



# **TAXATION FOR ECONOMIC DEVELOPMENT**

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## TAXATION FOR ECONOMIC DEVELOPMENT

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# TAXATION FOR ECONOMIC DEVELOPMENT

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## **TAXATION FOR ECONOMIC DEVELOPMENT**

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## **DEDICATION**

This book is dedicated to all Tutors, Teachers, Lecturers, Researchers, Professors and Lovers of Tax Education.

## PREFACE

*Taxation for Economic Development* is a compendium of interesting discourse with an emphasis on various parts of tax management and tax compliance in Nigeria which has been an issue in this era of the dwindling economy.

Over time, practitioners, administrators, academic, professionals in the field of tax have been involved in rigorous searching of international journals, convention, international regulation, departmental instructions, and guidelines to determine how best to tackle management and compliance issue of tax, hence the diverse but collaborative contributions from erudite scholars and practitioners in taxation to address issues through writing of this book.

Taxation for Economic Development as an edited book has thirty (30) chapters with topics ranging from tax compliance, management and challenges in Nigeria, relevance of culture in tax compliance, multiplicity of tax, tax risk management, bridging tax gaps in Nigeria through tax planning and systemic approach to sustaining Nigeria tax system amongst others which are compiled and written and edited by thirty-eight (38) professionals and academicians with the aim of enlightening and educating practitioners, researchers, academicians and students of various higher institutions both in Nigeria and abroad on the issues of tax management and tax compliance.

The book is written in plain language and devoid of professional jargons and it is a product of careful studies, researches, and practices over time from well-meaning academic professionals in taxation. It is, therefore, a must-read for all professionals, tax administrators and students of various levels in Nigeria and abroad. However further criticism is welcome for inclusion in the revised edition.

**Prof. Muhammad A. Mainoma**

**Prof. Godwin E. Oyedokun**

*Lead Editors*

## FOREWORD

Tax management and compliance involve the implementation of management decisions based on principles, procedures, and actions to ensure the effectiveness of remittance by taxpayers. The study of taxation, therefore, emphasizes the thorough evaluation of the strength and weaknesses and ways of increasing the compliance level and how it can in turn develop Nigerian Economy.

This book contains various topics related to tax management and tax compliance in Nigeria and as it is no new that the country is currently facing various issues in terms of the compliance level of taxpayers and also ensures adequate management to address main economic issues facing the country.

This book has various contributions from academicians and practitioners who are deeply rooted in tax practices as edited by Professor Muhammad Akaro Mainoma and Professor Godwin Emmanuel Oyedokun as the lead editors among others has sufficiently covered key areas of tax management, tax planning and tax compliance in the country with a detailed exposure relevant to readers at levels of both academics and professionalism.

Having fully involved in the overall quality review and editing of this compendium of writings, I, therefore, recommend this book on tax compliance and management to students, researchers, and practitioners of taxation who wish to widen their research knowledge/scope on tax management and compliance level in Nigeria.

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## ACKNOWLEDGMENTS

To God be the glory. We appreciate the time and contributions among other resources of all contributors, reviewers and editors for their roles for the success of this book.

We noted the contribution of and the sleepless nights of Mr. Omoyibo Peter and his staff of Diamond Prints and Design in ensuring this book is a success.

We also acknowledged the efforts of all technical staff at OGE Business School who all worked day and night in supporting the production of this book.

**Prof. Muhammad A. Mainoma**

**Prof. Godwin E. Oyedokun**

*Lead Editors*



## ABOUT THE BOOK

This book titled *Taxation for Economic Development* is a follow up on the book on Tax Management and Compliance in Nigeria, published in the year 2020, the current book have twenty-five erudite scholars with vast knowledge in Taxation, Accounting, Law, Finance, and Business among others. The Thirty (30) chapters therein critically evaluates contemporary issues in taxation, tax management, tax compliance, tax reforms, Nigeria tax system, tax law, regulatory framework, alternative tax policy, tax incentives, transfer pricing, tax planning, tax assessment, tax risk, taxation for economic development and reviewed cases in taxation and not without taking readers through their various effects of the economy of the Nigerian state in the past, present with some pictures and suggestions for the future.

Editors such as Professor Muhammad Akaro Mainoma, and Professor Godwin Emmanuel Oyedokun, Professor Suleiman A. Salihu Aruwa, Professor Taiwo Olufemi Asaolu and Professor Rafiu Oyesola Salawu, are the seasoned academics of repute that painstakingly took time to review the chapters and edited this book and made it suitable use by tutors, teachers, lecturers, researchers, Professors and all lovers of education.

This book will immensely benefit all Lovers of Tax Education, Taxpayers, Administrators, Business owners, Professionals, Policymakers, Lecturers and Students of higher learning (Universities, Polytechnics, Monotechnics, and Colleges of Education) across the country as well as those writing various related professional examinations in taxation and accounting.

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## CHAPTER NINETEEN

### REVIEW OF CHAPTER: IMPACT OF VALUE ADDED ECONOMIC GROWTH IN NIGERIA

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**Topic:** Impact of Value Added Economic Growth in Nigeria  
**Author:** Muhibudeen Latifat and Abdulkadir Abba Hafiz  
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#### **SUMMARY**

Chapter eight of the book is a product of research carried out by Muhibudeen Latifat and Abdulkadir Abba Hafiz of Department of Accounting, Yusuf Maitama Sule University, Kano, Nigeria. The study assessed the impact of value added tax on economic growth in Nigeria using secondary data obtained from Central Bank of Nigeria Statistical bulletins, Nigeria Bureau of Statistics Publications and World Bank.

The study has five sections: Introduction, Literature Review, Methodology, Data Analysis and Result Discussion and lastly Conclusion and Recommendation. Literature review was further divided into Conceptual framework, review of related studies and theoretical framework.

The introduction of the work presented an understanding of tax and historical background of Value Added Tax in Nigeria. In his word, Value added tax was introduced in Nigeria on



the 1<sup>st</sup> of January 1994 under Decree 102 of 1993. According to the researchers, an efficient and effective tax system is capable of ensuring the basic necessities and services in the country. It was emphasized that Taxes are used to achieve economic growth, equity in income, wealth distribution and maintain equilibrium in the economy. He cited view researchers like (Nasiru, Haruna & Abdullahi, 2016); Appah (2010); Ajakaiye (2000) and Omokhualé (2016) to explain the meaning of tax, classification of taxes (direct and indirect) and importance of value added tax to government revenue in all countries where it has been introduced. The introductory paragraphs were rounded up by putting forward research question (what is the relationship between VAT and Gross domestic product?) and aim of the study (to analyze value added tax (VAT) and its impact on the Nigeria Economy).

### **Conceptual review**

The concept of economic growth, value added tax (VAT) and traces the background Administration of VAT in Nigeria. The researchers referenced (Kamruddin-parvez, 2012 and Bird (2016) in defining Value Added Tax as a type of consumption tax that is placed on a product whenever value is added at a stage of production & at final sale. VAT is borne by the final consumer of the product or service at a flat rate of 5% on all invoiced amounts. Though some goods and services are exempted from paying VAT.

On administration of VAT in Nigeria, VAT Act of 1993 section 7 (2) states that VAT shall be administered and managed by the Federal Board of Inland Revenue but share by the Federal Government (15%), State Government (50%) and Local Governments (35%). To ensure VAT 's effectiveness, certain amendments were made on the existing tax structures in Nigeria, such as reduction of Petroleum Income Tax burden, monetization of fringe benefits, and extension of tax- free status to companies in rural areas and granting of incentives based on the infrastructures available in the areas and reduction of company income tax rate from 40% to 35% and 30%. He highlighted Taxable goods and services and Exempted Goods and services.

He borrowed ideas of researchers like (Jibir & Babayo, 2015; Jhingan (2003); Zhattau (2013, Ojoye (2015); etc. to define economic Growth as the increase in output of an economy's capacity to produce goods and services needed to improve the welfare of the citizens of the country.

On Empirical Review, eight related research works on relationship between value added tax and economic growth in Nigeria were reviewed. Different data analysis methods such as multiple regression analysis, stepwise regression analysis, least square techniques and Johansen (1988) co-integration test were used by referred researchers. According to the author, all the studies even though similar in approach vary in their outcome, and require

further study to validate or debug the existing research.

Various theories of taxation were reviewed and adopted such as the expediency theory, benefit Received Theory, theory of Economic Growth. The researcher, in his explanation of Meade's Neo classical model of economic growth, said that the net output produced depends upon four factors: the net stock of capital available in the form of machines; the amount of available labour force; the availability of land and natural resources and the state of technological knowledge which continues to improve through time.

## **METHODOLOGY**

This deals with the methods used in collecting, analyzing and interpreting the data for the study. The researcher used serial data analysis research design. Population of study was government tax revenue from VAT and gross domestic product as published in government financial reporting bulletin from 2001 – 2018. The Sample Size covers the period of 2001 – 2018 and purposive sampling Technique adopted.

### **Data Analysis Techniques**

Descriptive statistics was employed to organised and summarized the data to make it meaningful. It also used Pearson Correlation coefficient to determine the degree of relationship between Value Added Tax and Nigeria Economy. And evidently, Regression (least square technique) technique was used to analyse the value added tax and its impact on the Nigeria Economy.

### **Data Analysis and Result Discussion**

The study presented data in tabular forms and analyzed the results using descriptive statistics, correlation analysis and regression analysis. The first table presented descriptive statistics result. The dependent variable GDP has a mean of 6.2607 at a maximum point of 3.9408 and minimum point of 74176 with standard deviation of 1.2308 which show that there is much variation between the variables.

The second table shows the correlation results of dependent variables GDP and the independent variables VAT and Total Government Revenue (TGR). The relationship between the dependent variable VAT is positive with a value of 0.7911 which shows that the higher the VAT the higher the GDP. The relationship between GDP and TGR is also positive with value of 0.7642.

The third table depicts the regression results of the model. The impact of independent variable VAT on dependent variable GDP is positive with coefficient value of .0109787, explaining that an increase in VAT will lead to a rise in GDP by 100%. Likewise the impact of TGR on GDP is positive with coefficient value of 108.8792, meaning that an increase in TGR

will lead to a rise in GDP by over 100%. The multiple coefficient of R-square is 0.6511 means that 65.11% of change in GDP was due to changes in independent variables VAT and GDP.

### **On Hypothesis Testing**

The researcher indicated that the two hypotheses were supported by the findings of the study. That is, VAT and TGR has positive and significant effect on GDP. The findings of his research work study were in line with findings of Omokhuale, (2016), Haruna and Abdullahi, (2016).

Arising from the research findings, it is concluded that there is positive and significant relationship between Value Added Tax and Total Tax Revenue. Likewise there is positive and significant relationship between gross domestic product and value added tax.

The researcher recommends that Nigeria Tax authority should improve tax revenue collection to improve GDP Vis a Vis the Nigeria Economy.

## ABOUT THE BOOK

**T**his book titled *Taxation for Economic Development* is a follow up on the book on Tax Management and Compliance in Nigeria, published in the year 2020, the current book have twenty-five erudite scholars with vast knowledge in Taxation, Accounting, Law, Finance, and Business among others. The twenty-six chapters therein critically evaluates contemporary issues in taxation, tax management, tax compliance, tax reforms, Nigeria tax system, tax law, regulatory framework, alternative tax policy, tax incentives, transfer pricing, tax planning, tax assessment, tax risk, taxation for economic development and reviewed cases in taxation and not without taking readers through their various effects of the economy of the Nigerian state in the past, present with some pictures and suggestions for the future.

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This book will immensely benefit all lovers of tax education, taxpayers, administrators, business owners, professionals, policymakers, lecturers and students of higher learning (Universities, Polytechnics, Monotechnics, and Colleges of Education) across the country as well as those writing various related professional examinations in taxation and accounting.



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