services and rates

Taxable good	Rate (%)
All goods manufactured or assembled in Nigeria	5
All goods imported to Nigeria	5
All of second hand goods	5
House hold furniture and equipment	5
Petrol and all petroleum products	5
Jewels and Jewelries	5
Textiles; clothing, carpets and rugs	5
Beer, wine, sprit, soft drink and bottled water	5
Perfumes and cosmetics (including toiletries)	5
Cigarette and tobacco	5
All vehicles and their spare part	5
All air crafts, air crafts bodies and their spare part	5
Soaps and detergents	5
Mining and minerals	5
Officer furniture and equipment	5
Electric materials of description	5
Such other goods that made be determine by the board from time to time as taxable goods	5
Taxable services	
All services rendered by financial institution to (Excluding people's banks and Mortgage institution)	5
Accountancy service including any type of auditing, Book-keeping or related services	5
Legal services including services supplied in connection there with	5
Computer including the provision of bureau facilities system analysis, design software, site development and training	5
Service supplied by architect	5
Service supplied by brokers	5
Services supplied by security companies and enterprises	5
Courier services	5
Repairs, alterations, processing or any other services provided in connection writes designated good by designated dealer	5
Tele communication equipment, installment and maintenance services	5
Letting of video tapes or any other audio visual recording or hiring copying and rewriting of video tapes and similar services	5
Entertainment services including plays and performance, crime shows and music concerts concluding plays and performance conducted by educational institution as part of learning	5
Air travels and company car hires	5
Any other services as may be prescribed by the board from time to time as taxable goods	5

Remittance of VAT: Every vatable person is to remit to the relevant local VAT office the net. VAT payable, which is the excess of the output tax over the in put tax while filling the VAT return. Remittances are supposed to be made together to the VAT returns filed. The VAT carries a single rate of 5% on vatable goods and services. Zero rate is assumed for export while there are goods and services exempted from the tax.

Accounting for VAT: Since, VAT introduction was long ago, there is need to emphasis, the peculiar aspect in accounting that relates to it. These are:

- VAT registration, which has been earlier, discussed
- The taxable period this is the period covered by any particular return. This period is one month in Nigeria. It has been extended administratively by the federal inland Revenue Services to the 28th to allow the registered person to adjust him or herself to the system in the first year of the new tax
- Payment basis-VAT collected has to be accounted for and the taxable period in which a payment in mode or received. In accounting for VAT, it is important for registered person to take note of the following points:

- Where, a trader pays VAT in respect of goods for resell, the amount so paid is debited to a VAT account as receivable. When the goods are later sold, the VAT collected is greater than the VAT paid, the VAT account will have a credit balance, which the trader pays to the VAT directorate
- When, a trader is acting as a collecting agent in respect of goods, which he acquired for resales, the VAT should not included in his accounts as expenses. When renders returns and pays the VAT to VAT Directorate, the VAT account should be debited and the cashbook credited accordingly. At the end of the trader's accounting period, any VAT not yet paid over to the government should be reflected as a liability in the balance sheet
- When, a trader suffers VAT which he can not pass on to the ultimate consumer e.g., the trade buys a vehicle for his business, the VAT will only increase the cost of the goods or services to him and should be accounted for a such

Offences and penalties of registered person: There are various offences with every stiff penalty under the VAT system some of the offences are:

- Giving false information on matter considered material
- Failing to notify change of address

- Failing to issue receipt
- Failure to keep proper records
- Obstructing inspection of premises in order to ascertain if premises in order to ascertain if premises are used in the of taxable goods and services

There are swift and automatic penalties differentiated by the types of transgression. Some of the penalties are as follows:

- Offence-furnishing of false document or statement. Penalty-liable on conviction to a fine of twice the amount under declared
- Offence-evasion of tax. Penalty liable on conviction to a fine of N30,000 or two times the amount of tax being evaded, whichever is greater, or imprisonment for a term not exceeding 3 years
- Offence-failure to notify change of address within 1 month of such change. Penalty-payment of N5,000,000
- Offence-failure to issue tax invoice for good sold or service rendered. Penalty-liable on conviction to a fine of 50% on the invoice was not issued
- Offence-resisting, considering, obstructing or attempting to hide or to obstruct an authorized officer from performing his duty on inspection. Penalty-liable on conviction to a fine of 10,000.00 or imprisonment for a term of 6 months or to both fine and imprisonment
- Offence-failure to submit returns by taxable person. Penalty-payment of a fine of 5,000.00 for every month in which the failure continues
- Offence failure to keep proper records and accounts for his business transaction to allow for the correct ascertainment of tax. Penalty N2,000.00 for every month in which the failure continues

Collections and computation of VAT: The collection of VAT is not different from the current system of collecting withholding taxes operated at all levels of government. Essentially, the withholding tax requires the payer to withhold (deduct) percentages. Specify by law from his payment and to remit this withhold amount to the government. The law imposes the liability for the underlying obligation being paid is that of the year.

Computation: Value-Added Tax is calculated by deducting from the value of goods or services the cost of input of other goods or services that were used up in process of the production of the goods or delivery of the services.

Problems of VAT administration: Although, It is agreeable that, there is need for VAT to replace the formal sales tax because of the progressive nature, government's ability to adequately and effectively retrieve the proceeds from companies and other agent of collection remains a problem. It does not appear as if there is adequate machinery for effectively monitoring the remittance of tax withheld to the relevance tax authority. The Federal Inland Revenue Service (FIRS) lacks logistics support for effective administration of VAT.

The further problem of VAT administration present composition and functions of the tax authorities, which weaken effective tax administration in the country. Nigeria's perform only technical functions and not the needed management functions. The non-performance of management functions given the increasing complexity of the tax administration largely explains the ineffectiveness of tax administration in Nigeria. Basically, the performance of only technical function leads to large declaration, refusal to complete tax return form, fraud, declaration, refusal to complete tax return form, fraud inflation and deductible expenses, smuggling, default, illegal bunkering, etc.

The dishonest practices by some tax officials also, pose a serious threat to effective tax administration in Nigeria especially, when such practices are capable of having demoralizing effect on the honest tax payers in the same vain, consumers still want to know how much of this tax these companies are collecting from VAT, more especially when such tax is not even duly reflected in their invoice. It is believed that VAT is just another way of inflicting economic hardship on consumers to the advantages of manufacturers and companies. Tax experts are of the opinion that seminar and workshops so far organized on the issue are narrow scope and design. Another problem is that Nigeria. Se VAT as an excuse to raise price of goods arbitrarily-inadequate and lack of information also makes VAT administration difficult.

Agenda for the effective management of VAT: The good tax system according to Musgrave should be designed so as to meet the requirement of equity, effective and ease of administration, while it is admitted that our tax system should strive to achieve those three ES f taxation, it is additionally important that a cardinal objective of our tax system is to provide resources for the development of the national economy to achieve the three ES if the system cannot, in the end, generate sufficient reason for the realization of the nations development objectives. In the Nigeria context, VAT was introduced to help boost the government revenue, which has been dwindling for many

years. VAT has started yielding positive results for instance, in its first month of operations; yielded over N 500 million. This is an indication that if it is properly managed, the projected N6 billion revenue to be generated by VAT will be exceeded. However, for the Federal Inland Revenue Service to hit that target of 6 billion, the performance of the management function of taxation in the country is veritable. However, to discharge this management functions, the FIRS must be set granted full autonomy (Anonymous, 2003).

An internal audit section should also be set up in each tax zone to carry out periodic assessment and monitoring of the performance of the FIRS and also audit the record of each taxable person or organization. As sharp practices by tax officials do not enhance the public image of the tax authority and are capable of having deteriorating effect on the willingness of honest citizens to pay tax, no case involving fraud, loss of tax revenue and the printing and use of tax revenue receipts should be expeditiously handled while appropriate. Sanctions be imposed and nicely publicized to serve as a deterrent machinery should also be set up to hear cases of abuse against consumers.

The absence of the tax payer's voluntary compliance give rise to enforcement and for penalty, the test of whether or not tax administration is a toothless bulldog is in the process of enforcement, in an effective system, the tax administration created an impression through its action that it can bark and bite, if need be. Effective sanctions as contained in the VAT Decree must be promptly taken against VAT defaulters as the needs arises, but within the limits of the law.

Population: The population of this study consist of tax officials in Federal Inland Revenue Service (FIRS), other various recognized tax bodies and members of the public with consideration knowledge of the tax system. The sample size that was randomly selected made up of 550 respondents from the chosen population. Questionnaires and surveys were used for data collected. The questionnaires had been prepared to reflect all variables that would affect the management of Value Added Tax for effective revenue generation to the government. These factors include VAT administration, legal framework, problems of VAT, the efficiency of the collection machinery and the enforcement procedures.

In addition to these preliminary interviews, was a review of study relating to the problems of administration and collection machinery of VAT. Simple percentages and chi-square (χ^2) were used for data analysis.

The likert scale is used to measure the intensity or degree of agreement by the respondent.

The five point likert scale is used and the rating is as follows:

- Strongly Agree (SA)
- Point Agree (A)
- Point Undecided (U)
- Point disagree (u)
- Point Strongly Disagree (SD)

Data presentation and analysis: The researcher distributed 550 copies of questionnaire for this study of which 433 copies of the questionnaire were duly answered and returned by the respondents. This represents 86% response. The remaining 117 copies of the questionnaire were not returned. The reason for this is that the knowledge and understanding of Value Added Tax is still new to a particular section of the public, it can be observed that 69.8% of the total respondent are male while the remaining 30.2% are female. The analysis shows that most of the respondents are male considering the distribution of the sex as shown by analysis.

It can be seen that 65.1% of the total respondents are of the age range of between 31-40 years, while 18.6% are of the age range of between 41-50 years. This shows that the large portions of the respondents are young individuals.

It can be observed that 60.5% of the total respondents are married. About 39.5% of them are single. This indicates that the larger portion of the respondents is married.

It equally shows that 44.2% of the total respondents have had working experience of 16 years and above. Which is the highest distribution of working experience. This shows that most of the respondents are highly experienced in their field.

About 67.4% of the total respondents have a first degree of either a B.Sc or HND while 16.3% of them have a MBA/MSC degree. This is an evidence that majority of the respondents are holders of BSC or HND and MBA/MSC.

About 72.1% of the total respondents majored in taxation in the higher institution while, 11.6% of the total respondents majored in business administration. This undoubtedly shows that the majority of the respondents are knowledgeable in the field of taxation.

About 76.7% of the total respondents agree that the administration of VAT has been very effective in Nigeria since its inception, 14% of them also strongly agree to it. This indicates that majority of the respondents are of the opinion that VAT administration has been very effective since it was introduced. This therefore, means that there has been total compliance from every sector of the economy.

About 74.1% of the total respondents agree that VAT has been effective in terms of tax return procedure. While, 18.6% of them disagree. This is an evidence that majority of the respondents share the opinion that the return procedure of VAT has been effective.

About 93% of the total respondents agree with the fact that VAT has been effective in terms of tax collection procedure compared with 23% of the total respondents which disagree. These show that majority of the respondents agree that collection of VAT has been effective.

About 62.8% of the total respondents agree with the fact that 70% of the population is aware of VAT and 22.2% of the total respondent strongly agree to the opinion. This is an indication that majority of the respondents share the opinion that a larger percentage of the Nigeria population is aware of the existence of VAT.

About 83.7% of the total respondent agree that VAT has economic implication on consumption pattern. Compared to just 11.6% of the total respondent which disagreed. This shows that most of the respondents agree that consumption pattern is influenced by VAT.

About 93% of the respondents disagree with the fact that VAT has no implication on the economy. This is an indication that majority of the respondents share the opinion that VAT has implication on the economy in various ways.

RESULTS AND DISCUSSION

Hypothesis 1: The computed χ^2 -value of 89.68% is greater than the critical χ^2 -value of 9.488 in this situation therefore, reject the null hypothesis H_0 and accept the alternative hypothesis H_1 that value Added Tax has been effectively administered.

Hypothesis 2: Reject the null hypothesis since the computed χ^2 -value of 172 is greater than the critical value 9.488. Therefore, the null hypothesis H_0 is rejected while the alternative H_1 that value added tax increases government revenue is accepted.

Hypothesis 3: Reject the null hypothesis since the computed χ^2 -value of 111.08 is greater than the critical value of 9.4888. Therefore, the null hypothesis H_0 is rejected while the alternative hypothesis H_1 that Value Added Tax will have economic implication on consumption pattern in Nigeria is accepted.

Hypothesis 4: Reject the null hypothesis since the computed χ^2 -value of 81.3 is greater than the critical value of 9.488.

Therefore, the null hypothesis H_0 is rejected while the alternate hypothesis H_1 is accepted. By inference, it shows that value added Tax laws are adequate for efficient VAT returns and collection.

Summary of findings: From the thorough research undergone for the research study, the following conclusion were made on the findings:

- VAT is properly and effectively administered, the problem VAT faced now is that of inadequate and well trained personnel
- VAT has economic implication on consumption pattern
- VAT has high impact on government revenue
- The existing tax laws on VAT are adequate for efficient collection and returns
- A substantial pattern of Nigerians are aware of the existence of VAT
- Though, VAT has been known to be defective in some areas, it has been able to serve the purpose for which it was introduced to a considerable length
- The decision by the government to replace the former sales tax with Value Added Tax has been a worthwhile one

CONCLUSION

The introduction of the Value Added Tax to replace the former sales tax, which was adjusted to be narrow in coverage had only nine items in its list inspite of its good intentions and challenging prospects. The new tax system has been advocated on eliar to manufacturers, which is capable of enhancing productivity this reactivating our depressed economy. A year after its commencement, the program appears not to be the monster that many Nigerians thought it was. It is hoped that it may turn out to be another gold mine for the government.

Although, the impact of VAT on government revenue is significant currently, attempt can be made to increase revenue from this source, if the under mentioned recommendation can be given adequate considerations, we except government to incorporate all these into its planned reviewed to VAT, so that the burden, which its execution is causing manufacturers and final consumers, can be appropriately ameliorated.

RECOMMENDATIONS

After a close study and review of literature on the subject, the following recommendations are hereby prescribed:

- Federal Inland Revenue Service must henceforth perform the management functions of tax administration
- From the above, it is expected that in a given tax system such as VAT, an efficient tax administration would yield maximum revenue with a minimum cost. This however depends on the quality of the machines for tax administration which include the manpower devoted to tax collection and assessment, the equipment the VAT decree. When the people come to understand VAT better and its benefit to the economic compliance would be greater and therefore compliance cost would be smaller. On the other hand, when the voluntary compliance is great, the VAT administration would be easier and giving the tax structures the greater revenue yield
- There is need to embark on business enumeration in each state with a view to having data base on business
- Seminars and workshops so far organized on this issue are narrow its scope and design. This should be functional VAT offices in every council area to coordinate a vigorous campaign to educate people and seek their cooperation. This will no doubt erode the negative attitude that some of the consumers have developed towards VAT
- The government should adequately make provision for retrieving the proceeds of VAT from companies and other agents of collection
- VAT has a good chance of working in Nigeria if it receives the cooperation of tax collector. If however, people continue to evade tax colluding with tax collectors as witnessed on sales tax, no meaningful achievement would be made
- Again enforcement of penalties and addition returns assessment provision could go along way in enhancing VAT collection
- Fast disposition of tax cases will help administration machinery. Developing tax cases will not help the recovered efforts of tax administration. It maybe advisable to designated certain magistrate courts in each zone to specifically handled state revenue matters
- A good system of taxation must ensure that tax laws which include VAT laws must satisfy the following basic principle:
 - The language must be simple and clear so an average person can understand it. A tax law, which cannot be read and understood, does not serve any useful purpose
 - All the existing VAT laws should be confided and made easily available to all concerned
 - Every word used must convey its ordinary, every day meaning. This will enable the VAT payer to know how and where he stands in relations to the returns authority and tax collector. The only accepted departure from this is where, the law itself combining definition of any technical word
- The list of VAT items exemptions should be clearly defined in simple language. This should be property articulated to ensure that only luxury goods are vatable while all locally manufactured goods items must be exempted

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