Effect of Increase of 7.5% Value Added Tax on Revenue Generation in Nigeria

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https://doi.org/10.61090/aksujacog.2024.039

Abstract
Dwindling revenue has affected governance at the state and local government levels in Nigeria in the last decade. The government has the mandate to impose taxes via its various regulations. An efficient and effective tax system can ensure the country's necessities and services. An increase in VAT became a vital instrument that can improve the revenue base of most States in Nigeria. The assumption was that with the increase in VAT, states and Local Governments would have more money to be able to pay the salaries of their workers and to implement the 30,000 minimum wage. The increase in the VAT did not receive resistance unlike in the past where various attempts to increase the VAT were met with stiff resistance by the business environment and labor unions. To what extent can the increase in VAT lead to an increase in revenue generation? This study intended to find out the effect of the increase in the value-added tax on the economy with respect to revenue generation in Nigeria. Data were collected from secondary sources from 2007 to 2022. The study revealed that an increase in VAT has led to an increase in revenue generation but the target of the Federal Government generating 7.5 trillion Naira from VAT annually has not been achieved. There is a need to explore other sources of revenue for the State and Local Governments to enable them to discharge their financial responsibilities effectively. Also, there is a need to consider the plight of those who are directly affected by the increase in VAT and who are not collecting any salary.

Keywords: Value- added tax, revenue, generation, increase, financial, responsibilities, minimum wage

1.1 Introduction

In every given economy, one of the most fundamental and long-standing methods of generating revenue is taxes. Taxes, which come from a variety of sources, are one of the primary sources of funding for the government. Through its numerous rules, the government is mandated to impose taxes. The country's needs and services can be guaranteed by an efficient and effective tax system. Taxes are employed to promote economic expansion, equitable wealth and income distribution, and economic stability. Not only are taxes the most established way for governments to raise money, but they are also the most consistent and predictable over the long term.

In 1991, the federal government established a study committee to assess the country's tax system; Nasiru et al. (2016) reported that this group led to the introduction of VAT in Nigeria. The VAT was proposed by this group, and in the same way, a committee was formed to evaluate the viability of implementing the VAT. In Nigeria, the Sales Tax Decree No. 7 of 1986 was phased out with the passage of Decree 102 of 1993, which instituted Value Added Taxation. On December 1, 1993, the Decree came into force, and on January 1, 1994, it started to function in Nigeria.

The Nigeria Customs Service (NCS), the State Internal Revenue Services (SIRS), and the Federal Government work together to administer VAT centrally through the use of the Federal Inland Revenue Services (FIRS) tax mechanism. There is currently evidence to support the idea that VAT revenue is a significant source of income for Nigeria. In 1994, for example, actual VAT revenue was N=8.189 billion, 36.5% more than the estimated N6 billion for the same year. VAT contributed roughly 4.06% in 1994 and 5.93% in 1995 to the total amount of money received by the federal government (Ajakaiye, 2000).

Nigeria is among the nations that collect the least VAT globally, if not on the African continent itself. Although there may have been other factors involved, the thirty thousand naira (30,000) national minimum wage that went into effect in April 2019 was typically the cause of the VAT hike from 5% to 7.5%. Many State Governors in Nigeria have not been able to pay their employees' salaries since 2015, let alone gratuities and pensions. Particularly states like Bayelsa, Plateau, Osun, Ekiti, Kogi, and others. The drop in revenue generation was one of the causes. Nigeria needs to examine itself, and one of the main strategies is to increase state revenue.

Nigeria must turn inward, and as state and local governments receive 85% of the total VAT collected, raising VAT is one of the main strategies to boost their revenue. It is assumed that states and local governments will have more money as a result of the VAT rise, enabling them to pay employee salaries and even impose a minimum wage of 30,000 Naira. In contrast to previous attempts to raise the VAT, which encountered strong opposition from the nation's labour unions and corporate community, this one was met with no opposition. How much more income could be generated as a result of the VAT increase? Therefore, the goal of the study is to determine how the value-added tax hike in Nigeria has affected the country's economy, particularly in terms of revenue generation.

2.1 Review of Relevant Works

Taxes are "a compulsory charge ("levied") by a government on a particular product, income, or activity," (Efuntade, 2020). A tax is classified as either direct or indirect depending on whether it is applied directly to personal or business income or the cost of a good or service. Taxation is used to pay for government spending, guarantee the provision of necessities, and fend off outside aggression." Value-Added Tax (VAT) is "the tax on the value added," according to Nasiru et al. (2016). What more value is there? A company's value added is the difference between its sales and the inputs it purchases from other companies. To put it another way, it's the amount of value that a company adds to a good or service by using its production inputs, which include capital, labour, land, and entrepreneurial skill." VAT was imposed in Nigeria at a flat rate of 5% on a limited number of goods and services before the increase to 7.5%. However, exemptions are given for infant food, books, newspapers, fundamental foods like maize, rice, wheat, milk, and fish, and pharmaceutical and medical products. Agricultural equipment such as those for soil preparation or cultivation, harvesting or threshing, milking and dairy machinery, poultry-keeping machinery, veterinary medicine equipment, fertilizers, and farming equipment; baby products such as carriages, clothes, and napkins, as well as sanitary towels; commercial vehicles, and spare parts; tractors; and public transportation, passenger vehicles, motorcycles, tanks, and other armoured fighting vehicles.

Value-added tax is an "indirect form of taxation based on the general consumption behaviour of the people," According to Ochiogu (2001), it is a tax on expenditure that the final buyer of products and services is supposed to pay. It includes imports, manufactured commodities, and banking and professional services. Valuation-added tax is perceived by Jones et al. (2018) as a "tax on consumption that has been imposed." Value-added tax, according to Ajakaiye (2000) includes several features that should make it as simple and painless as possible in theory. To begin with, it is simpler to administer because it is a single-rate tax (5%).

It is also self-policing because it employs an input-output technique, even if it is a multi-stage tax. It is anticipated to have a singular impact on consumer prices, and regardless of the number of stages at which the tax is paid, it should not raise prices above the designated rate. Third, save in extremely rare circumstances, all products and services are refundable. Whether imported raw materials or completed goods, all imports are subject to VAT, which is computed based on the overall cost, insurance, and other expenses. In contrast, exporters can claim credit for VAT paid on their inputs even though exports are zero-rated, meaning they do not collect VAT on exports. According to Ajakaiye (2000), Nigerian VAT has a fairly broad base with very few outliers. It took the place of the 1986 sales tax, which had a small base and discriminated against goods and services made locally because it did not include imports. The state government is the only one that receives sales tax money; in contrast, all levels of government partake in VAT revenue, which is assumed to raise the government's final consumption expenditure. There has been a great deal of apathy, misinformation, and anxiety around the tax system despite the nation's performance being noted as successful thus far by VAT.

Despite the nation's successes with VAT, a significant amount of indifference, misinformation, and anxiety regarding the tax system exists among professionals, public servants, and taxpayers (Jones et al., 2018). According to Aruwa (2008), the value-added tax's attractiveness stems from its comparative advantages over other forms of taxation, which include:

Objectivity: This suggests a scenario in which producers' and customers' behaviour is unaffected by taxes. When considering this tax from a different perspective, it becomes clear that it will negatively impact either the welfare of consumers or the manufacturing process because both parties are expected to carry on with business as usual in the absence of the tax. A tax with no discernible impact on a significant source of income for the nation's economic growth is the value-added tax.

Productivity: The efficiency of the Value Added Tax is not too bad. Ineffective, skewed, or improperly handled sales taxes have frequently been substituted by it.Value-added tax, which replaced sales tax, which had a small base, has a broader base than sales tax did. A broad-based, multi-stage consumption tax is what value-added taxation is by definition. All consumable goods and services should be subject to a consumption tax, a premise that is completely negated by a tax base that is too narrow. A high revenue yield source, value-added tax has the intrinsic potential to have the biggest base in tax history.

Three things are stated by Soyode & Kajola (2006), they are:

Capital purchases are subject to the same treatment as inputs under the Consumption Value Added Tax (VAT). One benefit of this approach is its computational simplicity, as the company need not segregate expenses for other purchases when establishing the VAT base. When extremely expensive and heavy machinery is involved, the primary drawback of this kind of VAT is that it causes complex issues;

Worth-Added Tax on Income: In this form of VAT, the tax paid on capital input purchases is spread out over the anticipated lifespan of the capital inputs, thereby crediting the firm's VAT liability.

What is the value-added tax on gross product? Nigerian VAT is this kind. Below for all of its capital input, the taxable firm is regarded as the ultimate consumer. The capital input's tax period is regarded as a component of its cost. The issue of needing to make cash refunds has been avoided, thanks to this arrangement, according to the Federal Inland Revenue Service (FIRS).

The introduction of value-added tax in Nigeria was deemed necessary (Aruwa, 2008) because government spending was consistently exceeding revenue, leading to a large financing deficit. Additionally, the authorities of the Economic Community of West African States (ECOWAS) were pursuing a tax harmonization program in the process of introducing free trade within the sub-region. The record also reveals that between 1960 and 1970, income from indirect taxes in Nigeria dropped suddenly. Due to a reliance on oil, the decrease was typified by the oil boom of the 1970s, with its contributions declining even more in the 1980s and 1990s. In particular, value-added tax was introduced in Nigeria to promote economic development, by Alan (1998); to prevent multiple taxation by implementing a wider coverage to more fairly share the tax burden across various commodities and services; to modernize and streamline the tax code to provide the groundwork for robust revenue growth and adaptable administration starting in 1994; to change taxes from income-based to consumption-based; to lessen reliance on income from petroleum oil; to offer rewards for exporting goods; to improve the balance and make members available for export, because the self-assessment system is its foundation; to promote the issuance of receipts for sales and the demand for receipts for purchases because it is built on the self-assessment system, to improve voluntary compliance; to improve small business owners' record-keeping; and to alleviate the regressive nature of taxes, the richer people generally purchase more and pay higher taxes.

A list of products and services subject to value-added tax was released by the Federal Inland Revenue Service (FIRS) in circular number 9304. According to Alan (1998), the implementation of value-added tax in Nigeria was motivated by the following goals: to accelerate the country's economic development. Products that are vatable at a 5% Tax Rate (FIRS Information Circular No. 9304, as per VAT Decree, 1993).

Furthermore, Loveday & Nwanyanwu (2015) assert that the effectiveness of any tax is mostly determined by how well-managed it is, particularly in the context of Nigeria's Value Added Tax Administration. It is up to interpretation, implementation, and public relations to decide how far a given tax can be taken to achieve its goal. According to Richard (1993), "effective public administration and the development of policies that are tailored to the resources at hand are essential for the successful implementation of fiscal policies." VAT is not as complicated to administer as income tax for individuals or businesses, despite its potential complexity Nigeria's VAT administration is based on five district organizations, according to the Federal Inland Revenue Service (1999). The roles of the Nigeria Customs Service, the Federal Board of Internal Revenue, the Technical Committee, the Federal Inland Revenue Service, and the VAT Directorate are all interconnected and complement each other. Zonal Officers, Local VAT Officers, State Internal Revenue Service, and other sub-internal entities are examples.

It has been permitted to establish five zonal tribunals and twenty-five more VAT offices. The Nigeria Customs Services and the State Internal Revenue Services will collaborate closely with the administration. In particular, Custom Services handles import VAT. An enterprise or organization must register to be eligible for VAT.

It has been agreed to establish five zonal tribunals and twenty-five more VAT offices. The State Internal Revenue Services and the Nigeria Customs Services will collaborate closely with the administration. Specifically, Custom Services handles import VAT. An enterprise must register with the VAT Directorate to be eligible for VAT. It is anticipated that all Nigerian domestic producers, importers, distributors, wholesalers, and suppliers of products and services will register for Value Added Tax (Oraka, 2017).

A Recursive Dynamic Computable General Equilibrium Analysis of Value-Added Tax Policy Options for Nigeria was the subject of a work carried out by Alarudeen (2019), his research looked into the best ways for the government to raise the value-added tax (VAT) rate to maximize revenue generation for the government while also satisfying the public (households and business community) and achieving the ultimate rate of 15%. The country now levies a five per cent VAT rate. The study's goal was addressed via a recursive dynamic CGE model, which was solved and simulated for ten years. It was determined that raising the rate by 2.5% a year for the following four years is the optimal course of action. When compared to alternative methods that call for an iterative dynamic The CGE model is solved and simulated for ten years to address the study's purpose. The optimal course of action is determined to be raising the rate by 2.5% per year for the following four years. Comparing this option to alternative options that call for a 5% increase (implemented in the first and fourth years) and a 10% increment (implemented in the first year), the option yields the best results for real GDP (and its growth), investment, intermediate imports, government expenditure, and household consumption. Under the 2.5% VAT policy, changes in government revenue (split into VAT, tax, and total revenue) show the largest percentage changes throughout the medium period (6–10 years). Generally speaking, the study found that the 2.5% VAT policy in the medium run (six to ten years) will produce the best results overall for the economy, families, businesses, and government, according to the study's findings. Nonetheless, the welfare of the low-income households who would suffer throughout the policy's implementation will need to be taken care of. This group of households' potential for income earning may need to be supported in part by the money raised by the VAT rate. The initiative has the potential to worsen the lives of citizens by raising inflation. As such, the study was against raising taxes from 5% to 15% over four years.

An empirical investigation was conducted by Jones et al. (2018) on the impact of value-added tax on economic growth in Nigeria. Using time series data spanning from 1994 to 2012, the study examined the impact of value-added tax on Nigeria's economic growth. The findings also demonstrated a negative but substantial link between value-added tax and GDP under both short- and long-run equilibrium situations. The report suggested that the government raise the value-added tax rate on imports, particularly luxury items and alcoholic beverages, start building infrastructure that would attract private sector investment and impact economic growth, and make sure that all accrued value-added tax revenue is sent as soon as it is due. The analysis ignored the VAT's revenue-generating component.

Value Added Tax's impact on Nigeria's economy was studied by Oraka et al. (2017). Their research aimed to ascertain the degree of impact that value-added tax has had on the Nigerian economy. It was also found that the link between VAT and per-capital income is negative. Lastly, it was discovered that there is a positive correlation between VAT and the overall amount of money generated by the Nigerian federal government. Even though VAT increases revenue generation, these data suggest that the Nigerian economy will grow slowly. The research suggested that the Nigerian government implement fiscal policies that will boost investment in industry, technology, and agriculture, hence promoting overall productivity development, in light of these findings. This report presents the current state of affairs in the nation.

Abdullahi et al. (2016) evaluated the effect of value-added tax on Nigeria's economic expansion. The analysis concluded that VAT can help Nigeria's economy become less dependent on oil revenue by helping to diversify the country's revenue base. In a similar spirit, it discovered that there is a positive and statistical relationship between Nigeria's economic growth and other government income, such as all oil receipts and other receipts into the federation account aside from VAT. According to statistical analysis, Nigeria's economic growth is favourably correlated with other government income, such as all oil revenues and other receipts into the federation account besides VAT. It is recommended that value-added tax be maintained in light of the findings. For VAT revenue to continue making a larger and more important contribution to the nation's economic growth, all administrative loopholes should be closed. Officials in charge of managing other government funds should be held accountable and transparent, and the public should be able to gain from their handling.

Using information from the CBN statistical bulletin, Adegbite (2018) investigated the impact of VAT on the Nigerian economy between 1994 and 2010. Because a rise in the VAT rate reduced people's disposable income, the study's multiple regression analysis showed a negative relationship between income and collective spending. Furthermore, the study discovered that alterations in the value-added tax (VAT) rate might have a substitution impact, meaning that it can lower the income tax rate and counteract the decline in individuals' income due to increases in the VAT rate and shifts in overall consumption.

2.2 Theoretical Framework

The study is based on Erik's 1919 "Benefit Theory" (Oliver et al., 2017). According to this notion, when people believe they receive enough benefits from government events and programs, they often pay higher taxes. It did, however, suggest that the services provided are occasionally not quantifiable in terms of who gains. Some taxpayers, however, are not entitled to the benefits of their taxes. The theory is relevant to the study since it examines the advantages of taxes as determined by increases in worker salaries brought about by higher government income in contrast to previous times when labour unions opposed several attempts to raise the VAT. Yet, due to the advantage, they stand to gain from the hike in VAT brought about by the rise in worker salaries. The idea, however, does not account for the private sector, particularly for the unemployed, and the increase in VAT has driven up the cost of products and services in the marketplace.

3.1 Methodology

To determine the association between the variables, the study used an ex post facto research design. Ex-post facto (after the fact) research design, according to Asika (2008), is research done after the events have happened and the data are already available. In this investigation, secondary data were employed. Time series data from the Nigeria Bureau of Statistics, reports, journals, books, online resources, as well as the Central Bank of Nigeria's Statistical Bulletin are included in it. A table was used to display the data.

Table 1: VAT Pool Distribution from 2007 to 2022 in Nigeria

Year	VAT (100%)	Federal Government /FCT (15%)	State Government (50%)	Local Government (35%)
2007	N289.6 billion	N43.4 billion	N144.8 billion	N101.4 billion
2008	N388.3 billion	N58.3 billion,	N194.1 billion	N135.9 billion
2009	449.7 billion	67.4 billion	224.8 billion	57.4 billion
2010	540.3 billion	81.1 billion	270.2 billion	189.1 billion
2011	N623.5	N93.5 billion	N311.8 billion	N218.2 billion,
2012	N681.7 billion	N102.3 billion	N340.9 billion	N238.6 billion
2013	763.8 billion	N114.6 billion	N381.9 billion	267.3 billion
2014	762.4 billion	114.4 billion	381.2billion	266.9 billion
2015	747.6 billion	112.1 billion	373.8 billion	261.7 billion
2016	778.6 billion	116.8 billion	389.3 billion	272.5 billion
2017	N929.0 billion	N139.3 billion	N389.3 billion	N325.1 billion
2018	1,046.5 billion	157.0 billion	523.3 billion	366.3 billion
2019	1.130trn	169.5 billion	565 billion	395.5 billion
2020	1,370trn	205.69	685.66	479.96
2021	1,901trn	285.10	950.40	665.30
2022	2,293trn	343.93	1,146.43	802.50
TOTAL	14,695trn			

Source: Extracted from the Central Bank of Nigeria Annual Bulletin for the Various Years

In 2007, N289.6 billion was accumulated in the VAT Pool Account, a 30.7 per cent rise from the 2006 level. According to a breakdown of the allocation among the three levels of government, N101.4 billion was split by the 774 Local Governments, N43.4 billion by the Federal Government, and N144.8 billion by the State Governments. The distributable balance in the VAT Pool Account increased by 34.1 per cent to N388.3 billion in 2008 from its 2007 level. After dividing the money among the three levels of government, the federal government got N58.3 billion, state governments got N194.1 billion, and local governments got N135.9 billion. In 2009, with N449.7 billion in the VAT Pool Account, the federal government received N67.4 billion, state governments earned N224.8 billion, and local governments received N57.4 billion.

2010: Distribution of the VAT Pool Account: A total of 540.3 billion was moved to the VAT Pool Account, which is a 20.2 per cent increase from the 2009 figure. According to an analysis of the distribution among the three divisions of government, the Federal Government (including the Federal

Capital Territory) received 81.1 billion, state governments received 270.2 billion, and local governments shared 189.1 billion. In 2011, the sum of N623.5 billion was transferred to the VAT Pool Account, representing an increase of 15.4 per cent over the level in 2010. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N93.5 billion, while state and local governments shared N311.8 billion and N218.2 billion, respectively. In 2012, the sum of N681.7 billion was transferred to the VAT Pool Account, representing an increase of 9.3 per cent over the level in 2011. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N102.3 billion, while state and local governments got N340.9 billion and N238.6 billion, respectively.

2013: The VAT pool account indicates that the sum of N763.8 billion was transferred to the VAT Pool Account, representing an increase of 12.0 per cent over the level in 2012. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N114.6 billion (15%), while the state and local governments shared N381.9 billion (50%) and N267.3 billion (35%), respectively. In 2014, the VAT Pool Account Distribution was 762.4 billion, and the sum transferred into the VAT Pool Account declined by 0.2 per cent from the level in 2013. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received 114.4 billion (15%), while state and local governments shared 381.2 billion (50%) and N266.9 billion (35%), respectively.

2015: VAT Pool Account Distribution indicates that the sum of 747.6 billion was transferred to the VAT Pool Account, representing a decrease of 2.0 per cent below the level in 2014. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received 112.1 billion (15%), while state and local governments shared 373.8 billion (50%) and 261.7 billion (35%), respectively. In 2016 VAT Pool Account Distribution, the sum of N778.6 billion was transferred to the VAT Pool Account, representing an increase of 4.1 per cent above the level in 2015. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N116.8 billion (15%), while the state and local governments shared N389.3 billion (50%) and N272.5 billion (35%), respectively. In 2017 VAT Pool Account Distribution, the sum of N929.0 billion was transferred to the VAT Pool Account, representing an increase of 19.3 per cent above the level in 2016. Analysis of the distribution among the three tiers of government, showed that the Federal Government (including the FCT) received N139.3 billion (15.0%), while the state and local governments got N464.5 billion (50.0%) and N325.1 billion (35.0%), respectively.

2018: VAT Pool Account Distribution of N1,046.5 billion was transferred to the VAT Pool Account, representing an increase of 12.7 per cent above the level in 2017. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N157.0 billion (15.0%); and state and local governments, N523.3 billion (50.0%) and N366.3 billion (35.0%), respectively. In 2019, a VAT Pool Account Distribution of N1.13trn was transferred to the VAT Pool Account, representing an increase above the level in 2019. Analysis of the distribution among the three tiers of government, showed that the Federal Government (including the FCT) received N169.5 billion (15.0%), while the state and local governments got N565 billion (50.0%) and N395.5 billion (35.0%), respectively.

2020: VAT Pool Account Distribution of N1,370trn was transferred to the VAT Pool Account, representing an increase of 117.5% above the level in 2019. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N205.69billion (15.0%), while the state and local governments got N685.66 billion (50.0%) and N479.96 billion (35.0%), respectively. In the 2021 VAT Pool Account Distribution, the sum of N1,901trn was transferred to the VAT Pool Account, representing an increase above the level in 2020. Analysis of the distribution among the three tiers of government showed that the Federal Government (including the FCT) received N285.10 billion (15.0%); and state and local governments, N950.40 billion (50.0%) and N665.30 billion (35.0%), respectively. Finally, in the 2022 VAT Pool Account

Distribution, the sum of N2,293trn was transferred to the VAT Pool Account, representing an increase above the level in 2021. Analysis of the distribution among the three tiers of government, showed that the Federal Government (including the FCT) received N343.93 billion (15.0%), while the state and local governments got N1,146.43 billion (50.0%) and N802.50 billion (35.0%), respectively.

Discussion of Findings

With the increase of VAT to 7.5%, the government was targeting an annual increment of N7.5 trillion in revenue annually, according to the former Federal Minister of Finance, Zainab Ahmed on 9th September 2019 after the Federal Executive Council Meeting. According to the Minister, "we reported to the council and the council has agreed that we start the process towards the increase of the VAT rate. We are proposing and the council has agreed to increase the VAT rate from 5% to 7.5%. "This is significant since the states require more funding to achieve their minimum wage responsibilities, and the federal government only keeps 15% of the VAT (the remaining 85% goes to municipal and state governments) (Bamidele, 2019). It was implied that the goal of the VAT increase was to generate revenue, rather than taking the socio-economic effects of the hike into account. The increase in VAT has led to an increase in revenue generation from 1.13trn in 2019, 1,370trn in 2020, and 1,902trn in 2021 to 2,293trn in 2022. Despite the economic meltdown due to the global pandemic of COVID-19, there was an increase in the VAT rate from 5% to 7.5% under the Finance Act implemented in February 2020. Though there is a significant improvement in the VAT collections, three years (2020-2022) after the implementation of the 7.5% increase, the target of the Federal Government generating N7.5 trillion from VAT has not been achieved.

Similarly, Victor (2022) studied the effect of Value-added Tax (VAT) on revenue generation and economic growth in Nigeria, where his findings revealed that VAT has a significant effect on total tax revenue with a two-year lag and it increasingly explains changes in total tax revenue with time. Equally, the results indicated that VAT has a significant and negative effect on GDP with a one-year lag. The study recommended that the government should critically evaluate the process of VAT collection, eliminate bureaucratic procedures, and improve transparency so that economic units can synchronize their efforts with those of tax authorities. According to Odunsi (2022) who looked at how the value-added tax (VAT) affected tax revenue generation and economic growth in Nigeria, the study's findings showed that the effect of VAT on these factors was positive and significant. He suggested that the government establish appropriate tax management to boost revenue as well as implement better economic policies and macroeconomic changes.

The outcome also aligns with the findings of Efuntade (2020), who concluded that value-added tax is advantageous to the Nigerian economy and that there is a statistically significant relationship between consumption tax and revenue generation in Nigeria. The study's recommendations included that the government should guarantee the efficacy and efficiency of tax administration and that taxing more goods and services will boost the nation's revenue base over the long and short terms. Olasunkanmi & Adejuwon (2023) studied Value-Added Tax (VAT) and Automation of Income Generation in Nigeria and found a positive correlation between value-added tax and tax income earned in the country. In particular, tax income will rise in response to a unit increase in VAT. They recommended that the Government needs to ensure proper management of the tax system to enhance its revenue and that friendlier economic policies and macroeconomic adjustments should be put up by the government for valued added tax to increase.

5.1 Conclusion and Recommendations

The study revealed that an increase of VAT to 7.5% will directly increase the revenue of the Government looking at the previous year's VAT accrued to the Government. The increase in VAT was motivated by the purpose of payment of the New National Minimum without looking at the effect of the increase of VAT on life. The study reveals that an increase in VAT has led to an increase in revenue generation but the target of the Federal Government generating 7.5 trillion naira from VAT annually has not been achieved yet.

There is a need to explore other sources of revenue for the State and Local Governments to enable them to discharge their financial responsibilities effectively. Also, there is a need to consider the plight of those who are directly affected by the increase in VAT and who are not collecting any salary, especially those who are not on the government payroll. The government should subsidies the goods that the poor patronize especially in the rural areas where they are mostly farmers who are not on government payroll.

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