Effect of Value Added Tax on the Nigerian Economy

ORAKA, AZUBIKE O.
OKEGBE, T. O.
EZEJIOFOR RAYMOND
Department of Accountancy
Nnamdi Azikiwe University, Awka

Abstract:

The objective of this study is to determine the extent to which value added tax has affected the Nigerian economy. Ex post facto research design was adopted for this study. In measuring Nigerian economy, Gross Domestic Product (GDP), Per Capital Income (PCI) and Total Revenue (TR) were used in the study for the period 2003 to 2015. Secondary data method was adopted in obtaining data on value added tax, gross domestic product, per capital income and total revenue. These data were obtained from CBN statistical bulletin, Federal Inland Revenue Services federal ministry of finance, and journals. The data obtained were analyzed using Simple regression analysis. Findings shows that value added tax has not significantly affected Gross Domestic Product of Nigeria economy. It was also discovered that VAT has a negative relationship with per capital income. Finally, we found that VAT has a positive relationship with total revenue generation of Federal government of Nigeria. The implication of these findings is that Nigerian economy will experience slow development in spite that VAT has a positive effect on revenue generation. Based on these findings, the researcher recommends that Nigerian government should put in place fiscal policies that will enhance investment in agriculture, industries and technology which will stimulate overall productivity growth.

Key words: Value Added Tax, the Nigerian Economy
INTRODUCTION

Taxation forms the most important sources of revenue to the government. Tax is a compulsory payment imposed by various tiers of government on individuals and corporate organizations. Also there is no ‘quid pro quo’ between tax payer and how the government spends the tax paid. In other word the governments need not to explain to a payer how his own particular payment will be utilized (Umeora, 2013).

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. 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 & Associates, 2008). Where the reverse is the case, the taxpayer is entitled to a refund of the excess VAT paid or more practically, to receive a tax credit of the excess VAT from the government. All exports are zero rated for VAT, i.e. no VAT is payable on exports. Also, VAT is payable in the currency of the transaction under which goods or services are exchanged (Umeora, 2013).

Value Added Tax (VAT) is one of the most popular taxes around the world. In sub-Saharan Africa for example, VAT has been introduced in Benin republic, Cote d’ Ivoire, Guinea, Kenya, Madagascar, Mauritius, Niger republic, Senegal, Togo and Nigeria. Evidence has shown in these countries that VAT has been an important contributor to total government revenue (Ajakaiye 2000). Shalize & Squire (1988) found that VAT accounted for about 30% of total tax revenue in Cote d’ Ivoire, Kenya and Senegal in1982. Tait (1989) showed that VAT has
been in effect in Ecuador and Mexico since at least (1973) and by 1983 accounted for 12.35% and 19.71% of total government revenues in those countries respectively. Indonesia introduced VAT in 1983 and by 1988, the ratio of revenue GDP has raised to 4.5% (Bogetic and Hassan 1993). According to Ajakaiye (2000), the impressive performance of VAT in virtually all countries where it has been introduced strongly influenced the decision to introduce it in Nigeria in 1993.

The main reason for the popularity of VAT is that it provides a buoyant revenue base that usually yields significantly more revenue than other tax on consumption. It is relatively easy to administer and difficult to avoid. The yield from VAT is a fairly accurate measurement of the growth of an economy since purchasing power increases with economic growth (Paulo 2002).

Evidence so far supports the view that VAT revenue is already a significant source of revenue in Nigeria. For example, actual VAT revenue from 1994 was #8.189 billion which is 36.59% higher than the project is #6 billion for the year. Similarly actual VAT revenue for 1995 was #21 billion compared with the projected #12 billion. In terms of contribution to total federally collected revenue, VAT accounted for about 4.06% in 1994 and 5.93% in 1995. As much as #404.5 billion was collected on VAT (5.1%) of total revenue in 2008, VAT revenue of #1.97 trillion was paid to federation account for the first half of the year 2015 (CBN,2015).

The prevalence of high rate of unemployment, poor standard of living and the poor state of infrastructural facilities in Nigeria is alarming. The vice president of Nigeria, Yemi Osinbajo re-affirmed this on 26th June 2015 when he asserted that the poverty level in Nigeria is intolerable (www.vanguard.org). Research has been done to determine the effects of Value Added tax on some aspects of the Nigerian economy. Ajakanye (1999) observed that VAT has become a major source of revenue in many Sub-Saharan African
countries including Nigeria. Over the years Value Added Tax (VAT) as a form of indirect tax was introduced in France in 1954. From there it spread rapidly to other developed countries except to US where it has not been adopted to date. International Monetary Fund (IMF) was at the vanguard of spreading the concept to developing and transitional economies. Since VAT worked in the form of taxation that has turned out to be goldmine. As stated earlier it was introduced into Nigeria by Decree 102 of 1993 and started functioning in January 1994. Ajakaiye (1999) observed that VAT has become a major source of revenue in many Sub-Saharan flows into the government treasury. The reason is that poor people spend a large portion of their income on purchases some of which carry VAT. The general negative attitude on the part of citizen of the country towards paying tax, poses tax avoidance, under-utilized revenue from VAT unaccountability on the side of tax administrators, poor awareness of the issue of VAT by the public, ineffective administration and implementation of VAT, excessive dependence of imports, etc. It also becomes difficult to comply with VAT since it involves giving out a percentage of one’s income to the government. More over in Nigeria the revenue from VAT is routinely shared out according to agreed percentages while not a lot of research has been done to determine the effects(s) of this new revenue source on some aspects of the economy. Though prior research revealed that VAT as a tax has contributed immensely on the economic growth of Nigeria. However, the recent economic recession to an extent has eaten up the economy.

Against the background of the problems stated above, this study assesses the effect of value added tax (VAT) administration on the economic growth in Nigeria. Specifically, the study aims at achieving the following;

1. To ascertain whether VAT contributes to total tax revenue of the nation.
2. To determine if VAT contributes to the Gross Domestic Product of the nation.

3. To find out the effect of Value Added Tax (VAT) revenue target on actual VAT within the period under study.

Hypothoses
The hypotheses of this study are stated in their null forms below:

1. \( H_0 \): Value Added Tax (VAT) does not contribute to total tax revenue of the nation.

2. \( H_0 \): Value Added Tax (VAT) does not contribute to the Gross Domestic Product of the nation.

3. \( H_0 \): Value Added Tax (VAT) revenue target has no impact on the actual VAT within the period under study.

REVIEW OF RELATED LITERATURE

Conceptual Framework
1. Value Added Tax
Value Added Tax (VAT) is a consumption tax levied at each stage of the consumption chain and borne by the final consumer of the product or services. Each person is required to charge and collect VAT at a flat rate of 5% on all invoiced amount on all goods and services not exempted from paying VAT, Under Value Added Tax Act 1993, as amended. 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 (Federal Inland Revenue Services. Information Circular No 9304). Where the reverse is the case, the taxpayer is entitled to a refund of the excess VAT paid. All exports are zero rated for VAT, no VAT is payable on exports. Every person, whether resident in Nigeria, who sells goods or renders services in Nigeria under the VAT Act as amended is obligated to
register for VAT within six months of its commencement of business in Nigeria. The registration is with the Federal Board of Inland Revenue (FBIR).

The VAT Act as amended provides that a foreign non-resident person or company that carries on economic activities in Nigeria is also obligated to register for VAT, using the address of the person with who it has a subsisting economic activity for the purpose of correspondence with FBIR and for compliance with the VAT law. The foreign non-resident persons or company is required upon registration for VAT to include in its invoice VAT 5% with the instruction to the receiver of the goods or services to remit the VAT in the currency of the transaction to the Nigeria government on behalf of the foreign non-resident person. A taxable person, whether Nigeria resident outside Nigeria, who fails or refuse to register for VAT administration within six months of engaging in any economic activity in the territory of Nigeria is liable to pay a penalty of $67 for the first month that failure occurs and a further penalty of $34 for each subsequent month in which the failure continues. In addition to the fines of non registration, Section 32 of the VAT Act as amended, authorized the FIBR to seal up the premises from where the economic activity in question is being carried on within the territory of Nigeria.

2. Implementation of VAT in Nigeria
The key facts which will help to understand the implementation of vat in Nigeria.

1. VAT is a tax on expenditure. The tax is borne by the final consumer of goods and services because it is included in the price paid, although the vat element is to be separately indicated in the sales invoice.
2. The tax is presently at a flat rate of 5%.
3. The tax is collected on behalf of the government by businesses and organization which have registered with the firs and vat offices for vat purposes.
4. All businesses and organizations are to register for vat in the local vat offices or operating bases. Branches of register. Independently in their own Area of operations. A business or organization which has registered for vat is classified as “registered person”.

5. A registered person will pay 5% on goods and services purchased but claim credit for this tax (called input tax) when sold, 5% vat (called input tax) is included in the price of all goods and services supplied by the registered person.

6. The registered person has to make regular vat return to first (vat directorates).

7. Vat returns (and payment) are normally made monthly to the VAT office on or before the 30th day of the month following that in which supply was made.

8. Records and account have to be kept on all business transactions.

9. No individual businesses, organization or government agency is exempted from the tax on goods and services and specially specified activities are exempted.

10. Federal Inland Revenue Service (VAT DIRECTORATES) provide a free information and adversary services to help the citizens with vital information concerning VAT.

The guides above is based on the provision of the value added tax decree 102 1993, as amended.

3. Administration of Value Added Tax in Nigeria
According to Loveday and Nwanyanwu (2015), the success or failure of any tax, depends largely on the extent of how it is properly managed. The extent of tax is interpreted and implemented as well as the publicity brought into it, which determine how a particular tax is able to meet its objective.
Richard (1993) concluded that “the successful execution of fiscal policies depends on the quality of public administration and the formation of policies that are really adapted to the available resources. VAT may be complicated to administer but it is not as complex as personal or company income tax.

Federal Inland Revenue service (1999) Stated that there are five district bodies on which the administration of VAT rest in Nigeria. They are inter related and the function of each are complimentary to others;

1. The Board (Federal Board of Internal Revenue).
2. The Service (Federal Inland Revenue Service).
3. The Technical Committee.
4. The Nigeria Custom Service.
5. The VAT Directorate.

Other sub-internal bodies include;

1. The State Internal Revenue Service.
2. The Zonal Officer.
3. The Local VAT Officer.

The establishment of additional 25 VAT offices and 5 zonal tribunal has been approved. The administration will work closely with the Nigeria Custom services and the State Internal Revenue Services. The Custom Services specifically takes care of the VAT on imports. To qualify for VAT, an Organization of enterprise must register for with the VAT Directorate. All domestic manufacturers, wholesalers, distributors, importers and suppliers of goods and services in Nigeria are expected to register for VAT.

**Per Capita Income**

This is also known as average income, It is the total income of a country divided by its total population .per capital income is used as a measure of the wealth of the population of a nation ,particularly in comparison to other nations ,which is a yardstick for measuring standard of living .It is usually
expressed in terms of commonly used international currency such as United State dollar, and is useful because it is widely known, and is easily calculated from readily available gross domestic product (GDP) and population estimates, and produce useful statistics for comparison of wealth between sovereign territories. This helps the country to know its status.

Empirical Review
Ajakaiye (1999) studied the macroeconomic effects in Nigeria: a computable general equilibrium analysis. His study showed evidence that VAT revenue is already a significant source of revenue in Nigeria. For example the study stated that in 1994 (the year of inception) actual VAT revenue was in billion. In 1995 actual VAT revenue was used three scenarios to approximate the presumed Nigerian situation. First, he assumed that the government pursed an active fiscal policy involving the reinjection of combination with a presumed non-cascading treatment of VAT. The result of the study was that the cascading treatment of VAT with active fiscal policy not only had the most harmful effects on the one that most closely approximated to Nigerian situation.

Adereti et. al (2001) empirically investigated the contribution of Value Added Tax (VAT) to GDP in Nigeria 1994-2008. They used time series data of GDP and VAT revenue for the period and did simple Regression analysis and descriptive statistical method. Their findings show that VAT revenue to Total Tax Revenue averaged 12.4% which they considered low compared to 30% in Ivory Coast, Kenya and 19.71% for Mexico. VAT Revenue to GDP averaged 1.3%. Their study also shows that a positive and a significant correlation exist between VAT revenue and GDP. The study also observes that there is no causality existing between GDP and VAT revenue. The report concludes by recommending that the government should plug up all identifiable administrative loopholes for VAT Revenue to contribute more significantly to Nigeria’s economic growth.
Ebiringa and Emeh (2012) examined the empirical forms of tax on the economic growth in Nigeria. Secondary data were sourced within the periods of 1985-2011 and model was specified and estimated using some econometric. The result showed that the determinant factor of economic growth in the country through tax, only custom and exercise duties is capable of influencing but has an inverse relationship and significant to the GDP. It is observed that economic instability were experienced between 1986-1987 and 1993 to 1995 but evident in the stability in the economic growth from the graph in the rest of the years of the study around bench mark value of zero line of the GDP predicted graph based on tax generations in Nigeria. The study therefore recommended that the company income tax system should be generally structured to bring about more yielded revenue results capable of contributing more significantly to the Nigerian economic as it is done in the advanced countries of the world. Custom service operations and revenue generations in the border was not practically reflected in the economic due to no accountability, transparency and leakages in the system.

Izedonmi and Okunbor (2010) empirically examined the contribution of VAT to the development of the Nigerian economy. Time series data on the Gross Domestic Product (GDP), VAT Revenue, Total Tax Revenue and Total (Federal Government) Revenue from 1994 to 2010 sourced from Central Bank of Nigeria (CBN) were analyzed, using both simple regression analysis and descriptive statistical method. Findings showed that positive and insignificant correlation exists between VAT Revenue and GDP. Both economic variables fluctuated greatly over the period though VAT Revenue was more stable. This paper therefore recommends that all identified administrative loopholes should be plugged for VAT Revenue to continue to contribute more significantly to economic growth of the country.
Ajala, Oladayo and Ayorinde (2010) examined the impact of value added tax on revenue generation in Nigeria. The Secondary Source of data was sought from Central Bank of Nigeria statistical Bulletin (2010), Federal Inland Revenue Service Annual Reports and Chartered Institute of Taxation of Nigeria Journal. Data analysis was performed with the use of stepwise regression analysis. Findings showed that Value Added Tax has statistically significant effect on revenue generation in Nigeria. The study recommends that there should be dedication and apparent honest on the parts of all agents of VAT with respect to the collection and payment and that government should try as much as possible to improve on the way of collecting value added tax.

Yakubu and Jibrin (2013) center their study on analyzing the impact of value added tax (VAT) on economic growth of Nigeria. Data analysis it used Johansen Co integration test. The result shows that value added tax have positive impact on economic growth of Nigeria. The researcher draw conclusion that the policy makers in Nigeria should continue this fiscal policy with other macroeconomic indicators .pursuing this policy will enhance the Nigeria economy positively, more specifically in time of economic crisis in the world.

Eyisi. Chioma and Nwaorgu (2015), the study aimed at ascertaining the effects of taxation on microeconomic performance in Nigeria from 2002 to 2011. Data were collected from secondary sources. Three hypotheses were tested using ordinary least squares regression method. The implication of the findings showed that government earnings from taxation will affect consumer spending and boost output production level. The study recommends that to ensure rapid economic growth in Nigeria, there is need for government to encourage local manufacturers of output through provisions of incentives from taxation. And through the increase of import duties as to discourage importation of foreign goods which competes with
local goods thereby increasing income generation from taxation which enhances economic growth. Government should continue to show fairness in fixing income tax of consumers so as to encourage consumers spending tax system using a time series data of 20 years. All the data for the analysis were collected from central bank.

Umeorah, (2013) investigated the effects of Value Added Tax (VAT) on economic growth (GDP) and total tax revenue in Nigeria. VAT was introduced in the country in 1994 and one wants to estimate its contributions to GDP and total Revenue. In pursuit of this, two hypotheses were proposed namely First: $H_0$ that VAT does not have significant effect on GDP. Secondly we have $H_0$: VAT does not have significant effect on Total Tax Revenue. Simple Linear Regression method was used to analyze time series data relating to VAT, GDP and Total Revenue for period 1994 – 2010 and computation done with the assistance of SPSS. The results of regression analysis show that VAT has significant effect on GDP and also on Total Tax Revenue. That means that both Null Hypotheses ($H_0$) are accepted.

Izedonmi and Okunbor (2014) empirically examined the contribution of VAT to the development of the Nigerian economy. Time series data on the Gross Domestic Product (GDP), VAT Revenue, Total Tax Revenue and Total (Federal Government) Revenue from 1994 to 2010 sourced from Central Bank of Nigeria (CBN) were analyzed, using both simple regression analysis and descriptive statistical method. Findings showed that VAT Revenue accounts and total revenue account for as much as 92% significant variations in GDP in Nigeria. A positive and insignificant correlation exists between VAT Revenue and GDP. Both economic variables fluctuated greatly over the period though VAT Revenue was more stable.

Bakare Adewale Stephen (2013) this study investigated the enormity of the impact of the value added tax on output growth in Nigeria. Ordinary least square regression analytical
technique (OLS) was employed for the empirical study. The study found that a positive and significant relationship exist between value added tax and output growth in Nigeria. The results of the finding showed that; the past values of value added tax could be used to predict the future behaviour of output growth in Nigeria. The main conclusion of this study therefore is that Value Added Tax has the potential to assist in the diversification of revenue sources, thereby providing enough funds for economic growth and development and reducing dependence on oil for revenue. Hence our findings and conclusion support the need for the government to satisfy the principle of economic justice in the allocation of VAT revenue. The revenue generated from VAT should be efficiently utilized for building infrastructure required for sustainable growth and development.

Obiakor, kwarbai and Okwu (2015) this study employed ex-post facto research design to investigate the effects of value added tax on consumption expenditure pattern and consumer price index in Nigeria. The study considered value added tax revenue, house hold consumption expenditure on durable and non-durable goods as well as consumer price index for the period 1994 - 2014. Data used for analysis were extracted from National Abstract of Statistics of the National Bureau of Statistics and the Statistical Bulletin of the Central Bank of Nigeria. The tools of analysis were multiple regression models on households’ durable and non-durable goods consumption expenditures and consumer price index with lagged valued variants. Results showed that value added tax and one-period lagged consumption expenditure on durable goods significantly affected households’ consumption expenditure on durable goods. Further, positive significant effects were established for value added tax in relation to households’ consumption expenditures on non-durable goods; and VAT, its variants and previous spending levels did not discourage households’ consumption
expenditures; and value added tax did not bear significant relevance on consumer price index.

Okwori and Ochinyabo (2014) this study focused on the assessment of the effect of Value Added Tax on Revenue Generation for sustainable development in Nigeria. The study is aimed at establishing an innovative method of assessing taxation on the Revenue Productivity theory-that is, high revenue generation at minimal cost given a very broad all inclusive base. Using a log-linear data for regression on e-views 7.0 technique, the study found a positive 0.186 tax elasticity and buoyancy which is desirable. This shows that VAT is not only a viable taxation tool in Nigeria but also has great potential to generate adequate revenue for the Nigeria Government. But, government as an element of the package included numerous exemptions, generous concessions, and arbitrary waivers especially for unproductive ventures. This has greatly affected revenue base, leaving high annual budget deficits, and an extremely poor fiscal performance. This also has implications for proper VAT threshold which raises concerns of abuse and high cost, sharply leading to revenue losses and poor response of VAT to GDP growth. The study therefore recommends that there is a need to consider the technology of the tax collection. That is; the feasibility of the tax instruments, cost of administration, and compliance. Also, special attention in the area of automation, consumer information and its mechanism modified to respond to GDP flexibilities is required. Holds negatively and escalate consumer price index to undesired level.

Oko (2015) the impact of value added tax on lease service consumption is variously felt among lessors, lessees and lease financers across the globe sequel to the variance in environments of operation. This accounts for variation in the acceptability of leasing and its marketing as contributor to macro economic development through growth. This work addressed these controversies as it compared the incidence
sales tax, as an alternative to value added tax; related value added tax operations in Nigeria to Ghana and identified strategies to the re-positioning of value added tax in Nigeria. As a survey based exercise, the work relied on the use of questionnaire and interviews with the records of Equipment Leasing Association of Nigeria, those of Ghana and Afro lease as complementary and supplementary sources of data. Tools of analyses include ‘t’ test statistics for difference of means, Analysis of Variance (ANOVA), Pearson correlation coefficient ‘R’; Co-efficient of determination R2 and the Spearman’s rank correlation coefficient, given the ranking of variables using the different scales as weighted based on the modified likert ranking scale. Common observations include the existence of insignificant difference between the impact of sales tax and value added tax on the consumption of lease services, Nigeria compared to Ghana has poor attitude to value added tax administration hence the poor level of lease service acceptance in Nigeria, Rebate in value added tax rate and efficiency in tax accounting education for cost minimization have the potency of addressing the supposed poor attitude of Nigerians to lease service consumption. Recommended thus are, the restructuring of the administration and policies of value added tax, for the recognition of the differences in characteristics of the different segments of the lease ticket markets, emphases on lease e-transaction for fraud control and the improvement in the level of value added tax accounting education for cost management.

Sackey and Ejoh (2014) investigate the effects of ‘Tax Revenue Allocation on Consumption’ as the economy grows and to determine the dynamics (stability) of the various tax revenue allocations to the Calabar Municipal Council with predetermined time covering a period of 23 years (1980 to 2002), and to partly observe inter-temporal changes, if any, in the behavior of revenue flexibility coefficients. Secondary data of tax revenue records were used for the study. The data
collected was analyzed using the ordinary least square method to evaluate the impact of tax revenues allocation to the local government and its effect on consumption tax (VAT) also known as sales tax levied on the value added at each stage of production or distribution of goods and services and paid by the ultimate consumer. The emerging results, established that there was not sufficient tax revenue generated within the period of study through consumption (VAT), hence the inflexibility of Federal Government Tax Revenue Allocation, State Government Tax Revenue Allocation and Internally Generated Tax Revenue with respect to consumption.

Akintoye and Tashie (2013) examined the effect of Tax compliance on economic growth and development in Nigeria. Tax compliance here is proxy in willingness of the citizens to pay tax. The conclusion is that compliance through the Willingness of citizens to pay tax is very important and cannot be ignored. It is suggested that Government should pay attention to the factors that influence the willingness of citizens to pay Tax and improve on them, thereby improving peoples” willingness to pay tax, government Revenue and economic growth and development of the nation generally.

Sam, Olusanya, Ajide, Afees and Akinola (2008) analyzes two items of revenue (statutory and VAT) shared among the states including FCT and all the Local Government Areas (LGAs) between May 1999 and December 2008. The net statutory allocation after deductions was also analyzed. Using Cluster analysis to evaluate revenue allocation in Nigeria, States and LGAs exhibiting similarity in revenue received were grouped and their common features highlighted. The result of this exercise may be a pointer to resolving the issue of viability when combined with other statistics.

Jibri, Blessing and Ifurueze (2012) ascertain the Impact of Petroleum Profit Tax on the growth of Nigerian economy for the period 2000- 2010. The method of analysis used was ordinary least square method, after the analysis the research
findings includes: Petroleum profit tax impact positively on Gross Domestic Product of Nigeria and it is statistically significant. Also total oil revenue impact positively on Gross Domestic Product of Nigeria and it is statistically significant.

Uwaoma and Geroge (2015) investigate the impact of value-added tax on corporate financial performance of quoted companies. The population elements include the General Managers, Chief Accountants, Finance Managers, Chief Internal Auditors, External Auditors, and Tax Administrators of the selected companies. A total of forty (42) respondents were considered for this study. A well-structured questionnaire designed in five-point Likert Scale was administered on the respondents to elicit their responses. The data generated for this study were presented in tabular form and analyzed using frequencies and simple percentages while the stated hypotheses were statistically tested with the simple regression analysis and the t-test. Their findings indicated that Value-Added Tax (VAT) impacted negatively on the financial performance of agribusinesses though the impact is of insignificant value.

Akenbor and Arugu (2014) this paper investigated state government taxation in Nigeria with a view to determine its impact on economic growth. To achieve this purpose, it was hypothesized that state government taxation has no significant impact on economic growth in Nigeria. In line with the above, related literature were critically reviewed. The data for this study were generated from the Central Bank of Nigeria (CBN) Statistical Bulletin for a period of 13 years (1999-2012) the data were analyzed with multiple regression analysis. The findings revealed that state government taxation has a significant impact on economic growth in Nigeria. Based on the above, it was recommended that state government should rise to the challenge of boosting its revenue base by ensuring that all available sources of revenue are adequately tapped and also ensure that tax administration and collections become more effective and efficient in Nigeria.
Adesina and Famous (2013) assesses the level of tax education, particularly the level of understanding of VAT law amongst three categories of taxpayers in Nigeria. The data for the study were collected by means of structured questionnaires administered to the respondents. The analysis of results showed that most of the respondents have poor knowledge of VAT law in Nigeria, irrespective of their level of literacy, and that there was no significant difference in the amount of knowledge of VAT law amongst the three groups of respondents used for the study.

John, Ebiere and Emmanuel (2014) examine the dynamic causal relationship between tax revenue components and economic growth in Nigeria. The objective is to provide justification for policy adjustments necessary for broadening the narrow revenue base of the government and enhancing economic growth using time series data on different types of Taxes and RGDP from 1986 to 2012. Bounds testing technique was used in analyzing the data. The results indicate that total tax revenue has a significant effect on economic growth; explaining about 73.4% of the total variation in RGDP. CIT, EDT and OTR were each found to have significant influence on economic growth; sustaining long-run equilibrium relationships with RGDP. No significant causal relationships were shown to exist between PPT, VAT, and economic growth. The paper concludes that there exist a long-run equilibrium relationship between aggregate tax revenue and economic growth.

Igweonyia and Obiageli (2011) investigate the impact of VAT on the Nigeria economy as it relates to how it can improve government revenue and throws more light in its contribution to the economic growth and development of Nigeria. In addition to the oral interview and questionnaires distributed, was a review of study of literature relating to the impact, administration and collection of VAT in Nigeria. Simple percentages, bar chart, pie chart, and chi-square were used for data analysis on which purposive sampling technique was
adopted. The findings shows that A, VAT has economic impact in consumption pattern in Nigeria. B, VAT has positive impact on the economy of Nigeria. C, the payment of VAT has improved the prospects of businesses, organizations and industries in Nigeria.

Ayuba and Eluwa (2013) examines the impact of Tax Reform Policy on Revenue generation of the Federal Government of Nigeria. The primary objective of this paper is to prepare a case study on tax policy reforms in Nigeria, with the specific objectives of examining the main tax reforms in the country, highlighting tax revenue profile and contributions of the three categories of taxes identified as personal, company and custom duties to the total revenue collection. The techniques of data analysis adopted for the empirical study were the Analysis of Variance Method and the Scheffe’s Multiple Comparison techniques. In addition, the ‘F’ test of the analysis of the variance was used to test the hypothesis of no significant difference in the impact on personal, company and custom duty tax revenues of the Federal Government by each of the following tax reform policy objectives; enhancement of the principles of good tax system, improvement in the tax administrative structure, removal of disincentives to tax compliance and promotion of investment opportunities. From the results, it was concluded that each of the tax reform policy objectives had significant impacts on the personal, company and custom duty tax revenues of the federal government of Nigeria.

Osundina and Olanrewaju (2013) studied welfare effect of taxation on Nigerian economy using consumption theory function. Total consumption expenditure was used to measure the welfare effect of taxation while private investment level and total federally collected revenue were used to capture the economy. Ordinary least square method regression analysis was used to measure the possible effect. The study conclude that the negative and significant effect of total federally
collected revenue on total consumption expenditure can be as a result of mismanagement of funds, lack of implementation of policy and corruption which is very rampant in Nigeria.

Ogbonna and Appah (2012) examine the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. To achieve the objective of the study, relevant secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS), Office of the Accountant General of the Federation, and other relevant government agencies. The data collected were analyzed using relevant descriptive statistics and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test, Jacque Berra test, Augmented Dickey Fuller test, Johansen test, and Granger Causality test. The results from the various test shows that tax reforms is positively and significantly related to economic growth and that tax reforms granger cause economic growth. On the basis of the findings, the study concluded that tax reforms improves the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis.

Margaret, Charles and Gift (2014) on an empirical analysis of Taxation and economic growth in Nigeria, covering the period 1994-2012. Taxation was disaggregated into: Value Added Tax, Personal Income Tax, Company Income Tax and Petroleum Profit Tax, while the Gross Domestic Product was used as a parameter for measuring economic growth in Nigeria. In order to establish causality between Taxation and economic growth in Nigeria, secondary data were collected from the Central Bank of Nigeria Statistical Bulletin and the Federal Inland Revenue Services Bulletin. The data collected were analyzed using the Granger Causality Approach. The hypothesis one was tested using F-Ratio, while hypotheses two, three, four and five were tested using T-Statistics. The results
of the analysis reveal that a significant positive relationship exists between Taxation and economic growth in Nigeria.

Myles (2000) reviews the theoretical and empirical evidence to assess whether a consensus arises as to how taxation affects the rate of economic growth. It is shown that the theoretical models isolate a number of channels through which taxation can affect growth and that these effects may be very substantial. Although empirical tests of the growth effect face unresolved difficulties, the empirical evidence points very strongly to the conclusion that the tax effect is very weak. Endogenous and Exogenous theory were use to carry out further analytical study and the results shows relationship between taxation and growth. It begins with a discussion of the optimal structure of taxation, which describes the form that the tax structure should possess. This can be compared with the actual structure to assess whether there is a possibility for improvement. A discussion of the gains that can be made through reform of the tax system then follows. The results are a combination of analytical predictions and numerical predictions developed from calibrated models.

Nelson (2011) establish the determinants of VAT revenue and assess the response of VAT structure to changes in the in its tax bases. The study is important because its results can be used to design pro-growth tax policies and implement tax changes that are equity enhancing. The paper uses Paul Samuelson's (1955) fundamental general equilibrium analysis of the public sector to derive its main results. In the framework, the demand function for the public good was derived from a constrained model of utility-maximization. In the same vein, tax revenues were taken as functions of household incomes, which paved the way for the estimation of Engel curves for public goods. The study finds that growth elasticity for VAT are all greater than one. The estimation results show that total GDP elasticity of VAT revenues is less than the elasticity with respect to monetary GDP, suggesting the existence of an
underground economy in Kenya over the period of analysis. It is found that VAT revenues respond with substantial lags to changes in its determinants and that VAT revenues are sensitive to unusual circumstances.

Alireza, Fariba and Akbarian (2012) examine the effect of value added taxes on GDP as economic growth for Iran economy. In this regard we use annually data for 1979-2009 using auto regressive distributed lags (ARDL). Results showed that value added taxes have significant effect on real output for Iran and it means value added taxes as a fiscal policy tool have useful performance in this country. Also government expenditure, consumption, investment and net exports have significant effects on GDP.

Loveday and Nwanyanwu (2015) study the value added tax (VAT) administration in Nigeria and examines the relationship between irrecoverable invoices and VAT compliance. Twenty small and medium enterprises (SMEs) in the leasing, manufacturing and construction subsectors of the economy were sampled. Data were collected through a survey using questionnaire. Analyses were performed by means of descriptive statistics and Pearson product moment coefficient of correlation with the aid of statistical package for social sciences (SPSS). Findings indicate a statistically significantly moderate negative relationship between irrecoverable invoices and VAT compliance. The tax authority could use the findings to decide on the measures to adopt to achieve efficient VAT administration taking into consideration irrecoverable invoices. This study is of value for better comprehension of VAT administration, particularly by investors entering the Nigerian business environment for the first time. It also highlights irrecoverable invoices factor in enforcing VAT compliance in the context of SMEs.

Ebeke (2010) it investigates in whether the presence of value added tax (VAT) system increase the benefit of the inflows of remittances in terms of high and less volatile tax
revenue ratio. This is supported by the fact that remittances are largely used for consumption. Purposes and contribute to smoothing private consumption. Using a large sample of developing countries observed over the period 1980-2006, and even after factoring in the endogeneity of remittances and VAT adoption, the results highlight that remittance significantly increase both the level and the stability of government tax revenue ratio in receiving countries that have adopted the VAT.

Bakare and Adewale (2013) investigated the enormity of the impact of the value added tax on output growth in Nigeria. Ordinary least square regression analytical technique (OLS) was employed for the empirical study. The a priori expectation is that value added tax will impact positively on output growth in Nigeria. The study found that a positive and significant relationship exist between value added tax and output growth in Nigeria. The results of the finding showed that; the past values of value added tax could be used to predict the future behaviour of output growth in Nigeria. The main conclusion of this study therefore is that Value Added Tax has the potential to assist in the diversification of revenue sources, thereby providing enough funds for economic growth and conclusion support the need for the government to satisfy the principle of economic justice in the allocation of VAT revenue.

Ebiringa and Emeh (2012) examine the empirical forms of tax on the economic growth in Nigeria. Secondary data were sourced within the periods of 1985-2011 and Model was specified and estimated using some econometric. The result showed that the determinant factor of economic growth in the country through tax, only and custom and exercise duties is capable of influencing but has an inverse relationship and significant to the GDP. It is observed that economic instability were experienced between 1986-1987 and 1993 to 1995 but evident in the stability in the economic growth from the graph in the rest of the years of the study around benchmark value of
zero line of the GDP predicted graph based on tax generations in Nigeria.

Cletus and Love (2014) investigated State Government Taxation in Nigeria with a view to determine its impact on economic growth. The data for this study were generated from the Central Bank Nigeria (CBN) Statistical Bulletin for a period of 13 years (1999-2012). The data were analyzed with multiple regression analysis. The findings revealed that state government taxation has a significant impact on economic growth in Nigeria.

John, Ebieri and Emmanuel (2014) this study therefore examines the dynamic causal relationship between tax revenue components and economic growth in Nigeria. The objective is to provide justification for policy adjustments necessary for broadening the narrow revenue base of the government and enhancing economic growth using time series data on different types of Taxes and real gross domestic product from 1986 to 2012. Bounds testing technique was used in analyzing the data. The results indicate that total tax revenue has a significant effect on economic growth; explaining about 73.4% of the total variation in real gross domestic product, company income tax, education tax and other tax revenue were each found to have significant influence on economic growth; sustaining long-run equilibrium relationships with real gross domestic product.

Shamsudeen Ladan Shagari (2014) this study examines the determinants of tax administration efficiency. Tax is a medium which countries across the globe depend upon so as to carry out the mandate of their citizens. Unfortunately, the Nigerian tax system is faced with challenges, such as loss of revenue through high level of tax defaulters from both the legislative arm of the government and public institutions, corruption and financial irregularities and limited government administrative capability. A mixed research design was used, and data was collected through survey and interview. A total of 124 questionnaires were collected out of 144 questionnaires
that were administered. The data was analyzed to answer the research questions. The study revealed that there is a significant relationship between tax administration efficiency and: autonomy of board of internal revenue, information and communications technology and public enlightenment. The study further revealed that there is no significant relationship between tax administration efficiency and strong audit practice and motivation and incentives and perceived corruption.

Umeora (2013) studied on Gross Domestic Product (GDP), VAT Revenue, and Total Revenue from 1994 to 2010. Data were sourced from the CBN’s statistical bulletin, Annual Reports and Statement of Accounts were analyzed using simple regression. Findings showed that the ratio of VAT Revenue to GDP was 1.47 and VAT Revenue Account for 82.5%. VAT was found to have significant effect on GDP. This implied that increasing the rate of VAT Revenue will have a positive significant effect on the Economic growth.

Basiela (2010) investigated the relationship between VAT and GDP in Nigeria. He used data on VAT revenue figure and GDP figure from 1994 to 2008 obtained from Central Bank of Nigeria statistical bulletin. The data were tested using Pearson’s Product Moment Correlation, the test revealed a strong correlation of about 96% strength. Further test showed a significant difference at 99% confidence level in relation to GDP. He concluded that there is a strong positive correlation between VAT revenue and GDP.

Unegbu and Irefin (2010) collected data from both primary and secondary sources. Regression analysis and ANOVA were used to test the hypothesis and they found that VAT allocation alone accounts for 91.2% of the variations in expenditure pattern. From their findings, they concluded that although VAT allocations to Adamawa State from 2001 to 2009 have a very significant impact on expenditure pattern of the state during the same period. However the perceptions by the state suggest that VAT has minimum impact level on the
economic and human developments of Adamawa State from between 2001 to 2009.

Adereti, Sanni and Adesina (2011) empirically investigated the contribution of value added tax (VAT) to the GDP for the time of its inception to 2008. This study uses time series data on the Gross Domestic Product (GDP), VAT Revenue, Total Tax Revenue and Total (Federal Government) Revenue from 1994 to 2008, sourced from the Central Bank Nigeria (CBN) were analyzed, using both simple regression analysis and descriptive statistical method. Findings showed that the ratio of VAT Revenue to GDP average 1.3% compared to 45% in Indonesia though VAT Revenue Accounts for as much as 75% significant variation in GDP in Nigeria. However, they concluded there is a positive and significant correlation that exists between Revenue and GDP.

Okoye and Gbegi (2013) the study aimed at evaluating the influence of revenue generated from value added tax (VAT) on wealth creation in Nigeria. The study used secondary data that were generated from Federal Inland Revenue Services and Federal Bureau of Statistical analysis with the aid of a table and simple percentage, while the hypothesis formulated were tested using product moment correlation coefficient and t-test. The findings revealed that revenue generated through VAT has a significant influence on wealth. Also; Revenue generated through VAT has a significant effect on total revenue in Nigeria. From there findings they discovered that Value Added Tax(VAT) is the bedrock of wealth creation in Nigeria as well as economic development as it contributes significant to nation’s Gross Domestic Product(GDP).

Omolapo, Aworemi and Ajala (2013) perform a data analysis with the use of regression analysis. Findings show that Value Added Tax has a significant effect on revenue generation in Nigeria. The results from their analysis revealed that Value Added Tax (VAT) is beneficial to Nigeria economy. From the findings it also shows that for Nigeria to attain its economy
growth and development, Nigeria should be able to generate enough revenue in order to meet up her challenges in provision of social amenities and cost of government administration. The result from the analysis indicates that if more goods and services are taxed then more revenue will be accrued to the government.

Afolayan and Okoli (2015) also set out to ascertain how VAT has impacted on Nigeria economic growth. The causal relationship is tested using Granger Causality. Findings show a positive and significant correlation exists between VAT revenue and reveal GDP. This study also recommends that all identified problems and administrative loopholes should be plugged for VAT revenue to contribute significantly to economic growth of the country.

Onodugo and Anowor (2013) empirically investigated the impact of value added tax (VAT) on Nigeria economic growth. Ordinary least square method of simple regression analysis was employed to determine the relationships between VAT and Real Gross Domestic Product, VAT and current revenue, VAT and Internal Revenue. Result shows that there is VAT is ideal form of taxation in Nigeria tax system and has significantly contributed to the resource mobilization as well as capital formation to the economy. The recommendation is that both payer and the administrator should be adequately motivated to enable each perform well and ensure high level of efficiency and effectiveness.

So many scholars have investigated on the issue of VAT and its contributions to the nation. Owolabi and Okwu (2001) showed that VAT revenue contributed positively to the development of the respective sectors. Izedonmi and Okunbor (2014) showed that VAT Revenue accounts for as much as 92% significant variations in GDP in Nigeria. A positive and insignificant correlation exists between VAT Revenue and GDP. Both economic variables fluctuated greatly over the period though VAT Revenue was more stable.
Umeorah, (2013) that VAT has significant effect on GDP and also on Total Tax Revenue. Though prior research revealed that VAT as a tax has contributed immensely on the economic growth of Nigeria. However, the recent economic recession to an extent has eaten up the economy. This study therefore set up to assess the effect of value added tax (VAT) administration on the economic growth in Nigeria.

METHODOLOGY

Research Design
The study employed ex-post facto research design because the data collected are already in existence and have affected the economy which the researchers are studying. This cannot be controlled or manipulated. It is a systematic empirical study in which the researcher does not have direct control over independent variables because they have already occurred or they cannot be manipulated.

The data used in the analysis are secondary data which include: value added tax, gross domestic product, per capital income and total revenue which were obtained from the Central Bank of Nigeria (CBN) statistical bulletin, the publication of Federal Inland Revenue Services, Federal ministry of Finance and National Bureau of Statistics, journals and Internet.

Data Analysis
Data for the study were collected from CBN Statistical Bulletin and National Bureau of statistic were tested with one sample t-test analysis with the aid of Statistical Package for Social Sciences (SPSS) was used at 95% confidence at five degree of freedom (df).

The researcher adopted the Simple Regression model, this model examined the relationship between the dependent
and independent variables. Mathematically, the model is stated as follows:

\[ \text{Nigeria economy}(Y) = f(X_1, X_2, X_3) \]

Where \( y \) is the dependent variable which describes Nigeria economy

\( X_1 = \text{Gross Domestic Product (GDP)} \).
\( X_2 = \text{Per Capital Income} \).
\( X_3 = \text{Total Revenue} \).
\( X_4 = \) is the independent variable which represent the value added tax (VAT).

**DATA PRESENTATION AND ANALYSIS**

**DATA PRESENTATION**

Table 1: Data on GDP, Total Tax Revenue and VAT for the three Hypotheses

<table>
<thead>
<tr>
<th>Years</th>
<th>GDP at Market Price</th>
<th>Total Revenue</th>
<th>Tax Revenue</th>
<th>VAT (In millions)</th>
<th>Target VAT Revenue (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>3194015.00</td>
<td>949187.90</td>
<td>455,300.80</td>
<td>300,000.00</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>4582,127.30</td>
<td>1906159.70</td>
<td>58469.60</td>
<td>380,500.00</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>4725086.00</td>
<td>2231532.90</td>
<td>91757.90</td>
<td>500,700.00</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>6912381.30</td>
<td>1731800.00</td>
<td>108,600.00</td>
<td>396,200.00</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>8487031.60</td>
<td>2575100.00</td>
<td>136,400.00</td>
<td>572,900.00</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>11411066.90</td>
<td>3920500.00</td>
<td>159,500.00</td>
<td>800,000.00</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>14,572,239.10</td>
<td>5347500.00</td>
<td>178100.00</td>
<td>1,304,400.00</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>18564594.70</td>
<td>6,069,800.00</td>
<td>230,400.00</td>
<td>3,054,100.00</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>2057317.70</td>
<td>5,727,500.00</td>
<td>301,700.00</td>
<td>1,753,300.00</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>24296329.30</td>
<td>7,866,600.00</td>
<td>404,500.00</td>
<td>2,274,400.00</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>24794238.70</td>
<td>4,846000.00</td>
<td>468,400.00</td>
<td>1,909,000.00</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>29205783.00</td>
<td>7,303,700.00</td>
<td>562,900.00</td>
<td>2,537,300.00</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>37,409,860.61</td>
<td>4,628,500.00</td>
<td>571,390.00</td>
<td>3,639,100.00</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>40,544,099.94</td>
<td>5,007,700.00</td>
<td>498,700.00</td>
<td>4,468,900.00</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>63,218,721.73</td>
<td>4,805,600.00</td>
<td>588,900.00</td>
<td>4,068,100.00</td>
<td></td>
</tr>
</tbody>
</table>


**Test of Hypotheses**

**Hypothesis one**

\( H_0: \) Value Added Tax (VAT) does not contribute to total tax revenue of the nation.
Oraka, Azubike O.; Okegbe, T. O.; Ezejiofor Raymond- *Effect of Value Added Tax on the Nigerian Economy*

### One-Sample Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>15</td>
<td>293790.2200</td>
<td>202290.82169</td>
<td>52231.26557</td>
</tr>
<tr>
<td>TaxRevenue</td>
<td>15</td>
<td>4327718.7000</td>
<td>2072117.99358</td>
<td>535018.56537</td>
</tr>
</tbody>
</table>

### One-Sample Test

<table>
<thead>
<tr>
<th></th>
<th>Test Value = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
</tr>
<tr>
<td>VAT</td>
<td>5.625</td>
</tr>
<tr>
<td>TaxRevenue</td>
<td>8.089</td>
</tr>
</tbody>
</table>

**Decision:**

From the above one sample t-test table, the calculated t-value is 13.714 while the table t-value is 1.812. This means that calculated t-value is greater than the table t-value (13.714>1.812). It shows that Value Added Tax (VAT) improved the growth of tax revenue. The study therefore reject null hypothesis and uphold alternative hypothesis which states that Value Added Tax (VAT) contributes to total tax revenue of the nation.

### Hypothesis two

**H0:** Value Added Tax (VAT) does not contribute to the Gross Domestic Product of the nation.

### One-Sample Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>15</td>
<td>293790.2200</td>
<td>202290.82169</td>
<td>52231.26557</td>
</tr>
<tr>
<td>GDP</td>
<td>15</td>
<td>19598326.1920</td>
<td>17323251.11619</td>
<td>4472844.20501</td>
</tr>
</tbody>
</table>

### One-Sample Test

<table>
<thead>
<tr>
<th></th>
<th>Test Value = 0</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T</td>
</tr>
<tr>
<td>VAT</td>
<td>5.625</td>
</tr>
<tr>
<td>GDP</td>
<td>4.382</td>
</tr>
</tbody>
</table>

EUROPEAN ACADEMIC RESEARCH - Vol. V, Issue 2 / May 2017

1214
Decision:
From the above one sample t-test table, the calculated t-value is 10.007 while the table t-value is 1.812. This means that calculated t-value is greater than the table t-value (10.007>1.812). It shows that poor accountability has contributed to the growth of the economy. The study therefore reject null hypothesis and uphold alternative hypothesis which states that Value Added Tax (VAT) contributes to the Gross Domestic Product of the nation.

Hypothesis three
H₀: Value Added Tax (VAT) revenue target has no impact on the actual VAT within the period of study.

One-Sample Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>TargetedVATRevenue</td>
<td>15</td>
<td>1863926.6667</td>
<td>1429760.18592</td>
<td>369162.49261</td>
</tr>
<tr>
<td>VATRevenue</td>
<td>15</td>
<td>321001.2200</td>
<td>194025.54292</td>
<td>50097.17977</td>
</tr>
</tbody>
</table>

One-Sample Test

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>TargetedVATRevenue</td>
<td>5.049</td>
<td>14</td>
<td>.000</td>
<td>1863926.6667</td>
<td>1072151.8668 to 2655701.4665</td>
</tr>
<tr>
<td>VATRevenue</td>
<td>6.408</td>
<td>14</td>
<td>.000</td>
<td>321001.2200</td>
<td>213553.4557 to 428448.9843</td>
</tr>
</tbody>
</table>

Decision:
From the above one sample t-test table, the calculated t-value is 11.457 while the table t-value is 1.812. This means that calculated t-value is greater than the table t-value (11.457>1.812). It shows that Value Added Tax (VAT) has removes burden/complexity of business men without much stress hence easy to calculate. The study therefore reject null hypothesis and uphold alternative hypothesis which states that Value Added Tax (VAT) revenue target has impact on the actual VAT within the period of study.
From the three hypotheses tested, the result shows that Value Added Tax (VAT) contributes to total tax revenue of the nation also to economic growth via the GDP. It’s also revealed that Value Added Tax (VAT) revenue target has impact on the actual VAT within the period of study.

This result is in line with Izedonmi and Okunbor (2014) whose result showed that VAT Revenue accounts and total revenue account for as much as 92% significant variations in GDP in Nigeria. A positive and insignificant correlation exists between VAT Revenue and GDP. Both economic variables fluctuated greatly over the period though VAT Revenue was more stable. Also the result of Umeorah, (2013) who testified that VAT has significant effect on GDP and also on Total Tax Revenue. The finding is also in line with Owolabi and Okwu (2001) who showed that VAT revenue contributed positively to the development of the respective sectors.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings
Based on the analysis results, the following findings were drawn;

1. The result shows that Value Added Tax (VAT) contributes to total tax revenue of the nation.
2. The study also revealed that Value Added Tax (VAT) contributes to the Gross Domestic Product of the nation.
3. Value Added Tax (VAT) revenue has impact on the actual VAT within the period of study.

Conclusion
This paper empirically investigated the contribution of Value Added Tax (VAT) and total revenue to the GDP from 1999 to 2013. This was done against the background that it was introduced by the Federal Government of Nigeria in 1993 to
replace Sales Tax. The aim was to increase the revenue base of government and make funds available for developmental purposes that will accelerate economic growth. Time series data on both the GDP and VAT Revenue from 1999 to 2013, sourced from Annual Reports and Accounts of the Central Bank of Nigeria (CBN) were analyzed, using one sample t-test.

Findings showed that VAT Revenue and total revenue account for 92 percent of variations in the GDP. This high explanatory power shows that the model is a good fit, and that these components of VAT revenue and total revenue are important determinants of economic growth in Nigeria. VAT Revenue is making a unique significant contribution to the economic development of Nigeria and composition of the GDP.

**Recommendations**

At the completion of this research work it was established that VAT has negative significant effect on GDP of the Nigerian economy also, VAT has positive significant effect on PCI and VAT has a significant positive effect on TR of Nigerian economy. Therefore the researcher made the following recommendations:

1. Governments agencies, corporations and ministerial departments are advised to be loyal, disciplined and judiciously utilize public funds derived from VAT by providing infrastructural facilities needed to improve the economic activities of Nigeria and thus improve GDP.

2. Government should make deliberate efforts to widen the economic activities to enhance improved standard of living because the standard of living is improved with higher per capital income.

3. Government should maintain close surveillance on the VAT able persons to enhance prompt remittance of VAT revenue and submission of VAT invoice for proper tax audit by the Federal Inland Revenue services (FIRS) to ensure adherence to tax Laws as at when due.
REFERENCES


27. Federal Inland Revenue Services (2003), Guidelines on direct payment of Income Tax, VAT and other Taxes to Designated Branches of selected banks.


32. Institute of Chartered Accountant of Nigeria (ICAN) student’s journal. Overview of Tax Administration and the three tiers of government in Nigeria. April/June 2008.2 (2)


35. John, Ebiere & Emmanuel (2014). Assessment of the Long-Run Equilibrium Relationship between Tax


49. Okoye & Gbegi (2013). Effective Value Added Tax: An Imperative for Wealth Creation
Effect of Value Added Tax on the Nigerian Economy

International Journal of Economics and Finance; 6 (6) Published by Canadian Center of Science and Education.


