ADMINISTRATION AND COLLECTION OF VALUE ADDED TAX (VAT) IN GOVERNMENT PARASTATALS IN ENUGU AND ANAMBRA STATES, NIGERIA

BY

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DEDICATION

This research work is dedicated to the **ALMIGHTY GOD** for His Love, wisdom, guidance and grace throughout the study.

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ABSTRACT

The purpose of the study was to assess the administration and collection of Value Added Tax (VAT) in government parastatals in Enugu and Anambra States. A structured questionnaire made up of 38 items in addition to 24 checklist were used to obtain information for the study. Five research questions were answered while four hypotheses were tested at 0.05 level of significance. The study adopted a descriptive survey design. The population for the study consisted two hundred and thirty three staff from 3 Federal Inland Revenue Service and 61 government Parastatals. There was no sample because the entire population was studied. The research instrument was subjected to face validation by five experts, made up of two lecturers from the Department of Vocational Teacher Education, one from the Department of Accountancy, one from Department of Art Education and one from Measurement and Evaluation, all in University of Nigeria. The Cronbach Alpha Reliability was used to test internal constancy and a Coefficient of 0.77 was obtained. The questionnaire was administered personally by the researcher with the help of two trained research assistants. A total of 227 copies out of 233 copies of questionnaire administered were returned and analyzed for the study. Hypotheses were tested using one way analysis of variance (ANOVA). The findings of the study showed that credit, subtraction and addition methods were variously utilized in collecting VAT revenues. It was also found that studying invoices and auditing of returns submitted to local VAT office were effective in detecting and preventing tax fraud. It was recommended that the management of Federal Inland Revenue Service (FIRS) should regularly review revenue generating performance so that the administrators would know when to intensify effort in monitoring the activities of staff and tax payers.

CHAPTER I

INTRODUCTION

Background of the study

The tax system is a forum for government to collect additional revenue needed to discharge its pressing obligations like building schools and hospitals, construction and maintenance of roads for its citizens etc. Azubuike (2009) stated that tax system is one of the most effective means of mobilizing a nationôs internal resources.

Traditionally, taxation is the main source of revenue to governments all over the world. It is used as major instrument for revenue generation. Azubuike pointed out that tax becomes a burden that everyone must bear to support the government. On the part of government, tax proceeds should be used to provide collective or public goods or services. Goods or services are the ones that cannot be divided among the separate members of the society but which must be used for the benefit of every citizen. Such goods and services are classified as maintenance of law and order, defense against external aggression, regulation of trade and business to ensure social and economic justice.

The scope of government functions depend on the political and economic orientation of the members of the society, their needs, aspirations, willingness and ability to pay tax (Olaofe, 2007). The tax is divided into direct and indirect taxes. Direct taxes refer to ones in which the legal tax payers cannot shift any of the tax liability to other people, such as customers or suppliers while indirect taxes refer to those that are thought to be shifted from the legal tax payer to others. Examples of

indirect taxes are taxes on sales of commodities and import duties. Value Added Tax (VAT) is one of the indirect taxes.

Value Added Tax (VAT) is a tax on business transaction charged at the point of sale in respect of goods and services. VAT has been variously defined by many authors. Some authors like Shoup, Gills, Sicat (1990) stated that VAT is imposed on the manufacturing stage; others at both manufacturing and wholesale stages while some stated that VAT is imposed on manufacturing, wholesale and retail stages. These variations in views create the impression that most people do not fully understand the concept. Vito (2004) defined VAT as a tax imposed by government at each stage in the production of a good and service. Carver (2000) explained that VAT is a tax based on the difference between the cost of materials and other expenses involved in the manufacture of a product and the ultimate value of the finished good which is imposed at various stages and thus tends to spread the tax burden among firms.

Historically Value Added Tax was introduced in France on 10th April 1954. It was known as goods and services tax (GST) and levied on the value added to good or service. It is an indirect tax collected from someone other than the person who actually bears the cost of the tax (Ikpang, 2008). Shoup (1990) explained that Brazil introduced VAT in 1967. Brazilian states abolished the heterogeneous turnover cascade taxes that they had levied for 30 years. Cascading means that before a commodity is produced, inputs are first taxed and after the commodity is produced with input tax load, output is taxed again. This leads to double taxation.

The Federal Government of Nigeria introduced VAT by the promulgation of VAT decree No 102 of 1993 which replaced sales Tax Decree No. 7 of 1986 (VAT Act 2004). The revenue from sales tax was retained and used by the state where the revenue was generated. The actual implementation of VAT did not commerce until 1st January, 1994 (Chugbo, 2009). Chugbo explained that Nigerians believed VAT was introduced as a means of avoiding taking loans from international agencies. VAT was imposed on virtually all goods and services whether produced or imported. Goods and services that VAT should be paid on include: all goods manufactured or assembled in Nigeria; all goods imported into Nigeria; all second hand goods; household furniture and equipment; petrol and petroleum products; etc. Some goods however, were granted exemptions and they include medical and pharmaceutical products, basic food items; fertilizers, agricultural and veterinary medicine; books and education items; farming and transport equipments etc (Okele, 1999).

In Nigeria VAT is centrally administered using the existing machinery of Federal Inland Revenue Service (FIRS). The zonal coordinators of (FIRS) are located at Lagos, Enugu, Kaduna, Jos and Ibadan. They coordinate the activities of local VAT offices within these areas and are responsible to the VAT Directorate in Abuja for VAT related matters (Ikpang, 2008). Such related matters include registration of VAT agents.

A registered VAT agent is a person who is registered under section 8 of the VAT Act 2004. The agent keeps such records and books (like sales day book and cash books) of all transactions, operations, imports and other activities relating to taxable goods and services as are sufficient to determine the correct amount of tax

due. The agent also within six months of the commencement of business registers with Federal Inland Revenue Service for the purpose of the VAT. According to the VAT Act 2004, section 15 and sub-section 1 (a) a registered agent shall remit the excess to the Federal Inland Revenue Service if the output tax exceeds the input tax. The registered agent shall be entitled to a refund if input tax exceeds the output as (FIRS) may from time to time approve. Furthermore, the act states, that every government ministry, statutory body, parastatal and other agencies of government shall register as agents of the FIRS for the purpose of collection of tax under part II section I of the Act and that every contractor transacting business with a government ministry, statutory body, parastatal and other agencies of the Federal, State or Local government shall produce evidence of registration for VAT before obtaining a contract. An importer of taxable goods shall before clearing his goods pay to the Federal Inland Revenue Service the tax on those goods.

An importer is a person or company who buys goods from another country to sell in his own country. The Nigerian Custom Service before releasing taxable goods to the importer demands the VAT compliance certificate issued by the FIRS on those goods (Nigeria VAT Act 2004). Vatable person at the time of making payment to a contractor remits the VAT revenue due on the contractor to the Local VAT office nearest to the contractor. A vatable person is any business entity that buys or sells goods or services and is required to be registered for VAT. The remission of VAT revenue is to be accompanied with a schedule showing the name and address of the contractor, invoice number, gross amount of invoice, amount of tax and month of

return (VAT Act 2004). In order to know those taxpayers who shall pay tax the Federal Inland Revenue Service ensures that good master file is available.

In an effort to establish a master file of taxpayers several developing countries have established a system of registration in which each taxpayer is given a single identification number to be used in administering all taxes (Chugbo, 2009). In Nigeria, a master File contains a list of all the registered taxpayers in the six zones. The file is compiled by the FIRS. Taxpayer or taxable person or vatable person means any business entity that buys or sells goods or services and is required to be registered for VAT. The taxable person can be an individual, partnership, company, club, association or charity. The Master File has all the particulars of each taxpayer. This Master file ensures the uniformity of procedures and documentation of VAT related issues in all the six zones. According to Jantscher (1990), in some countries the system of registration in which each taxpayer is given a single identification number to be used in administering all taxes have been successful and taxpayers use the number for both the VAT and other taxes. Jantscher however, explained that in some other countries different numbers are used for different taxes. Therefore, to promote efficiency in the administration of tax, the use of a single identification number for all taxes is advisable.

According to Ikpang (2008) Nigeriaôs VAT system has a number of features that make it quite straight-forward. First, Nigeria VAT system is a single rate of five percent VAT which makes it easier to administer. The system adopts the input-output mechanism which makes it self-policing through the issuing of receipts at each stage of transaction and also it is also a multiple-stage tax but has single effect on consumer

prices and does not add more than the specified rate to the consumer price no matter the number of stages at which the tax is paid. VATôs calculations are based only on the debit charges made for services rendered. The focus of VAT is on the charge levied on customers for the consumption of services rendered by some parastatals. Other ancillary services offered by financial institutions which are vatable include documentation and perfection of loan and overdraft agreement (Federal Inland Revenue Service Information Circular-FIRSIC 1997).

VAT is the easiest and cheapest form of tax to collect and administer in a country like Nigeria with a very high informal sector. VAT system helps to provide more stable and sustainable revenue base for government. VAT enhances the government revenue base by bringing all enterprises with taxable goods and services into the VAT net (Cat 2008). Egemonu (2007) stated that the expected high yield from VAT would boost the fortunes of government revenue from the registered taxpayers. VAT has made government revenue less dependent on revenue derived from petroleum thereby raising additional non-oil revenue locally. It also raises revenue that would not be retained by a state government only but would be shared among three levels of government (Ajakaiye, 1999). The use of input-output for VAT helps to control the mechanism internally because receipts are needed to be obtained at each stage of transaction.

In Nigeria, VAT promotes trade by making exports zero-rated. It minimizes the effect of smuggling and evasion when the final consumers are adequately controlled. Incentives to smuggle are reduced since VAT brings smuggled goods back into the tax net with no deductions as would have been if they had paid VAT at

Customs office (Manu, 2005). According to Mitshell (2005) VAT discourages tax-evasion because the VAT system requires that taxed invoices be issued in transactions and taxpayers must hold on to the invoices in order to benefit from tax deductions. The tax authority according to him, is able to cross-check the invoices and transactions between the taxpayers and final consumers which makes tax-evasion more difficult both in government parastatals and other areas.

Effectiveness is putting a conceived goal into reality. Wehmeier (2003) defined effectiveness as producing the result that is wanted or intended. Wehmeier (2003) also saw effectiveness as producing or adapted to produce an efficient or a successful result while Webster (1994) noted that effectiveness is an adequate to accomplish a purpose. Wehmeier defined method as mechanism for achieving something. Afe (1996) state that mechanism of VAT Administration is only effective when it generates the projected revenue and ensures voluntary compliance with the provision of tax law by the taxable persons and revenue officials.

VAT is one of the major sources of government revenue. Egemonu (2007) stated that VAT Administration has proved its worth in generating revenue for government. Egemonu explained that in 1994 a total of eight million naira was generated by VAT representing thirty six percent. Ajakaiye (1999) pointed out that evidence so far supports the view that VAT is already a significant source of revenue in Nigeria. Ajakaiye further stated that in terms of contributions to total federally collected revenue, VAT revenue accounted for about four percent in 1994, five percent in 1995 and in 1996 the VAT revenue was twenty five million naira. Ajakaiye

agreed that on the basis of these amounts realized from VAT revenue, it is quite possible that the VAT revenue would continue to increase every year.

Relatively Okele (1999) noted that VAT is expected to be in second position after petroleum profit tax in generating money for government because of its broad based tax system, yet the money realized from VAT revenue is relatively small. VAT was implemented in Nigeria on 1st January, 1994 with the two major objectives in mind (a) to administer and collect high yield of revenue but this objective, however, is affected by the attitude of some collecting agents who remit VAT revenues late and in some occasions misappropriate VAT revenues collected (b) tax payers benefit of set-off for the tax paid earlier (FIRSIC 2002).

The Federal Government of Nigeria introduced VAT by the promulgation of VAT decree No 102 of (1993) (VAT Act 2004). This decree empowered the Federal Inland Revenue Service (FIRS) to administered VAT. However, the decree did not specify how and when the Federal Inland revenue Service would be reviewing the administration of VAT in Nigeria. This is necessary because constant reviewing of VAT Administration could improve the revenue yield from VAT.

Statement of the Problem

Value Added Tax (VAT) is a tax on the net value of products or services based on the difference between the cost of materials and other expenses involved in the manufacture of a product and ultimate value of the finished product (Shoup, 1990). VAT is one of the significant sources of revenue for financing both Federal and State government services and programmes because of expected high yield and this expectation has not been achieved (Chugbo 2009). Naiyeju (1997) pointed out that

VAT mechanisms which include credit, subtraction and addition are not reviewed by the tax administrators to know the extent of their utilization and adoption in Nigeria. Constant review of the methods could improve the effectiveness in the administration of VAT.

In good administrative system, registered collectors are required to submit all the needed documents before they could be allowed to register. Chugbo, (2009) observed that some registered collectors do not submit all the documents required during registration. This practice gives room for misappropriation of money collected from VAT revenue. Ndulue (2003) stated that the registered collectors are involved in revenue misappropriation because tax administrators neither review nor evaluate regularly the assessment and collection procedures given to the registered collectors. The problem could be that most of the registered collectors are not well trained and as a result fail to apply VAT regulations. The inadequate training of the registered collectors could also lead to falsification of mechanisms utilized for VAT registration. The revenue generated from VAT could be low if the registered collectors in Enugu and Anambra States are poorly trained. Azubuike (2009) stated that most of the tax administrators do not review the revenue generation capacity regularly so that the VAT revenue realized each year should be known. They occasionally visit the premises of some registered tax payers. Olorunleke ((1999) pointed out that the registered collectors are not checked regularly to ensure that the money collected from tax payers are paid to Federal Inland Revenue Service. It was reported that the last effort in reviewing revenue generation performance was in 1989. A study like this is therefore necessary to establish the status of Value Added Tax (VAT) administration and collection in government parastatals in Enugu and Anambra States.

Purpose of the Study

The major purpose of the study was to assess the Administration and collection of Value Added Tax (VAT) in Government Parastatals in Enugu and Anambra States.

Specifically. The study sought to

1. identify the uses of the various methods of VAT administration and collection in government parastatals in Enugu and Anambra states;
2. ascertain the extent of utilization of the methods for VAT administration and collection in government parastatals in Enugu and Anambra States;
3. identify the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra States;
4. ascertain the effectiveness of the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra States;
5. find out the level of realization of VAT revenue from government parastatals in Enugu and Anambra States.

Significance of the Study

The findings of this study would create awareness to the general public on the different methods used in calculating VAT revenue they pay when they are buying taxable goods. It could also help them to know how they contribute to the wealth of the state.

The study would serve as helpful purpose to Tax Inspectors on how to use control mechanisms like VAT visits, VAT audit, VAT drive, VAT investigation to expose fraudulent practices which taxable persons use to evade and avoid payment of tax.

The findings of this study would sensitize the Ministry of Finance on the need to allocate more funds to the Federal Inland Revenue Service to procure the facilities that would improve capacity building initiatives of its staff. This could in turn improve the administrative functions of the Federal Inland Revenue leading to better performance and more revenue yield from VAT.

The findings of this study would expose the different challenges facing the Administrators of Federal Inland Revenue and Government parastatals in the area of long

process of registration, assessment and collection , compliance cost etc. When the procedures are simplified the administration would benefit and the objectives of increasing revenue from VAT would be realized.

The study would expose to the federal Inland Revenue and Government the status of VAT administration and collection in government parastatals. This exposure would enable the Government to study the system. In turn government could formulate a policy that would lead to reviewing regularly the operation in the system. It could also help the Federal Inland Revenue Service to identify the facilities that are lacking in the system. The identification could motivate the government to provide the needed facilities in the system.

Teachers would use the findings of the study in the teaching and learning. Curriculum officers for accounting education would use the facts of the findings in curriculum planning and review.

Research Question

The following research questions guided the study.

1. What are the uses of various methods of VAT administration and collection in Government Parastatals in Enugu and Anambra States?
2. To what extent are the methods for VAT administration and collection utilized in Government Parastatals in Enugu and Anambra States?
3. What are the control mechanisms for VAT administration and collection in government Parastatals in Enugu and Anambra States?
4. How effective are the control mechanisms for VAT administration and collection in Government Parastatals in Enugu and Anambra States?
5. What is the level of realization of VAT revenue from Government Parastatals in Enugu and Anambra States?

Hypothesis

The following null hypotheses were formulated and tested at 0.05 level of significance.

HO 1: There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the uses of various methods of VAT administration and collection in government parastatals in Enugu and Anambra States.

HO 2: There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the extent of utilization of methods for administration and collection of VAT in government parastatals in Enugu and Anambra States.

HO 3: There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra States.

HO 4: There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the effectiveness of the control mechanisms for administration and collection of VAT in government parastatals in Enugu and Anambra States.

Delimitation

This study covered 3 Federal Inland Revenue Service and 61 Government Parastatals in Enugu and Anambra States. Thirty four Executive Officers, 87 Tax Inspectors from 3 Federal Inland Revenue Service and 112 Accountants from 61 Government Parastatals who are knowledgeable in VAT were used as respondents.

CHAPTER II

REVIEW OF RELATED LITERATURE

This chapter reviewed the literature related to the present study. The literature is presented under the following sub headings:

1. **Conceptual Framework:**
   - General Concepts
   - Uses of the various methods of VAT administration and collection
   - Extent of utilization of the methods for VAT administration and collection
   - Control mechanisms for VAT administration and collection
   - Effectiveness of the control mechanisms used for VAT administration and collection
   - Level of realization of VAT revenue
2. **Theoretical framework:**
   - Theory on Taxation
3. **Review of the Related Empirical Studies**
4. **Summary of Literature.**

Conceptual Framework:

Concept of Value Added Tax (VAT)

Value Added Tax (VAT) is a kind of indirect tax that is imposed on goods and services which being produced or rendered to the consumer. Erumebor (2009) stated that when government operates on a budget surplus, or wants to increase its revenue in order to finance its budget deficit, it does this by focusing on increasing its source of

income which involves tax. Ijewere (1993) stated that the International Monetary Fund (IMF) and World Bank which are closely identified with the establishment, operation and monitoring of Structural Adjustment Programme (SAP) in Nigeria, had since 1987 a year after the introduction of SAP, been advising that the tax system in Nigeria needed reform. The reform was to make the government revenue less dependent on revenue derived from petroleum. Ijewere further stated that as one of additional means of raising non-oil revenue locally, the introduction of the VAT was suggested by these two world bodies (IMF and WB) to the Federal Government to replace the existing sales tax. Sales tax was nationally levied tax but the revenue from it is collected and retained by the state government.

Federal Inland Revenue Service Information Circular (FIRSIC 1999) stated that the idea of introducing VAT in Nigeria originated from the report of a study group set up by the Federal Government of Nigeria in 1992 led by Professor Emmanuel Edozien to review the entire tax system. Within the same year 1992 a parallel study group on indirect taxation led by Dr. Sylvester Ugoh was set up to study the feasibility of introducing VAT as an improvement on the existing sales Tax. The objectives of the study group include:

a) to shift taxation towards consumption

b) to reduce dependence on oil revenue

c) to provide incentives for export production

d) to reduce the incidence of evasion and

e) to reduce the consumption and importation of some goods.

Chugbo (2009) stated that Value Added Tax refers to increase in value of goods and services at each stage of production or transfer of goods or services. Chugbo explained that VAT is basically a tax to be levied on the value added by an organization at each stage of its offering service or producing goods. He pointed out that VAT is a tax on the final consumption of goods or services and ultimately borne by the consumer although it is collected at every stage of production or distribution and a tax credit is granted at each stage for tax paid at the earlier stage in the chain of transfer/sale of goods or services till it reaches the final consumer. Cat (2008) defined VAT as tax payable only on value added at each stage and not on the gross sale price. VAT is generally levied on the production, wholesale and retail sales and importation of commodities. It is a type of turnover tax levied on the added value factors of the various links between production, circulation of commodities and labour services.

Different types of Value Added Tax are available. According to Shoup (1990) there are three types of VAT. They include:

(1) Consumption VAT: It is tax on consumer goods and services. It is a tax on value added to every item one purchases or services one offers to a customer. Under it, capital purchases are treated the same way as the purchase of any other input. Shoup stated that the treatment of capital input is equivalent to expenses.

(2) Income VAT: It is tax on the total of all income. The author explained that tax paid on purchases of capital input is amortized over the expected lives of such capital inputs. For example, if machinery is bought by a manufacturing company for one million naira and VAT of 5 percent is paid, the fifty thousand

(₦50,000.00) VAT paid is allowed as credit against the firms output tax over the lives span of the asset. If the asset is estimated to last for 10 years, five thousand naira (₦5,000.00) is allowed as deductable amount for each year.

(3) Gross product VAT: It is arrived at by subtracting from a firmôs sales only purchases of those goods that are used up currently, not purchases of machinery or other capital goods. The author pointed out that taxable firm is treated as a final consumer of all its capital input. Under this type of VAT the tax paid on capital input serves as part of cost of capital input. The author further explained that capital allowances are claimed over the expected life span of the asset.

There are principles guiding VAT. Gills, Shoup and Sicat (1990) classified the principles into two. The two principles are the origin and destination. A VAT uses origin principle when it taxes value that is added on goods produced in the country and were to be consumed in the country and those goods produced in the country and were to be exported to other countries. It does not tax value added on goods produced abroad and brought into the country for sale. Origin principle taxes all, and only, value that originates within the country. Exports are taxable, while imports are exempted. This principle is compatible with the income VAT. VAT uses destination principle when it taxes all value added, on goods produced at home and abroad. Exports are exempted, imports are taxable. They stated that it is compatible with the consumption VAT.

There are different methods used in computing VAT. Egemonu (2007) gave three classifications of VAT methods. The methods include

a) Subtraction Method: Tax liability in this method is calculated by subtracting the taxable sales

b) Credit Method: It is calculated by getting the total output and input and subtracting the input from the output.

c) Addition Method: It is calculated by adding all the payment untaxed inputs (i.e. Earnings of the four factors of production employed by taxable entrepreneur), rent for land, interest for capital, wages for labour and profit for entrepreneurial ability. The result is then taxed at VAT rate.

Liability of VAT arises when the output tax received is more than the input tax paid. The net in a tax paid is the amount of VAT to be remitted. Output tax is the tax that is due on vatable supplies. It is derived by multiplying the tax rate. Input tax is what is charged on business purchases and expenses. These are goods and services supplied or imported. In this connection, it is to be emphasized that only input tax paid on raw materials meant for production of goods for resale will qualify for set off. Input VAT incurred on capital items or other items not directly related to goods and services meant for sales will not qualify for set off. But on imported goods, the vatable person who imports for manufacturer or input to further production or processes can claim as credit the input tax paid on his imports along with those paid on goods purchased. The claim for input tax must be made on the VAT returns for the month the importation was effected. It needs not wait for the time the imported

materials are used or sold. If an importer imports goods that are not to be used for business he still pays VAT (Egemonu 2007 and Shoup 1990).

Attamah (1998) pointed out that VAT overcomes the defects in sales tax which operates on a single point retail sale tax and fails to collect tax as the rate of tax on commodities rises. VAT ensures that the same product will be free from the influence of a number of production and circulation links and will always maintain the same taxation content and avoids the problems of fluctuating tax burdens on taxable products which result in production links. Attamah further stated that VAT does not resemble sales tax which maintain narrow tax base. VAT has wide tax base and is neutral tax with relatively high degree of transparency (Naiyeju 1997). Ajakaiye (1999) stated that the features of VAT include

(a) It is a consumption tax designed primarily to tax private consumption by individuals, goods and services that are vatable.

(b) It is a single rate of 5 (five) percent VAT, which makes it easier to administer. The rate of an import is also 5 (five) percent. Zero-rate is assumed for export while some goods and services are exempted from the tax. Zero-rate means when tax rate for goods and services are taxed at zero. It also implies that exporter of goods and services cannot collect VAT on exports but can claim credit for VAT paid on their inputs. Exempt means when tax rate for goods and services are tax free.

(c) VAT adopts the input output tax mechanism in which makes it self control. Input tax refers to the VAT you pay on your purchases which you reclaim from

Federal Inland Revenue Service while output tax refers to the VAT you charge on your sales which you pay to Federal Inland Revenue Service.

(d) It is a multiple stage tax which expected to have a single effect on consumer prices. Multiple stage tax refers to tax collected at every stage of production or distribution of goods.

Concept of Tax Administration

Tax administration consists of the tax authorities and the organs of tax administration. Yerkes (1994) stated that administration is function of a political state exercising its governmental duties. Robertson (1993) defined administration as a process of implementing decision and organizing the government agencies. Administration is seen by Dimock (1996) as management of executive affairs. He pointed out that administration conveys the idea of group cooperation under executiveôs direction seeking fulfillment of goals through planning and organization. Raymond (1980) described administration as a systematized process of implementing the policies of the government. For instance, a government agency charged with a specific policy implementation. He further explained that it is a part of public law which deals with regulation and powers of administrative agencies.

Ahmad (2005) stated that the Tax Administration in the country is conveniently divided into three to take care of the three tiers of government. They include:

(1) Local Government Tax Revenue Committee

(2) State Board of Internal Revenue (SBIR)

(3) The Federal Board of Internal Revenue (FBIR).

Local Government Tax Revenue Committee

The committee is charged with the responsibility for the assessment and collection of all taxes, fines, fees and rates under its jurisdiction. The committee shall account for all amounts so collected in a manner to be prescribed by the chairman of the local government.

State Board of Internal Revenue

The arm is the state internal revenue service which applies the personal income tax law and road traffic regulations. The state internal revenue service is headed by a Chairman or Chief Executive Officer and is responsible for the collection and accounting for Personal Income Tax like Pay-As-You-Earn (PAYE), Direct Taxation (self assessment), Withholding Tax (individuals only); Capital Gains Tax (individuals only); Stamp duties on instruments executed by individuals etc.

The Federal Board of Inland Revenue

The Board is solely responsible for the assessment and collection of taxes from corporate and non-resident individuals and from members of the armed forces as provided for by the companies Income Tax Act (1961).

Azubuike (2009) pointed out that Federal Inland Revenue Service is an operational arm of Federal Board of Internal Revenue. The Federal Inland Revenue Service derived its power from Decree 102 1993, Nigerian VAT Act 2004 and Nigeria Tax Reforms 202. The FIRS from time to time publishes information circular and Newsletters to address interpretation issues and make classification in some sections of tax laws where necessary. Azubuike explained that FIRS is solely responsible for the assessment and collection of Value Added Tax from taxable persons as provided

for by the Nigeria VAT Act 2004. Taxable person is any business entity that buys or sells goods or services and is required to be registered for VAT. This can be an individual, partnership, company, club, association or charity.

FIRSIC (1997) stated that FIRS is empowered to perform all the administrative functions connected with the VAT, including collection, processing of returns and enforcement. FIRSIC explained that the functions of FIRS include identifying and registering taxpayers, controlling collection, making refunds, auditing taxpayers and levying penalties. Jantscher (1990) stated that levying penalties are used against taxpayers who evade VAT by false deductions and under reporting of sales. It is also used against those who abuse credit mechanism which may involve the use of falsified invoices and fraudulent refund claims. The idea of allowing only the FIRS to handle VAT administration in Nigeria is to avoid problems encountered by the government with other taxes. In other taxes such as personal Income Tax, Petroleum Profit Tax, Company Tax etc. the main administration operations like assessment, collection and data processing were divided among different agencies. FIRSIC (1997) explained that FIRS handling alone the administration of VAT will facilitate the efficient use of all official documents and information relating to a given taxpayer and his or her business connections. It will also allow for better planning and coordination of the tax.

Ikpang (2008) stated that the following are major coverage on the centralized form of VAT collection and administration in Nigeria. A central administration reduces the numbers of points of contact between a tax payer and the tax authorities and because there are certain overhead costs that will be associated with collecting any tax it would reduce the cost of administration and compliance for the overall

revenue system. Also, a single administrative authority eliminates the possibility that the tax payer will be confused about what tax organization is responsible for answering questions, receiving filings, enforcement, etc. Azubuike explained that in extension, a single centralized system improves the chances that tax payers will receive consistent and unbiased treatment by the tax authority, no matter where in the country the entity or the taxable activities are located. Uniform treatment without regard to where the tax payer may be located or to whom the tax payer is can improve the chances that administration will be seen as fair and not playing favourities. He pointed out that with central administration, no matter where a tax payer may be in the country, the taxpayer will be subjected to exactly the same administrative regime and none will enjoy a competitive advantage because of administrative differences. A perception of balanced administration likely contributes to the probability of compliance with the tax.

In Nigeria exemptions of some commodities and services are allowed by law (VAT Act 2004). Jantscher and Shoup (1990) stated that exemption of some commodities complicate the administration of VAT. This is because additional record keeping is required to separate the taxable from the exempt sales. They explained that in practice the distinction between what is exempt and what is taxed is difficult to ascertain. Normal exemptions, which preclude refunds of the prior-stage tax borne on inputs of goods and services are less difficult to administer than full exemptions which carry the right to a refund of prior-stage tax paid on purchases of goods and services. The fact that exemptions complicate VAT administration has not deterred Nigeria from exempting particular commodities and services. However, Nigeria VAT

restricted it to export (VAT Act 2004). This is because exemption increases the number of goods in the refund net. Ikpang (2008) explained that exemptions probably reflect administrative problems of VAT. For instance, VAT is collected at each production step while the reimbursement or refund of VAT is on intermediates. Ikpang further explained that administration of VAT might become easier if the production process is more fragmented or specialized.

Mitchel (2005) pointed out that while the performance of VAT as a source of revenue in the country is encouraging, it is important to note some problems associated with the administration of VAT. Part II Sect. 9 of Decree 102 (1993) stated that a registered person should keep such records and books of all transactions operations, imports and other activities relating to taxable goods and services as are sufficient to determine the correct amount of tax payable. These include cash book, sales and purchase day book, ledger accounts, balance sheet among others. Ikpang (2008) pointed out that the decree seems simple but the limitation of the decree is that a lot of citizens including staff of parastatals in Enugu and Anambra states are not properly trained in record keeping/accounting. Next, since most sales points are substandard, that is, make shift arrangements, point of purchase traces may be difficult to locate due to supplier or seller migration. Ikang further stated that this will pose a problem for truly ascertaining the proper amount for the VAT. Nigeria Tax Reforms (2002) pointed out some other problems facing the VAT administration. NTR stated that some tax payers refuse to remit. VAT revenue collected for the Federal Inland Revenue Service and some Banks after collecting VAT revenue from other tax payers refuse to transfer such revenue to the central Bank of Nigeria. It is noted that

irregular review of revenue generation and inadequate accounting for money realized from tax which VAT is inclusive have effect on the administration of tax in Nigeria. These lapses in processing and collection of VAT revenue calls for assessment of VAT Administration.

Assessment is an appraisal or evaluation. It is valuation of property usually for the purpose of taxation. It is also a valuation and adjudging of the sum to be levied on property. It is process of assigning a cash value to property for purpose of taxation (Webster 1994). Wehmeier (2000) defined assessment as an act of judging or forming an opinion about something. Assessment of VAT Administration could be taken as an act of judging or forming opinion about effectiveness of its administration. It also include judging about the decree of compliance with the provision of VAT Law. Effectiveness simply means accomplishing the objectives set.

Olaofe (2007) and Ibraheem (2007) stated that VAT administration should be effective if it ensures that the tax officials shall

(a) Be honest and impartial in his/her dealing with the tax payers

(b) Seek to encourage the tax payers to pay their taxes promptly, eagerly and correctly.

(c) Not to collude with the tax payers to engage in any form of tax planning, tax evasion or to unduly reduce, withhold, delay or refuse the payment of tax.

(d) Seek to implement the tax law fairly, faithfully and equitably, irrespective of the status of the persons and organizations concerned or goods and services that are involved.

(e) Refuse any form of gratification, favour or assistance from tax payers generally such that the tax payers, obligations thereby not determined.

(f) Seek to ensure that taxes are correctly collected and remitted to the VAT office and demonstrate diligence, capability and genuine interest in the discharge of his duties.

(h) Seek to be knowledgeable in the tax laws and practice and be current in the affairs by keeping abreast.

Jantscher (1990) stated that monthly filing and payment of VAT is more effective in making returns than yearly returns by the taxpayer. VAT returns simply means payment of VAT revenue collected by the tax payers to FIRS. Jantscher further explained that experience has shown that the yearly return does not add to the effectiveness of VAT administration because most administrations lack the resources to match the provisional monthly payments with yearly returns.

Control Management in a VAT Visit Programme CMVP (2009) pointed out that VAT is a tax system which involves a spectrum of human activities within a broad hierarchy of levels of responsibilities right from the consumers to the registrant/VAT payers who subsequently render returns to the tax authority which also in turn, as revenue agency, remits what is collected to the coffers of government. With this analysis, it is not out of place to describe VAT as a system of multiple agency in which effective control management is inevitable. Okpara and Bature (2004) stated that control is an act of monitoring, evaluating activities and providing corrective mechanisms. CMV P explained that agency role in VAT coupled with the interplay of input and output tax mechanism makes the tax highly vulnerable to

different manners of abuses. For instance, a difficult buyer may avoid payment. Where the tax is paid, the seller or collecting agent may not account in full or pocket the entire output tax. Invoices may not be issued or vital information on the invoices may be suppressed to make audit difficult. CMVP further explain that exaggerated refund claims are as rampant abuses as credit claims for purchases not rebatable or creditable. Invoice is a document notifying an obligation to make payment. CMVP pointed out that experts have identified that not less than twenty abuses are attributable to input tax only. CMVP explained that because of these abuses the administration of VAT has no choice but to give VAT control and compliance primary position in its implementation programme.

VAT control system found in a country is determined by the type and size of VAT adopted by the VAT regime of the country. In a country in which the gross products is vogue would require a control system that will prevent or detect claims of input tax paid on capital goods. In a similar vein, the level of control supplication required is to be much higher in a comprehensive VAT than what is expected to obtain in a single type of VAT. Comprehensive VAT means VAT which covers all production stages from the manufacturing to retails.

The VAT visit programme under the VAT control management of the Nigerian VAT authority (FIRS) can be divided into two; the in-house VAT visits and visits outside the FIRS.

In-house visit: For effective VAT operations throughout 923, 768.64 square kilometers that make Nigeria the FIRS has created 159 Local VAT offices (LVOS). This makes an average of one LVO for five Local Government Areas. The country

has 776 Local Government Areas. All the LVOS are controlled through two types of visit. They are inspection visits and audit visits.

Inspection visits: There are at present five inspection units in the FIRS. Each is to inspect an average of thirty two LVOs within its area of coverage. Every inspection report which should be sent to the VAT headquarters in Abuja must cover collection, both actual and target, assessment (which comprises registration, monthly returns, additional assessments and case referrals) and tax office management.

Audit visits: The purpose of audit visits is to ensure that VAT collected by every LVO is treated in accordance with the financial regulations and other related treasury circulars (CMVP 2009)

Egemonu (2007) pointed out that VAT administration shall be effective when inspection and auditing are carried out in a regular basis. Egemonu explained that inspection gives room for the tax inspectors to examine the method of recording transaction and offer suggestion where necessary. Inspection helps the tax inspectors to ensure that the amount of VAT revenue deducted are promptly accounted for in line with the VAT legislation. It also helps the inspectors to ensure that the taxpayers compliance and remittance of VAT revenue are in accordance with the regulations. Egemonu pointed out that auditing enable the tax inspectors to ensure that the VAT offices and taxpayers records are done in strict compliance with the law. It helps the tax inspectors to discover the actual VAT liability of the taxpayer. Naiyeju (1997) agreed that maintenance of register of all registered persons will assist in monitoring collections of VAT revenue from taxpayers. Afe (1996) concluded that VAT administration can be taken to be effective when it generates the projected revenue

and ensure voluntary compliance with the provision of tax law by the taxable persons and revenue officials. The VAT revenue could be generated from individuals as they buy goods and service, statutory body, government and non government parastatals.

In Nigeria, Parastatals are non-ministerial departments created by government to satisfy particular purposes. For instance, broadcasting stations were established by some state governments for news casting and advertising purposes; while waste management agencies were established to ensure good environmental condition of the state. Such Parastatals in Enugu and Anambra States include Enugu State Broadcasting Station (ESBS) and Anambra State Waste Management Agency (ASWAMA).

The Executive Officers and Tax Inspectors are responsible for assessment and collection of VAT while one of the accountants in each parastatal is usually in charge of VAT. Aguolu (2004) pointed out that they are mandated to religiously observe the provisions of the tax laws while performing their duties to enable the Federal Inland Revenue Service achieve effectiveness in VAT administration.

The Decree 102 1993 and Nigerian VAT Act 2004 gave guide on how the VAT revenue realized would be shared. Attamah (1998) and Ajakaiye (1999) pointed out that in 1995 the VAT revenue distribution formula was modified as share of Federal Government increased from 20 percent to 50 percent while the share of the state governments decreased from 80 percent to 25% and the share of local governments increased from 0 percent to 25 percent. In response to complaints by state government officials, the VAT distribution formula was modified later in 1995 when the Federal government share was reduced to 40 percent while that of state

government was increased to 35 percent. Attamah and Ajakaiye further stated that in 1996 the share of the Federal Government was further reduced to 35 percent while that of the state government increased to 40 percent leaving that of local government at 25 percent. Having looked at the description on the concept, Taxpayers, Tax administrators or collectors and revenue generation from goods and services featured dominantly. This shows that the central issue in administration of VAT by the Federal Inland Revenue Service is to realize their objective which is high revenue yield. In this study, administration and collection of VAT is aimed at identifying the mechanisms used for VAT administration and collection and the level of realization of VAT revenues in government parastatals.

- **Uses of various methods of VAT administration and collection**

Wehmeier (2000) defined method as a mechanism or system for achieving something. Method is an important tool which tax administration uses to achieve its set goals. Odu (2007) stated that the aim of taxation is to realize the projected revenue for the government. Methods are devices adopted by the tax authorities which enable them collect the projected VAT revenue in accordance with the provision of the law.

Methods of computation of VAT arise when good produced is sold or service is rendered. Gillis, Shoup and Sicats (1990) listed three methods of computing VAT. The methods include: credit or invoice, subtraction and addition.

Credit/invoice method.

Gillis, Shoup and Sicat stated that credit method is applied when the value that a firm adds to the goods and services it buys from other firms can be found by

subtracting the cost of those goods and services from its sales. Gillis, Shoup and Sicat explained that a tentative gross tax on the firm can be computed by applying the VAT rate to those sales. The net tax is then found by subtracting from this gross tax the sum of the VAT taxes already paid at earlier stages on the goods and services. The net tax is the tax on the value that has been added by the firm. Gillis, Shoup and Sicats pointed out that the sum of the VATs already paid at earlier stages is shown on the purchase invoice. They explained that each invoice will give, separately, the price and the sellerôs gross tax on that price. This gross VAT on the suppliers invoice must be the sum of VATS paid at the supplierôs level and all earlier stages. For any period, for instance one month, the firm assembles all such purchase invoices and aggregates the value added gross taxes shown on them. This is the amount to be credited against that firms own gross tax to reach the net VAT payable. Gillis, Shoup and Sicat stated that tax credit and method is also known as invoice method and it is almost universally preferred.

Mitchel (2005) stated that credit/invoice is administered by taxing the total value of sales of all businesses, but allowing businesses to claim a credit for taxes paid on their purchases of raw materials, intermediate materials, capital goods from other businesses. Mitchel explained that credit invoice method taxes the value added by each business and the total tax, regardless of the stage of production at which it was collected. Mitchel stated that all these value added from different stages are being added to the final sales price.

Egemonu (2007) stated that credit method tax is payable when the total input is subtracted from total output. Egemonu pointed out that the credit method is known as the European model and it is being adopted by many countries including Nigeria.

Subtraction method

Tamaoka (1994) stated that tax due under subtraction method is calculated by multiplying the tax rate directly by the difference between a firmôs sales and inputs. Tamaoka explained that it is simple in its mechanism because it does not require the use of invoices in calculating the tax due.

Mitchel (2005) stated that in subtraction method Businesses pay tax on their annual receipts but only after first deducting the money that they spent on new investments and purchases of inputs. Mitchel explained that the method does not allow businesses to deduct the cost of employing workers. Mitchel pointed out that subtraction method allow businesses to fully deduct the cost of new investment.

Gillis, Shoup and Sicat (1990) stated that subtraction method simply subtract total purchases from the sales of the firm. The balance of the value added is subject to VAT rate. Gillis, Shoup and Sicat pointed out that the method is the simplest and at first sight looks like the tax credit method.

Mitchel (2005) pointed out that credit invoice method and subtraction methods are both consumption based tax systems but they do not double tax savings and investment. Consumption based tax occurs when the price paid by final consumers cover all the values added at the successive stages.

Gillis, Shoup and Sicat explained that both credit method and subtraction method are appropriate for the consumption tax. No distinction is drawn between capital goods and current use goods sold to tax paying firm and no account needed to be taken of depreciation or of inventory accumulation or decummulation. They stated that these are full subtraction of all purchases or full credit for all gross VAT on incoming invoices.

Addition method

Gillis, Shoup and Sicat (1990) stated that addition method is not suitable for the consumption VAT. For example, if a firm employs part of its labour force to create a capital good for its own use, the value added by those workers should not appear in the firmôs taxable value added of that year. Under the addition method, the firm would have to divide its total wage bill into two parts, nontaxable and taxable. Non taxable include wage bill paid to workers which create either a capital good or an increase in inventory while taxable include the rest of the wages. Gills, Shoup and Sicat (1990) pointed out that income VAT can be implemented most directly by the addition method by adding the payments made to factors of production.

- **Extent of Utilization of the Methods for VAT administration and collection**

Azubuike (2009) stated that Tax Administration consists of the tax authorities and the organs of tax administration. The tax authorities include, Federal Board of Internal Revenue (FBIR), State Board of Internal Revenue (SBIR) and Local Government Authority (LGA).

Azubuike explained that Federal Inland Revenue Services (FIRS) which is in charge of VAT and operational arm of FBIR publish practice guideline, information circular, and Newsletters for its operation. Federal Inland Revenue Service Information Circular (FIRSIC 2002) stated that credit/invoice method is the most commonly used in the collection of VAT Revenue.

Oluba (2008) pointed out that credit method is used in many countries including Nigeria. Oluba explained that most of the features of VAT are easier operated when credit method is adopted. He stated that in credit method that calculation of VAT is quite straight forward. First, it is a single rate of five percent VAT in Nigeria, which makes it easier to administer. It adopts the input- output tax mechanism which make it self policing or guards against fraud. Although it is a multiple stage tax, it is expected to have a single effect on consumer prices and should not add more than the specified rate to the consumer price no matter the number of stages at which the tax is paid.

Oluba pointed out that in credit method all VAT on imports is calculated on total value of the total cost, insurance and freight. Exports are zero-rated which implies that exporters do not collect VAT on exports but they can claim credit in VAT paid on their inputs. VAT paid by a business on purchases is known as input tax which is recovered from VAT charged on company or individual known as output tax. He explained that in credit invoice method, if outputs exceed inputs, the excess is remitted to the Federal Inland Revenue Service (FIRS) but where input exceeds output, the tax payer is entitled to a refund of the excess from the (FIRS).

Rohan (2009) state that in credit method which most countries adopt VAT invoices have to conform to certain requirements and copies of them must be kept for at least six years. Such requirements include: (a) date of issue of the invoice; (b) invoice identification number; (c) name and address of the vatable person; (d) VAT registration of the vatable person (e) customerôs name and address (f) quantity and description of goods or services (g) supply data or payment date (h) price exclusive of VAT (i) price including VAT, stating the rate of VAT. Rohan pointed out that VAT invoices donôt need to be issued for goods and services that are exempt or zero rated, or for the supply of goods and services direct to the public, unless the customer requests for it.

Osezuah (1994) stated that credit invoice is a method adopted in Nigeria. Osezuah explained that input VAT is recoverable from output VAT provided the input VAT related to goods and services purchased directly for resale or manufacture of product. Liability to VAT arises when the output VAT is more than the input claim. The net VAT, in a tax period, is the amount to be remitted or recovered. The VAT remittable or recovered is reported in the balance sheet as a current asset or liability. Osezuah pointed out that reimbursement of VAT is often considerably in arrears. Some companies therefore provide for the likelihood of not recovering this amount after a certain period of time. Where non-recoverable VAT is paid in respect of an expense item such VAT should be expensed. However, where the non-recoverable VAT is paid in respect of an item of fixed asset, the VAT should be capitalized as part of the cost of the fixed asset. Osezuah explained that in accounting standard as being practised, the net amount owing to or due from the tax authority should form part of

debtors or creditors. Where reversible VAT remains consistently outstanding for the three years, it should be fully provided for. Osezuah stated that output VAT should be excluded from the turnover shown in the profit and loss account. VAT paid on fixed assets should form part of the cost at the related fixed assets. Non-recoverable input VAT should form part of the related revenue expenditure.

Sabharwal (2005) pointed out that most countries which implemented VAT adopt credit (invoice method). Sabharwal stated that VAT regime being implemented in India is based on the fundamental norm of óset-offô for the tax paid earlier through the input tax credit mechanism. Under the VAT regime, a set-off is given for input tax as well as tax paid on previous purchases. Companies engaged in manufacturing and trading of goods are able to claim tax credit on the materials and services that they buy to make further supplies or services directly or indirectly sold to credit users. Sabharwal explained that credit method prevents the cascading effect of taxes on the production and distribution processes of goods and services. Cascading means that before a commodity is produced input are first taxed, and then after the commodity is produced with input tax load, output is taxed again. This causes double taxation.

Agarmal (2009) stated that Tax invoice is an aspect of credit method which many countries adopt. Such countries which adopt credit method include Pakistan, Bangladesh, Sri Lanka and Nepal. He pointed out that VAT invoices form the corner stone for administration in a VAT regime and is issued by a registered dealer in respect of taxable sales in the same state. Agarmal explained that VAT rate and VAT amount are to be specified in such Tax invoice. Agarmal (2009) stated that credit method is collected as thus. Assumed a farmer is a primary producer who sells to

miller, he in turn sells flour to a baker and the baker sells bread to the final consumer. Now the farmer sells wheat at ₦100 on which tax liability arises at ₦10 (assume the VAT rate is ten percent). The miller has to pay ₦110 to the farmer who would pay ₦10 to the government. Similarly the miller incurs some expenses and sells flour at ₦300. But millers actual VAT liability would only be ₦20 since he would get an input tax credit of ₦10 on purchase from the farmer. Similarly, bakerôs VAT liability of N90 that is (ten percent on ₦ 900) is borne by the customer which is equal to the VAT paid by the individual producers. Agarmal explained that because of the in-built shifting ability of VAT, the ultimate VAT liability is borne by the customer through tax is collected at different stages of production. It also proven that VAT liability does not multiply despite its several collections at different levels.

Chugbo (2009) stated that in Botswana, Lesotho, Swaziland and Namibia input tax in relation to a vendor is tax charged and payable by a supplier on the supply of goods or services made by that supplier to the vendor. Vendor is one who sells house or other property. The Vendor on the importation of goods pays an amount equivalent to the fraction of tax applicable at the time the supply is deemed to have taken place. Chugbo explained that where any goods have been imported and entered for storage in a licensed Customs and Excise storage warehouse but have not been entered for home consumption, any supply of those goods before they are entered for home consumption shall be zero-rated. Chugbo pointed out that input tax and zero rated are attributes of credit method.

Ijewere (1993) stated that Federal Inland Revenue Service adopts credit method in collection of VAT revenue. Credit method enables the seller to pay VAT on his input and collect VAT from the purchases of his output. The vatable person pays to the VAT office only the difference between his net price and his gross price. The gross price include the difference between the VAT that the producer pays on his final output (sales) and the VAT that he pays on his input (purchases). Ijewere explained that in principle VAT is levied and collected at each stage of the production/distribution process as value is added at successive stages, until the product is delivered to the ultimate consumer.

Olorunleke (1999) stated that credit method is used by tax agents in collecting VAT revenue. Olorunleke explained that credit method involves the issuance of invoice for every sale made by every taxable person. Olorunleke pointed out that the invoice is used to ascertain the output tax and input tax.

Naiyeju (1997) stated that tax invoice is commonly used during the processing of VAT. Naiyeju pointed out that tax invoice is issued in support of each transaction made. It contains the following (a) Taxpayers identification number (TIN). It is a system of registration in which each taxpayer is given a single number to be used in administering taxes (b) Name and address. The names of taxpayer and the address are required for easy collection of VAT revenue (c) Type of supply. It would state whether the goods are exempted or taxable goods. (d) Description of goods and services. (e) The rate of VAT. It disclosed whether goods and services are imported or not. It would state the percentage for VAT. For instance five percent, ten percent or fifteen percent. (f) The rate of any cash discount offered. It would state the

percentage allowed for prompt payment (g) the total VAT payable. It would show the total VAT revenue from all increases in value of goods and services added at each stage of production or transfer of goods and services.

Okaiwele (1994) explained that credit method is commonly used because it requires the issuance of invoices for every sale made by every vatable person. The invoices show separately the price of goods sold, services rendered and the amount of VAT payable. Egemonu (2007) pointed out that credit method is a means of collecting tax on sales. He explained that firm adds the total output and remove input from the output in order to get the VAT payable. Egemonu further stated that the system is known as the European model. Many countries including Nigeria adopted the method because it is easy to monitor through the evidence of receipts and invoices issued during the transaction.

Federal Inland Revenue Service Information Circular (FIRSIC 2002) stated that approach used in credit method when collecting VAT in some parastatals like banks and other financial institutions differ. In such parastatals an invoice or debit note is required for vatable services and would state thus: (1) The invoice would state all the services rendered by the bank or financial institution, then five percent VAT is calculated on the total cost to get what is payable by the customer. (2) The bank is expected to debit the account of the customer with the cost of all the services rendered by the bank/financial institution plus five percent VAT charge. (3) The income account of the bank/financial institution is to be credited with the income of the charge excluding the VAT (4) The Federal Inland Revenue Service (FIRS) VAT Account in the particular bank is to be credited with the five percent VAT deducted from cost of

all the services rendered by the bank/financial institution and five percent VAT charged to arrive at income element excluding VAT

The FIRSIC pointed out that at the end of every month, the bank issues a bank draft to cover the whole amount collected on behalf of FIRS and the amount already remitted to FIRS VAT Account. Input and output tax or credit methods operate differently in banks and other financial institutions. The issue of refund of excess tax (output-input) is hardly applicable to banks and other financial institutions because manufacturing, wholesale and retail establishments qualify for setting-off of input VAT against output VAT. This is because they are the ones that add value to the products or materials purchased to improve a product into finished or semi finished goods on which output VAT is chargeable.

FIRSIC (1993) stated that those who engage in business and organizations use credit method to collect VAT revenue on behalf of government. The business and organizations have to register with the Federal Inland Revenue Service. Only those who registered for VAT can charge VAT on their business sales (outputs) and reclaim VAT on their business purchases (inputs). Any one who did not register for VAT cannot charge VAT on his sales (outputs) but would pay VAT on his purchases (inputs) and cannot reclaim VAT. In Nigeria registered persons pay five percent VAT on goods purchased and services supplied. They have to make regular VAT return and pay to FIRS the difference of the input and output tax. FIRSIC (1993) pointed out that at the end of each month the output and input tax is summarized in the ledger account form. FIRSIC explained that VAT on purchase (input) is debited while VAT charged on services is credited where there is credit balance a draft is prepared and

paid to local VAT office. FIRSIC stated further that VAT returns are normally paid every month to the local VAT office on or before 14th day of the month following the month the supply was made.

FIRSIC (1999) pointed out that Nigeria Custom Service (NCS) collect output VAT from importers. The NCS is to pay the VAT into a designated account to the Central Bank of Nigeria. The NCS should also forward monthly returns to Federal Inland Revenue Service (FIRS) on what has been collected on form VAT 006. In making returns or in forwarding statement of payment or account, NCS must include in each point of entry:

(a) The number of the bill of entry. This is the number of invoice issued showing that certain goods have been paid for.

(b) The total value on which VAT was charged. It is the taxable turnover of the taxable supplies

(c) The VAT charged. This is the revenue from VAT due for a period.

(d) The remittance. It is the VAT revenue to government.

Remittances should be forwarded together with VAT returns filed or statement of payment. In other words, the draft for a monthôs collection is to be submitted along with the statement of payments.

FIRSIC (1999) stated that there are forms those who have registered for VAT known as vatable persons and FIRS use in collecting and remitting VAT revenue. The forms include:

1. VAT Form 003: It is to be completed by the local VAT office every month and sent to the zonal VAT office. It contains the summary of all information in

VAT Form 002 received from various taxpayers during the month by the local VAT office.

2. VAT Form 004: This is VAT collected by zonal office which serves as its return to the Headquarters. It is a summation of the various returns from the Local VAT office in the zone.

3. VAT Form 005: It is used to forward VAT collected in Federation Account in a given period. It sums up the VAT revenue collected from the five VAT administrative zones. The Bank certified cheque draft is made payable to federal government of Nigeria FBR ï VAT Account.

Tamaoka (1994) stated that subtraction method is adopted by Japan. Tamaoka pointed out that it is simpler than credit method. He explained that it does not require the use of invoices in calculating the tax due. Tax due is calculated by multiplying the tax rate directly by the difference between firms sale and purchase.

Egemonu (2007) stated that addition method is calculated by getting the total output and input and input being removed from output. Egemonu did not mention where it is used for VAT administration and collection.

- **Control Mechanisms for VAT administration and collection**

Control mechanism is the reverse side of the coin of planning. Okpara and Bature (2004) stated that control mechanism is the basic administrative function, which involves the measurement and correction of the performance of staff to make sure that the objectives of organization or establishment and the plans devised to attain them are accomplished efficiently and economically. Control mechanisms provide an assurance to administration that work is progressing according to a predetermined plan. Okpara

and Bature explained that the assurance permits administration to focus on new challenges and innovation. The control mechanism function rounds off the process in VAT administration.

FIRSIC (1999) listed some control mechanisms.

They include:

(1) VAT Input Analysis Book

(2) Input Analysis Schedule

(3) Import VAT Analysis Book

(4) VAT Input Adjustment Schedule

(5) Output Records

(6) Output VAT Adjustment Schedule

1. VAT Input Analysis Book

This book is expected to be maintained by companies or parastatals excluding banks, insurance companies and finance house. A VAT input analysis book records the payments of VAT on goods supplied and services rendered. The information needed for the VAT input analysis book is obtained from the tax invoices and they include:

(a) Date of VAT Payment

(b) Name of the Supplier of the goods and services

(c) Tax invoice number

(d) The amount of VAT paid

For most parastatals or organizations, the tax invoice may not be different from the normal purchases invoice with a vow showing the amount of VAT paid on the supply. Since VAT is of a standard rate of 5% five (percent) only one figure may be shown even where more than one item is disclosed on the invoice. FIRSIC further stated that in most organizations the VAT input analysis book may not be different from normal purchases day book which shows one column for the VAT paid on the various transactions during the period and the total at the end of the period.

2. Input Analysis Schedule

For some parastatals or organizations such as banks, insurance companies and finance houses that do not issue invoices in the traditional form, a VAT input analysis schedule is expected to be maintained in place of VAT input analysis book. This is a list (usually a computer print out of the VAT devices) of customers during the period.

3. Import VAT Analysis Book

Importers are expected to maintain the import VAT analysis book. The Nigeria Customs Service has the responsibility of collecting VAT on imports. In arriving at the value of imported goods and services for purposes of VAT, FIRSIC explained that the NCS takes into account, the free on board, value of the goods, customs duty or levy payable, commission, insurance cost, freight and packing charges up to the point of legal entry of the goods into Nigeria plus charges on the imported goods. The import VAT analysis book would show the following.

(a) Date the import VAT was paid

(b) Type of goods and services imported.

(c) Amount of VAT on import paid

(d) Total VAT on import paid

4. VAT Input Adjustment Schedule

Certain events always occur in the course of normal business which would cause adjustment to be made in the prices paid by companies on goods supplied and services rendered and VAT amount paid would be equally affected. FIRSIC pointed out that the VAT input adjustment schedule is expected to record or deduct from the input VAT amount. The events that require adjustment include:

(a) Returned goods for which VAT invoices had been raised and included on the input VAT.

(b) VAT on cancelled supplies even though all purchases documents have been processed and included VAT.

(c) VAT on over invoicing discovered during audit or error in recording of purchases which prove to be higher than actual purchases.

5. Output records

FIRSIC noted that the important record relating to output VAT is the output VAT analysis book. To maintain the VAT analysis book, the following data are required:

(a) The sales invoice

(b) The tax invoices (where it is different from the sales invoice).

(c) Service bills (evidence of amount charged for the service rendered)

The output analysis book records information related to VAT on various sales or income of the business like

(a) Date of the sales

(b) Type of sales (credit or cash sales).

(c) Name of the buyer or receiver of the goods or services

(d) VAT invoice number

(e) Amount of VAT revenue collected

(f) Total VAT revenue for the month

Those parastatals that do not issue formal invoices like banks or finance houses, the output VAT analysis schedule would not show the customerôs names nor the details of sales, but it would show daily, weekly or monthly total VAT collections for COT (cost on transaction) and other charges included in the debit advices sent to customers.

6. Output VAT Adjustment Schedule

FIRSIC explained that output VAT Adjustment Schedule reflects those events that give rise to adjustments in the output VAT collected which include:

(a) Value arising from understated sales

(b) Sales returns on which output VAT had been charged

(c) Bad debts in respect of sales on which output VAT had previously been raised

(d) Discount allowed

Egemonu (2007) stated that control mechanism of VAT collection and remittance can be assured when certain inspectoring measures are taken. They include:

1. VAT Visits 2. VAT Drive 3. VAT Audit 4. VAT Investigation

1) VAT Visits

Egemonu suggested that from time to time the premises of every vatable person should be visited by authorized VAT inspectors. The aim is to ensure that full amount of VAT deducted are promptly accounted for and also to ensure that taxable persons comply with the VAT legislation.

2) VAT Drive

Egemonu is of the view that VAT tax drive is to take place periodically at the instance of zonal coordinators. Such tax drive would ensure effective control mechanism in the system because it would stimulate collection of VAT revenue from defaulters and enforce prompt remittance of VAT revenue to Government.

3) VAT Audit

Egemonu suggested that VAT Audit be constituted on a regular basis by the headquarters. VAT Audit involves checking both VAT offices and the taxable persons records to ensure strict compliance with the law. Egemonu pointed out that the purpose of the VAT Audit is to find out, according to the law and regulation, the actual liability.

4) VAT Investigation

It is required where there is evidence of criminal tax fraud or tax evasion. Such situations that lead to institutions of VAT investigation include:

a) False or incomplete information on tax return

b) Misuse or unauthorized use of tax registration number

c) Failure to submit records and documents

d) Failure to register at the VAT office

Attamah (1998) pointed out that control mechanism of VAT collection and remittance can be achieved by paying regular visits by tax inspectors to all classes of taxpayers with particular attention to high risk non-compliers. The aims of such visits include:

a) To ensure that the taxpayers comply with the tax law.

b) To identify taxpayers that are not complying

c) To identify their reasons for non-compliance.

d) To ensure that full amount of VAT is deducted or set aside for onward remittance.

e) To educate taxpayers on the new development in VAT legislation.

Inspection is good approach for effective control mechanism of VAT collection and remittance. Inspection is one of the means by which field officers are put under control and their knowledge of the rules, regulations and VAT principles is updated. The roles of an inspecting officer in order to ensure that the control mechanism of VAT collection and remittance is effective include:

a) To ensure observance of information circulars relating to VAT for the purpose of uniform application in all offices.

b) To see that field officer are intimated with the latest amendments to the VAT legislation.

c) An inspecting officer is to organize technical sessions during his/her visits in order to be able to assess technical knowledge of the field officers and see how to help in areas of technical deficiency.

d) The inspecting officer picks returns filed by the VAT payers randomly across the codes to ascertain compliance and to report on irregularities and lapses observed.

e) Samples file to see if and how desk audits (internal audit) are done and if additional VAT is assessed where appropriate.

f) To see that the number of the registers prescribed for direct payment system are maintained, and daily and weekly matching of tellers, manifests and remittance are done according to the standby instructions.

g) Ensures that the periodical returns like collection, registration, latecomers returns, progress reports etc are prepared and sent appropriately (CMVP 2009).

Audit Visits:

CMVP (2009) stated that Tax audit visits can be classified into two. They are:

i) Routine visits.

ii) Visits outside Federal Inland Revenue Service/Visits by the staff of the Tax Audit Branch

i) Routine Visits

For effective control mechanism of collection and remittance of VAT revenue, routine visits are carried out on VAT payers by the local VAT office with their teams of qualified officers, usually inspectors of taxes. The visits are for verification of

a) Teller file (where records of money received are filed and register).

b) Remittance (where records of money paid to FIRS are filed).

c) Cashbook (records of cash sales)

d) Receipts used, those being used and those yet to be used and

e) Input tax claims in the returns filed.

ii) Visits Outside FIRS/Tax Audit Branch

These visits are brought about by the provisions of the VAT Decree No 102 of 1993 section 8A of the Act, which stated that all ministries, statutory bodies and agencies of government are to register for VAT. Section 1, 8A of VAT Act directs all the registrants under section 8A to deduct and remit VAT at the time of making payment to contractor. This is popularly called withholding Tax (WHT) in Nigeria. It is an example of an anti-abuse control measure in VAT through legislative process. With this law, collection of VAT revenue is compulsory for a contractor(s) who have vatable transaction with government and such contractor(s) cannot escape payment of output tax.

However, Nigeria does not have a separate outfit for VAT Audit. It has only one unit for all the taxes. The unit is called Tax Audit Branch (TAB) equipped and staffed by professional Accountants experienced in taxation. The thrust behind the policy of centralizing all the taxes in one unit is to make a visit for tax audit a one stop shop. In Nigeria, every VAT Payer has at least one other tax to account for apart from VAT. Thus when the branch visits a company for income tax, a comprehensive audit of the transactions prompting VAT and withholding (WHT) would be carried out at the same time (CMVP 2009).

VAT on Imports Monitoring

CMVP (2009) pointed out that for effective control mechanism of collection and remittance of VAT revenue, Federal Inland Revenue Service vests the collection of VAT revenue on imports at Customs Service. The Nigeria Customs Service to this

effect renders to FIRS a return of its monthly collection of VAT on imports. Nevertheless, a consultant was appointed to monitor the assessments and collections of the tax throughout the six zones and the thirty nine area commands of the NCS. The monitoring is done in phases and it is quarterly.

Olorunleke (1994) advised that effective control mechanism of VAT collection and compliance would depend largely on how serious VAT registration is handled by VAT Administrators. Olorunleke remarked that registrant (taxable person) is important factor in VAT administration because only registered taxable person can charge VAT and account for it.

Australian Tax Office (ATO 2001) stated that control mechanism for VAT collection should be effective by establishing benchmarks for proper monitoring. Benchmarks are indicators of activity compliance, fraud, collection and potential collection by industrial sectors of the economy. They are grouped by types of taxpayers, by specific taxpayers and by geographical location.

In the case of VAT, a basic benchmark to be established is the ñVAT Capò. ATO (2001) explained that VAT Cap is the difference between the VAT actually collected and the realizable (or theoretically feasible) given the level of economic activity in the country and VAT regulations. Once geographical locations are calculated and established, it becomes a key tool for monitoring compliance. VAT Cap helps the administration (FIRS) and Custom Service to address problems of collection and compliance in a more targeted and efficient manner. The beginning step is to identify the size of the problems which are classified into indirect and direct. Indirect methods are based on information/data gathered from disaggregated national

accounts while direct methods are information gathered by the tax administration through audits and other internal data. The direct methods provide critical information in collection problems which involve non-registration, false registration, non-filing, under-reporting of sales, over-reporting of purchases and non-payment.

For more effective collection and compliance a well thought out structure of quicker and easily administrative enforceable penalties are better than criminal prosecutions. Such administrative penalties include deregistration, fines and temporary closures of business (ATO 2001).

FIRSIC (1993) pointed out that VAT administrators play big role in ensuring effectiveness of control mechanism for VAT collection and compliance. The administrators would enforce this by checking the compliance with the filing requirements from the list of registered taxable persons. The administrators can achieve this by checking the registration numbers issued to the taxable persons by the Federal Inland Revenue office.

Okaiwele (1994) advised that the option for the FIRS to encourage businesses to register for VAT and willingly pay is most progressive way of making VAT collection and compliance a success. The FIRS should clearly distinguish the difference between tax evaders and tax defaulters. Tax evaders must be punished but defaulters must be facilitated and mentored to continue business and grow to enable current and future tax collection.

Naiyeju (1997) stated that staffing, training and provision of necessary infrastructure are needed for effective control mechanism for VAT collection and compliance. A knowledgeable staff equipped with the necessary tools is required for

successful administration of VAT. The Federal Inland Revenue Service, so far, has been able to cope with the implementation of VAT because it has some qualified numbers of staff. Naiyeju, however, pointed out that the ability of the FIRS staff to inform, educate and assist taxpayers would greatly enhance the successful VAT collection and compliance. Therefore, FIRS should invest in necessary infrastructure needed by staff training programme for her staff.

- **Effectiveness of the control mechanism used for administration and collection of VAT**

Control mechanisms used for administration and collection of VAT are aimed at minimizing tax evasion and avoidance. For instance import monitoring is vested on Nigeria Custom Service by the Federal Inland Revenue Service (FIRS). The Monitoring is done in phases and it is quarterly. When the Nigeria Custom Service control the final consumer, incentive to smuggle would be reduced since VAT brings smuggled goods back into the tax net with no deductions as would have been if they had paid VAT at customs (Manu 2005). Barnet and Grovon (2008) explained that control through VAT represents an important instrument against tax evasion. It is superior to business tax or a sales tax from the point of view of revenue security for three reasons. One way of tax evasion is by under valuating the product. Under VAT control mechanism, tax losses due to undervaluation should be limited to the value added at the last stage. Secondly, if payment of tax is successfully avoided at one stage nothing would be lost if it is picked up at a later stage. Even if it is not picked up subsequently, the government would at least have collected the VAT paid at stages previous to that at which the tax was avoided.

Manu (2005) stated that efficiency and transparency in bookkeeping make control mechanisms effective. Manu pointed out that whoever involves in VAT must learn how to keep clean records for easy collection of VAT revenue.

Olorunleke (1994) stated that the effectiveness of control mechanisms depends on how serious VAT registration is handled by VAT Administrators. Olorunleke pointed out that accurate registration provides statistics to several stakeholders for planning purpose.Olorunleke explained that taxable supplier may deduct his input tax before filing his/her return and subsequently submit payment.

Bird and Gendron (2005) stated that control mechanism would be effective if tax administration agency should face some challenges before it. Aizenman and Jinjarak (2005) stated that such challenges include:

a) The tax administration agency should ensure that registration and screening process for registrants (tax payers) including the shareholders of new firms should not take time. This would help the tax administration to identify at early stage the individuals and shareholders of companies that have committed tax fraud in the past and may be prone to fraudulent activity in the future. Thorough, but rapid, screening of new VAT registrants is a common and fruitful practice in most developed countries that are tackling fraud successfully. At the time of registration, an information system should be able to quickly produce data on past compliance for any taxpayer.

b) The tax administrator should make the filing of tax forms simple so that difficulties generated by tax compliance be reduced. The administrative machinery should also be strengthened and this involves simplifying the

assessment and collection procedures and reviving the enforcement machinery. This will eliminate high compliance cost.

c) VAT administrators should know the basis to carry out proper monitoring. Aizeriman and Jinjarak explain that VAT administrators should look at the problems each VAT zone has and be able to set the machinery that would curtail fraud in VAT.

Chugbo (2009) pointed out that control mechanism should be effective when there is proper documentation of all transactions involved in the entire supply chain in the export business. Chugbo explained that VAT administrator should study the documents closely for it to detect the fake invoices. Chugbo pointed out that in Nigeria many industries exist which various intermediaries manufacturing and processing activities are largely carried out in the unorganized and undocumented sector. Chugbo stated that these industries are involved in invoicing malpractices which inflate refund payments.

Harrison and Krelove (2005) advised that Tax administration should avoid accumulated refund arrears if control mechanism would be effective. This should be done by ensuring that there would be efficiency in the collection of VAT revenue by tax inspectors and customs. Harrison and Krelove (2005) explained that large amount of non-payment of arrears accumulated has been an obstacle to the normal operation of the VATôs refund system.

Harrison and Krelove pointed out that effectiveness of control mechanism depends to a large extent on the quality of FIRS staff. The staff should be honest

enough to ensure that fraudulent claims should not be processed for refunds. The tax administration should ensure that the FIRS staff are diligent for them to handle fraudulent in the system. Harrison and Krelove advised also that the control mechanism should only be effective if the issue of fraud is seriously tackled. Harrison and Krelove stated that a recent World Bank Report has provided evidence that most developing countries export and import statistics are distorted showing an over-reporting of exports and under-reporting of imports. Harrison and Krelove explained that fraud exists but failure to control it is not with the refunds perse but with the administration of the VAT in general, which is unable to tackle fraud throughout the system. They stated that there are many ways to cheat in any tax, but in practice, with good quality staff in tax administration, it is harder to cheat with a VAT than with other forms of sales taxes.

Ewujowoh (1985) stated that control mechanisms should be effective in VAT Administration and collection when many factors are taken into consideration. Some of the factors include: are staff well motivated; are there enough and better facilities on the ground; are qualified personnel employed; are there proper record keepings in the system? Ewujowoh pointed out that where any of these are lacking the control mechanism would not be effective

Egemonu (2007) stated that local VAT office has a great role to play if control mechanism would be effective. Egemonu explained that the local VAT office audits the returns submitted after which the local VAT office may (a) accept the return as complete and accurate and notify the vatable person to that effect. (b) re-assess the vatable person on the ground of any errors discovered in the course of his verification;

(c) rejects the returns as incomplete and inaccurate. Egemonu explained further that re-assessment would be carried out where:

i. a vatable person fails to render returns

ii. the returns filed are incomplete or in accurate and

iii. the vatable person fails to register for VAT.

Okpara and Bature (2004) stated that effective control mechanism in any organization or establishment like Federal Inland Revenue Service (FIRS) must adhere to the following principles:

1. Control mechanisms must be set according to the nature of the job to be performed.
2. Control mechanisms must conform to the pattern of the establishment.
3. Control mechanisms should be simple to understand.

Okpara and Bature advised that system of control mechanism should not cost more than it is worth.

- **Level of Realization of VAT Revenue**

The major objective of any tax system is revenue generation. Oluba (2008) stated that VAT as a veritable revenue earner has greatly proved to be a very successful government policy in the sense that since its implementation in many countries, the volume of goods chargeable under VAT and the revenue derivable from VAT has increased tremendously. UK Tax Rebate Online (UK TRO 2009) stated that over 130 countries worldwide have introduced VAT over the past three decades and it raises nearly (27) twenty seven percent of total tax revenue in those countries. World Bank (2007) stated that from 1998 to 2004, VAT collection performance in Ukraine

declined significantly. The revenue yield of VAT as a share of Gross Domestic Product (GDP) declined or less steadily after the tax came into full effect in the late 1990s. World Bank explained that although fluctuations in revenue yield are hardly unique to Ukraine, such a prolonged decline in VAT yields is both unusual and disturbing. In general, VAT yields rise with both GDP growth and import growth. World Bank pointed out that although real GDP rose by forty nine percent in the 1998 to 2004 period, VAT as a share of GDP actually fell by thirty three percent.

Ajakaiye (1999) stated that Value Added Tax (VAT) has become a major source of revenue in many developing countries. Ajakaiye explained that in sub-Saharan Africa, for example, VAT has been introduced in Benin, Côte dôivoire, Guinea, Kenya, Madagascar, Mauritius, Niger, Senegal, Togo and lately Nigeria. He pointed out that in these countries; VAT has become an important contributor to total government tax revenues. He stated that VAT accounted for about thirty percent of total tax revenues in Côte dôivoire, Kenya and Senegal in 1982. Ajakaiye stated that in Hait VAT accounted for twelve point thirty five (12.35%) percent of its total revenue in 1989 while in Ecuador and Mexico VAT accounted for nineteen point seventy one percent (19.71%) for their total revenue in 1973 and 1983 respectively. Indonesia in 1985, the ratio of VAT to GDP rose to four point five percent (4.5%).

Chugbo (2009) stated that in Pakistan VAT revenues improved between the year 1950ôs and the year 2000. He pointed out that the VAT collection increased from US $ 806 million in early 1990ôs to US $ 2.67 billion in 2000ôs. The remarkable performance of VAT can also be seen from the growth in revenue during the last five decades as shown below.

In 1950s average annual collection was 3 million while average annual growth was 12 percent. In 1960s average annual collection was 8 million and the average annual growth was 8.9 percent. In 1970s 20 million was the average annual collection and 18.5 percent was the average annual growth. In 1980s average annual collection was 120 while 24.0 was average annual growth. In 1990s 806 million was the average annual collection and 21.8 percent was the average annual growth. Source is the Pakistan Ministry of Finance.

Chugbo (2009) stated that VAT registration in Rwanda started in October 2000 and ended in July 2002. The performance of VAT in Rwanda within the two years is shown below:

In the year 2000 the target of registered supplies was 700 million and actual 100 million which was 143 percent. In 2001 target was 1500 million and actual 1774 million which was 118 percent. In 2002 target was 2000 million and 2123 million was actual which was 106 percent. Source is Rwanda Ministry of Finance.

Shoup (1990) stated that corporation taxpayers in Republic of Korea consistently accounted for more than seventy three percent of the total base over the years, although they made up only two to three percent of total taxpayers. He explained that the share of corporations in the VAT base tend to increase between 1978 and 1983.

Ajakaiye (1999) stated that the encouraging performance of VAT in virtually all countries where VAT has been introduced influenced the decision to introduce VAT in Nigeria. Ajakaiye explained that Federal Inland Revenue Service (FIRS)

pointed out that VAT is a consumption tax that is relatively easy to administer and difficult to evade and has been embraced by many countries world wide. He pointed out that VAT has been a significant source of revenue in Nigeria. Ajakaiye stated that the actual VAT revenue in 1994 was ₦8.194 billion which is thirty six point five percent higher than the projected ₦6 billion for the year. Similarly, actual VAT revenue in 1995 was ₦21 billion compared with the projected ₦12 billion. In terms of contributions to total Federally collected revenue, VAT accounted for about four point six percent in 1994 and five point ninety three in 1995. For 1996, VAT is expected to yield ₦25 billion. Ajakaiye stated that on the basis of past experience it is possible that the actual VAT revenue would be much higher.

Olorunleke (1999) stated that VAT has shown success in Nigeria. In terms of revenue yield, VAT has turned to be a revenue spinner so far. Its contribution to Federal Account and to the accounts of the states is fast surpassing income Tax revenue. Olorunleke explained that even the revenue Authorities are already showing signs of contentment over VAT and neglect for income tax. Chartered institute of Taxation of Nigeria CITN (2007) stated that value Added Tax replaced sales Tax in Nigeria which under the constitution, was supposed to be charged by states and Federal Government. Since 1994 VAT has become a major source of revenue for the government. CITN pointed out that in 1994, a total amount of ₦8.194 million was generated from VAT. This figure was thirty six point five percent higher than the projections made for the year. Ever since then, VAT proceed have been on the increase and is now the third generator of revenue for the government after Petroleum

Profit Tax (PPT) and Company Income Tax (CIT). CITN gave the details of VAT proceeds from 2000 to 2006 as follows:

In the year 2000 58 billion was realized, 91.7 billion in 2001, 2002 108.6 billion, 2003 136.4 billion, 2004 163.3 billion, 2005 192.7 billion and in 2006 232.7 billion was generated.

In 2005, a total of N1.7 trillion was generated from different taxes with VAT contributing eleven point ten percent. CITN explained that in 2007 VAT represented twelve point fifty three percent of the 1.8 trillion generated from various types of taxes including petroleum profit Tax and Education Tax.

Egemonu (2007) stated that VAT collected by Federal Inland Revenue Service (FIRS) has risen from 48.7 billion in 1999 to 232.7 billion in 2006. Oluba (2008) stated that the performance of Value Added Tax (VAT) as a source of revenue in Nigeria is clearly encouraging. The target of VAT is consumption of goods and services and unless an item is specifically exempted by law, the consumer is liable to the tax. Oluba explained that VAT is distinct from other tax forms in the sense that it has nothing to do with your income or profit as specified by other tax forms and it is accumulated as long as goods are consumed which is on a daily basis. Oluba pointed out that the proceeds from VAT have been on the increase since its inception and has exceeded projected revenue. Oluba stated that VAT is now the third generator of revenue from tax for the government after Petroleum Profit Tax (PPT) and Company Income Tax (CIT).

Federal Ministry of Finance Publication (FMFP/CRFG) (2008).

The FMFP (2008) classified VAT revenue into three categories. They include:

a) Current revenue of the Federal Government.

b) Summary of State Governments and Federal Capital Territory (FCT) Finances.

c) Summary of Local Governments Finances.

The VAT revenue under Current Revenue of the Federal Government from 1994 to 2002 are:

In 1994 7260.8 million, 1995 20436.4 million, 1996 31000.0 million, 1997 34000.0 million, 1998 36867.7 million, 1999 47135.8 million, 2000 58469.6 million, 2001 91757.9 million and in 2002 108660.0 billion was realized

VAT under Summary of State Government and Federal Capital Territory (FCT) Finances from 1994 to 2002 are:

In 1994 5,026.0 million, 1995 6,256.9 million, 1996 11,286.0 million, 1997 13,905.3 million 1998 16,206.8 million, 1999 23,750.5 million, 2000 30,644.0 million, 2001 44,912.9 million and 2002 52,632.0 million.

VAT under summary of Local Governments Finances from 1995 to 2002 are:

In 1995 3,558.1 million, 1996 3,306.9 million, 1997 7,586.1 million, 1998 10,170.8 million, 1999 13,903.9 million, 2000 13,908.9 million, 2001 20,102.7 million 2002 18,727.2 million.

Theoretical Framework:

❖ **Theory of Taxation**

Adam Smith in his book propounded a theory the Wealth of Nation and tagged the theory essentials of a good Tax system. Adam Smith theory tries to explain that liability for tax should be all embracing, that is, all individual without exceptions, should be liable to tax. The theory pointed out that the tax liability of every individual is determined by the ability of the individual to pay. In line with the principle of universality therefore, it is important to note that the tax laws do not make any

exemptions as to individuals, rather the exemptions as to certain classes of income which are exempted from tax. This theory is necessary for this work because Value Added Tax applies this theory. Whether one is old or young one has to buy something, VAT is tax which people pay while paying for goods and services.

The theory remarked the certainty of the amount attached to the liability. The amount of the tax liability of the individual must be determined with certainty as well as the time of payment. This means that there must be definite method of determining the amount of tax payable by each individual. If there is any ambiguity in the amount of tax the individual shall pay, there must be well defined options, otherwise the tax system is inequitable. In VAT the tax-payer pays tax once he/she pays for good and service and the amount is five percent of whatever he/she buys.

According to this theory, good tax system must be convenience. The time and manner of payment must be convenient to the tax payer. It points out that the tax payer should be required to pay at a time when he has the means to do so, following very simple procedures. If the procedure for the payment of tax is complicated, or the tax payer is required to pay at a time when he is least in the position to do so, then, such a tax system lacks the essential principle of convenience and hence it is inequitable. For instance, employees are made to pay at the point in time when their salaries accrue. In fact, their taxes are deducted at source before the salaries are paid. In Value Added Tax the tax payer is made to pay at the point of purchase. The tax is added to the price of every item which the tax payer purchases. The tax payer is not required to pay VAT if he/she is not buying anything.

The theory holds that cost of collection of any tax must be economical. That is the amount of tax actually collected must justify the effort and resources expended in the collection. It follows then that if the amount of tax collected does not justify the effort for collection, then, the tax should be scrapped on grounds of lack of economy. Relatively, tax revenue must be judiciously applied to the benefit of tax payer. Otherwise the tax should not satisfy the principle of economy and hence it is inequitable. This theory is suitable in this work. In VAT, tax administrators do everything possible to ensure that compliance cost is reduced. Increase in VAT revenue could be recorded if the compliance cost is small. And government could provide essential goods to public when there is increase in the revenue generation (Adam 1982).

The multiplier theory was propounded by Marco and Stephen in 1986. The theory explains how labour minus rate times consumption measure the marginal cost of taxation. It also tries to explain how through an increase in tax raises social cost of additional unit of revenue. It stated that the benefit of raising an addition at units of revenue is measured by value of good which must equal the marginal cost of taxation.

This theory is necessary for this work because value can only be added and collected when the marginal cost is not higher than the unit cost. Value Added Tax revenue is collected and remitted to the Federal Inland Revenue when the cost of input is less than the cost of output. If the cost of the output is more than the cost of input the Federal Inland Revenue would rather refund the taxpayers through what is called set-off system (Marco and Stephen 1996).

Kaplow developed the Analysis of Optimal income taxation. The theory explained how individuals who are gainfully employed were allocated disposable income among different consumption goods. The consumption was viewed in different time periods. For instance individuals work only in period 1 and consume in period 1 and 2. Period 1 is an aggregate of an individual working years and period 2 the individual retirement years.

Analysis of optimal income taxation theory is justified for this work because Value Added Tax (VAT) measures the standard of living of a nation via disposable income of the working population. In a nation where standard of living of the citizen is high people would always spend freely by buying what they desire. This situation leads to increase in the revenue realized from VAT. As individuals spend freely, parasatatals and other agencies also spend willingly because they have enough cash in their possession.

Bradford developed administrative theory on Taxation. The theory tried to explain the important of distribution between income and consumption taxation. The theory highlighted argument favouring a conventional income tax. The class argued that it may be easier to tax labour and capital at the same rate since it is sometimes difficult to distinguish between them.

The administrative theory, however, explained that income tax is always difficulty to treat. For instance, difficulties are abound when treating the income of entrepreneurs who own and operate their businesses. Such areas one experience difficulties when treating include accruals and depreciation. Such difficulties are not experienced when tax on Cash Flow is being treated. This is tax on consumer goods

and services. It is tax on the cash one spends while consuming goods or services. The money is cash which flows as one exchange it while buying goods and services. In the process, it is not difficult to work out the amount of tax one would pay as in the case of income tax as stated by the administrative theory. VAT is a consumption tax designed primarily to tax private consumption by individuals, goods and services that are vatable. In Nigeria, it is a single rate of (5) five percent VAT which makes it easier to administer (Bradford 2009).

Review of the Related Empirical Studies

Some empirical studies have been conducted in the area of the present study.

Obianwuna (2005) conducted a study on Value Added Tax implication for revenue generation in Nigeria. The major purpose of the study was to determine the implication of Value Added Tax for revenue generation in Nigeria. The study adopted a descriptive survey design. The population for the study comprised 40 staff of Federal Inland Revenue Service, Abuja and 120 staff from 8 companies in Abuja totaling 160. The study found that broaden of tax base has different burden on imported goods and domestically produced goods and service. Obianwunaôs study relates to the present study because both focus on VAT Revenue collection in Nigeria. The Obianwunaôs study differed from the present study because the study was on randomly selected private companies; while the present study was on government parastatals.

Ugwu (2006) conducted a study on the Administration of Value Added Tax problems and prospects in Nigeria Economy. The major purpose of the study was to examine the prospects of VAT in the enhancement of public revenue in Nigeria. The

study adopted a descriptive survey design. The population for the study comprised 35 Federal Inland Revenue Service Administrative Staff, 50 tax inspectors and 60 other categories totaling 145 in number. The study revealed that poor record keeping constitutes problem to the success of VAT Administration in Nigeria. It also revealed that poor quality personnel constitutes problem to VAT Administration in Nigeria. Ugwuôs study relates to the present study because both focus on VAT Administration. However, the present study differed from Ugwuôs study because the present study sought to find out the level of revenue realized each year while Ugwuôs study sought to find out problems and prospects of VAT Administration.

Okorie (2006) conducted a study on The Role of Value Added Tax in the Economic Development of Nigeria. The major purpose of the study was to determine the income generation of VAT and possibly compare it with that of sales tax which it replaced. The study adopted a descriptive survey design. The population for the study includes 500 vatable persons from public in Enugu state and 20 Tax inspectors of Federal Inland Revenue Service, Enugu State giving a total of 520 in number. The study found that VAT is a consumption tax payable on the vatable goods and services consumed by people whether government agencies, business organization or individuals. Okorieôs study relates to the present study because both focus on income generation. However, the present study differed from Okorieôs study because the present study was emphasizing on income generated from Government parastatals in Enugu and Anambra States while Okorieôs study was on income generated from public individuals in Enugu State and comparing it with that of sales Tax.

Irole (2005) conducted a study on VAT as a suitable Alternative to sales Tax in a Developing Economy. The major purpose of the study was to identify VAT as an alternative and steady source of income to government revenue rather than sales tax. The study adopted a descriptive survey design. The population for the study includes 20 senior staff of FIRS, 30 Accountants from Commercial Banks, 10 staff from hotels owned by government, 80 staff from private individuals, 60 staff from manufacturing sector and 60 companies considered vatable persons within Enugu metropolis totaling 260 in number. The study revealed that VAT is a suitable option to sales tax in a developing economy like Nigeria. Iroleôs study relates to the present study because both focus on VAT as a type of indirect tax. The present study however, differed from Iroleôs study because the present study was looking at the level of VAT revenues realized in government parastatals while Iroleôs study was comparing VAT with Sales Tax.

Usoro (1997) conducted a study on impact of VAT statement in Financial Reporting and Evaluation of Corporate Wealth Distribution. The major purpose of the study was to discover whether publicly manufacturing firms in Nigeria include VAT statement in their financial report and what factors motivate the accountants towards its preparation. The study adopted a descriptive survey design. The population for the study includes 30 Accountants, 20 managers, 80 employees without shareholders status and 60 employees with shareholders status drawn from 70 firms totaling 190 in number. The study revealed that firms exist not only for maximization of profit or shareholders wealth but to also satisfy other constraints being the needs of other stakeholders in the firms. Usoroôs study relates to the present study because both used

accountants as respondents. However, Usoroôs study differed from the present study because the present study was on government parastatals while Usoroôs study was on public manufacturing firms. Usoroôs study differed from the present study also because it was aimed at finding out whether public firms include VAT statement in Financial Report while the present study aimed at finding out level of revenue generation in government parastatals.

Onuorah (1994) conducted a study on Value Added Tax in Nigeria, Arguments for and Against. The major purpose was to review the recent introduced VAT in Nigeria, its pros and cos. The study adopted a descriptive survey design. The population for the study comprised 120 management staff of 12 manufacturing companies in Lagos and 40 FIRS staff in Lagos totaling 160 in number. The study revealed that VAT on imported inputs would definitely increase prices of outputs and this would encourage the use of local inputs. The study also revealed that problems of the masses would be compounded by the imposition of VAT because the prices of goods and services would increase. Onuorahôs study relates to the present study because both used Accountants and FIRS staff as respondents. The present study differed from Onuorahôs study because the present study centered on revenue generation from government parastatals in Enugu and Anambra States while Onuoraôs study looked at the effect of VAT on prices and people.

Obaji (2001) conducted a study on VAT and its impact on the economy. The major purpose of the study was to find out how responsive the public (tax payer) is to VAT operation in the country. The study adopted a descriptive survey design. The population for the study include: 160 senior civil servants at both state and Federal

employees in Enugu and 30 Tax Inspectors of FIRS, Enugu totally 190 in number. Obajiôs study found that VAT has greater impact on the final consumer. Obajiôs study relates to the present study because both used Tax inspectors as respondents. However, the present study differed from Obajiôs study because the present study looked at the level of revenue realization in government parastatals while Obajiôs study was on how public respond to VAT.

Nwatarali (1995) conducted a study on comparison of VAT and other indirect taxes in Nigeria. The major purpose of the study was to discuss and analysis the various forms of indirect taxes imposed by government. The study adopted a descriptive survey design. The population for the study comprised 90 senior staff of State Internal Revenue and 30 staff of FIRS in Enugu state totaling 120 in number. The study revealed that VAT as well as other indirect taxes are used to prevent infant industries, influence consumption behaviour, prevent dumping and correct disequilibrium in the balance of payment. Nwataraliôs study relates to the present study because both discussed indirect tax as VAT is one of indirect Taxes. However, present study differed from Nwataraliôs study because the present study focused on income generation from government parastatals while Nwataraliôs study aimed at assessing different indirect taxes imposed by government.

Okolo (2004) conducted a study on VAT as a suitable alternative to sales tax in developing economy, Nigeria experience. The major purpose was to identify possible lapses and loopholes in VAT and its application in Nigeria. The study adopted a descriptive survey design. The population for the study comprised 50 intermediate staff from private industries, 70 senior personnel from manufacturing companies, 20

senior staff from government employee and 15 Tax inspectors of FIRS, all in Onitsha totaling 155 in number. The study found that VAT is not a suitable option to sales tax in a developing economy because it equally constitutes a serious problem for efficient implementation in such poor economic environment. Okoloôs study relates to the present study because both looked at VAT as type of tax in Nigeria. However, the present study differed because it aimed at identifying the mechanisms used for VAT Administration and collection in government parastatals while Okoloôs study looked at problems and application of VAT in Nigeria.

Summary of Review of Related Literature

The literature review for this study focused on three main headings which include the conceptual frame work, theoretical frame work and the empirical studies. Under the conceptual, concept on Value Added Tax and Tax Administration.

In the review, it was discovered that introduction of Value Added Tax in Nigeria would improve the revenue generation from non-oil sector. However, Federal Inland Revenue Service personnel required to be properly trained for Federal Inland Revenue Service to fulfill the goal set for it. The goal is realizing the projected VAT revenue in accordance with the law. This could be achieved when the Federal Inland Revenue Service should strictly adhere to regulation guiding the assessment, collection, processing of returns and enforcement. The review also revealed that failure of registered tax payers to keep such records and books of all transactions, operations, imports and other activities relating to taxable goods and services as sufficient to determine the correct amount of tax payable could hinder Tax administrators from realizing the revenue required. The theoretical framework focused on the essentials of a good tax system and analysis of optimal income taxation. The theory explained that the liability for good tax system should be all

embracing. That is, all individuals, without exceptions, should be liable to tax. It pointed out that the amount of the tax liability of the individual must be determined with certainty as well as the time of payment. It was well explained that the time and manner of payment must be convenient to the tax payer. It finally stated that the amount spent in order to collect VAT revenues must not be more than the revenues it intends to realize.

In the analysis of optimal income taxation, it explained that individuals who are gainfully employed were allocated disposal income among different consumption goods.

The empirical studies reviewed focused on implication of VAT and how the public react to VAT. Gaps discovered in this study so far indicated that the empirical studies reviewed did not address administration and collection of VAT in government parastatals. The studies reviewed focused on problems and prospects of VAT and income generation of VAT globally in comparism with sales Tax. VAT system provides more stable and sustainable revenue base for government than sales tax. However, VAT also constitutes a serious problem for efficient implementation in a developing economy like Nigeria.

None of the authors reviewed, carried out a study on the level of realization in each year on either the topic or the variables this work address. The gap between collection and level of realization of VAT revenue in government parastatals underscores the relevance and need for this present study, which is aimed at empirically investigating VAT administration and collection in government parastatals in Enugu and Anambra States, Nigeria.

CHAPTER III

METHODOLOGY

This chapter described the procedures used in this study. These include the design of the study, area of the study, population for the study, instrument for data collection, validation and reliability of the instrument, method of data collection and method of data analysis.

Design of the Study

This study adopted a descriptive survey design. A survey of executive officers, tax inspectors and accountants on Administration and Collection of Value Added Tax in Government parastatals in Enugu and Anambra States. According to Osuala (2005), survey research design is suitable for research that focuses on the people, fact about the people, their beliefs, opinions, attitudes, motivation and behaviours.

Area of the study

The study covered both Enugu and Anambra States. The area has three Federal Inland Revenue Service Offices and sixty one Government Parastatals. Enugu has one FIRS office and forty five Government Parastatals while Anambra has two FIRS offices and sixteen government Parasatatals. This area is chosen because Anambra state has more Federal Inland Revenue offices than other states in the South East.

Population for the Study

The population for the study comprised two hundred and thirty three (233) staff of Federal Inland Revenue Service and Government parastatals in Enugu and Anambra States. Seventeen executive officers, forty tax inspectors were from Federal Inland Revenue Service and eighty one accountants were from government parastatals

in Enugu. In Anambra state, seventeen executive officers, forty seven tax inspectors were from Federal Inland Revenue service while thirty one accountants were from Government Parastatals. GD (2005). (Appendix 1).

The information about the number of Government Parastatals was collected from office of the Head of service Enugu and office of the secretary to state Government Awka, Anambra State. Govt Domt. (2008/2009).

Sample and Sampling Technique

The population for the study consist of two hundred and thirty three (233) staff of 3 Federal Inland Revenue Service and 61 government parastatals in Enugu and Anambra States. No sampling was done because the entire population was used for the study.

Instrument for Data Collection

The research instrument for data collection were structured questionnaire and checklist designed and developed by the researcher. Items in the structured questionnaire named óAdministration and collection of value Added Taxô were developed from the information in the literature reviewed.

Two sets of questionnaire were developed for collecting data necessary for this study. The first set was on general information about the respondents. This section contains 3 questionnaire items with opinions to enable the respondents tick (ã) or fill as appropriate. The second set was on the work and contained 38 items. The questionnaire was divided into four sections according to the research questions.

Section B sought to obtain information on respondents opinions on the uses of various methods of VAT Administration and collection in government parastatals in Enugu and Anambra States. It contained eleven items. Section C contained nine items and was developed to seek information on the extent of utilization of the methods for VAT Administration and collection. Section D of the questionnaire had ten items and sought to obtain information on respondents opinions on the control mechanisms for VAT Administration and collection in government parastatals. Section E of the questionnaire contained eight items on the effectiveness of the control mechanisms used for VAT administration and collection in government parastatals in Enugu and Anambra States. The responses opinions were Strongly Agree, Agree, slightly agree, Disagree and Strongly Disagree.

In section F, checklist was structured to obtain information on level of realization of VAT Revenue for each year in government parastatals in Enugu and Anambra states. The checklist was made up of seventeen years 1994 ï 2010.

Validation of Instrument

The questionnaire and checklist were subjected to face validation by five experts, two lecturers from the Department of Vocational Teacher Education, one lecturer from Department of Accountancy, one from Department of Art Education and one from Measurement and Evaluation, all in University of Nigeria

The experts advised the researcher on the suitability of some items in the instrument and these items that were not appropriate for the study were modified or dropped based on the comments of these experts.

Reliability of the Instrument

The instrument was administered on thirty five respondents made up of ten executive officers, ten tax inspectors and fifteen accountants selected from Federal Inland Revenue Service and Government Parastatals in Ebonyi State. This was to ensure that subjects used in the reliability test were excluded from the study sample. Responses were obtained from twenty five respondents. Cronbach Alpha reliability test was used to determine the internal consistency of the items. Cronbach Alpha reliability coefficient of 0.77 was obtained. The use of Cronbach Alpha is appropriate for determining the internal consistency of the instrument. Internal consistency reliability measure yields information about the precision of various items in an instrument in ensuring the common underlying phenomenon.

Method of Data Collection

The questionnaire was administered to the respondents by the researcher with two trained research assistants. The researcher trained the research assistants on how to administer and retrieve the research instruments from the respondents. Each research assistant was given the area he/she should cover. One research assistant administered questionnaire to the government parastatals in Enugu state while the other covered Government parastatals in Anambra State. The researcher covered the Federal Inland Revenue Service in Enugu and Anambra States.

Copies of the questionnaire were distributed and collected within a period of eight weeks due to the large geographical spread of the respondents and their tight schedule of duty. A total of 227 copies out of 233 copies of the questionnaire administered were retrieved and analysed.

Method of Data analysis

The research questions numbered 1 to 4 were analyzed using mean and standard deviation. Weighted five point Likert-scale response categories was used.

Response Categories	Point	Boundary Limits
Strongly agree/Very Effective/Higher Extent	5	4.50 ï 5.00
Agree/Effective High Extent	4	3.50 ï 4.49
Slightly agree/effective/small extent	3	2.50 ï 3.49
Disagree/Ineffective/Low Extent	2	1.50 ï 2.49
Strongly disagree/Very ineffective Lower Extent	1	0.50 ï 1.49

In each of five point Likert response items, the percentage response to each response category was shown. The means score of each item was computed and interpreted based on the boundary limits of the points assigned to each response category.

A criterion mean that was from 4.50 ï 5.00 was taken as strongly agree/very effective/higher extent 3.50 ï 4.49 Agree/Effective/ high extent 2.50 ï 3.49 slightly agree/effective/small extent, 1.50 ï 2.49 Disagree/Ineffective/low extent and 0.50 ï 1.49 Strongly disagree/Very ineffective/lower extent. Checklist was used to answer research question number five.

One way ANOVA statistic at 0.05 level of significance was used to answer four null hypotheses. The null hypotheses were not significant if the calculated value is equal to or greater than the level of probability and significant if otherwise.

CHAPTER 4

PRESENTATION AND ANALYSIS OF DATA

In this chapter, data collected for the study were presented and analyzed in line with the research questions and formulated hypotheses.

Research Question 1.

What are the uses of various methods of VAT administration and collection in Government Parastatals in Enugu and Anambra states?

Table 1: Mean responses on the uses of various methods of VAT Administration and collection in Government Parastatals

Item No	Items	5 SA	4 A	3 SA	2 D	1 SD	$\overline{X}$	Std. Dvtn	Remark
1	Credit method is used in collecting VAT on sales of goods and services	78	77	29	30	13	3.78	121	Agree
2	Credit method enables the seller to pay VAT on his input and collect VAT from the purchase of his input	47	80	32	56	12	3.41	1.21	Slightly Agree
3	Credit method ensures that the total VAT revenue from all increases added at each stage of production or transfer of goods and services is collected	62	67	35	35	28	3.45	1.35	Slightly Agree
4	Credit method enables the seller to issue invoices that would show separately the price of goods sold, services rendered and VAT due for collection	84	73	37	19	14	3.87	1.17	Agree
5	Subtraction method enables the vatable persons to add the total output and input and subtract the input from the output in order to get the VAT payable	72	76	41	18	20	3.71	1.24	Agree
6	Subtraction method is used and calculated by multiplying the tax rate directly by the difference between a firmôs sales and purchases	107	72	19	14	15	4.07	1.18	Agree
7	Subtraction method enables taxable persons subtract purchases from the sales of the firm	61	112	32	16	6	3.96	.96	Agree
8	Subtraction method enables taxable persons to fully deduct the cost of investment	98	68	19	27	15	3.91	1.26	Agree
9	Addition method is used in collecting VAT on total income of parastatals	42	75	39	43	28	3.25	1.30	Slightly Agree
10	Addition method is used and sums the factor payments made by the firm during the period, including profits	74	102	34	14	3	4.01	.92	Agree
11	Addition method enables firm to divide its total wage bill into nontaxable and taxable and take VAT taxable.	88	87	20	22	10	3.97	1.12	Agree
	Grand Mean						**3. 51**		

The data presented in Table 1 showed that out of the 227 respondents who responded to item 1, 78 respondents strongly agreed that credit method is used in collecting VAT on sales of goods and services, 77 respondents agreed, 27 respondents slightly agree, 30 disagreed while 13 of the respondents strongly disagreed. Item 1 had a mean score of 3.73 implying that credit method is used in collecting VAT on sales of goods and services. As regards item 2, 47 respondents strongly agreed that credit method enables the seller to pay VAT on his input and collect VAT from the purchase of his input, 80 respondents agreed, 32 respondents slightly agreed, 56 respondents disagree and 12 respondents strongly disagreed. With a mean score of 3.41 it implied that many of the respondents slightly agreed that credit method enables the seller to pay VAT on his input and collect VAT from the purchase of his input. With regard to item 3, 62 respondents strongly agreed that credit method ensures that the total VAT revenue from all increases added at each stage of production or transfer of goods and services is collected, 67 respondents agreed, 35 respondents slightly agreed, 35 respondents disagreed while 28 respondents strongly disagreed. With regard to item 4, 84 respondents strongly agreed that credit method enables the seller to issue invoices that would show separately the price of goods sold, services rendered and VAT due for collection, 73 respondents agreed, 37 respondents slightly agreed, 19 respondents disagreed while 14 respondents strongly disagreed. With a mean score of 3.87, it indicated that credit method enables the seller to issue invoices would show separately the price of goods sold, services rendered and VAT due for collection. As regards item 5, 72 respondents strongly agreed that subtraction method enables the vatable persons to add the total output and input and subtract the input from the output

in order to get the VAT payable, 76 respondents agreed, 41 respondents slightly agreed, 18 respondents disagreed while 20 respondents strongly disagreed. The item had a mean score of 3.71 indicating that credit method allows the vatable persons arrive at VAT payable.

With regard to item 6, 107 respondents strongly agreed that subtraction method is used and calculated by multiplying the tax rate directly by the difference between a firmôs sales and purchases, 72 respondents disagreed, 19 respondents slightly agreed, 14 respondents disagreed while 15 respondents strongly disagreed. The above item had a mean score of 4.07. This showed that subtraction method is used and calculated by multiplying the tax rate directly by the difference between a firmôs sales and purchases. As regards item 7 ï subtraction method enables taxable persons subtract total purchases from the sales of the firm, 61 respondents strongly agreed, 112 agreed, 32 respondents slightly agreed, 16 respondents disagreed while 6 of respondents strongly disagreed. With regard to item 8, 98 respondents strongly agreed that subtraction method enables taxable persons fully deduct the cost of investment, 68 respondents agreed, 19 respondents slightly agreed, 27 respondents disagreed while 15 respondents strongly disagreed. The item 8 had a mean score of 3.91 indicating that subtraction method enables taxable persons subtract total purchases from the sales of the firm.

As regards item 9, 42 respondents strongly agreed that Addition method is used in collecting VAT on total income of parastatals, 75 respondent agreed, 39 respondents slightly agreed, 43 respondents disagreed while 28 respondents strongly disagreed.

With regard to item 10, 74 respondents strongly agreed, that addition method is used and sums the factor payments made by the firm during the period, including profit, 102 respondents agreed, 34 respondents indicated that respondents slightly agreed, 14 respondents disagreed while 3 respondents strongly disagreed. Eighty-eight out of 227 respondents who responded to item 11 strongly agreed, that addition method enables firm to divide its total wage bill into nontaxable and taxable and take VAT from taxable, 87 respondents agreed, 20 respondents slightly agreed, 22 respondents disagreed while 10 respondents strongly disagreed.

Items 1, 5, 6, 7, 8, 10 and 11 in table 1 above had mean scores ranging from 3.71 to 4.07 which were within the boundary limit of 3.50 to 4.49. This implied that the respondents accepted that credit method, subtraction method and addition method were methods used for VAT Administration and collection in government parastatals. Grand mean of 3.51 revealed that the three methods were used for VAT administration and collection.

The standard deviation of items, 1, 2, 3, 4, 5, 6, 7, 9 and 11 range from 1.12 to 1.35 which showed that the opinions of the respondents on these items were not close to one another or the range in the responses was large. This implied that more of the respondents did not have similar opinions on the methods used for VAT administration and collection in government parastatals in Enugu and Anambra States.

Hypothesis 1:

There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the uses of various methods of VAT administration and collection in government parastatals in Enugu and Anambra states.

The analysis of variance (ANOVA) pertaining to hypothesis 1 is presented in Table 2.

Table 2: Analysis of variance (ANOVA)

				F - Result			
Source of variance	**Sum of squares**	**df**	**Mean squares**	**F-Value**	**SPSS sig**	**Level of sig.**	**Decision**
Between groups	363.886	2	181.943	20.024	0.000	0.05	Significant
Within groups	2035.338	224	9.086				
Total	**2399.225**	**226**					

The analysis of variance (ANOVA) in Table 2 above showed that level of probability or significance of 0.000 computed by SPSS for the overall calculated F-value was lower than 0.05 level of significance used for testing the null hypothesis (HO_1). It revealed that there was significant difference in the mean responses of accountants, executive officers and tax inspectors on the uses of various methods of VAT administration and collection in government parastatals in Enugu and Anambra States. The null hypothesis (HO_1) was therefore, rejected. This implied that accountants, executive officers and tax inspectors had different opinions on the uses of various methods of VAT administration and collection in government parastatals.

Research Question 2:

To what extent are the methods used for VAT administration and collection utilized in government parastatals in Enugu and Anambra states?

Table 3: Mean responses on the extent of utilization of the methods (Credit, Subtraction, Addition) for VAT administration and collection in government parastatals

Item No	Items	5 HRE	4 HE	3 SE	2 LE	1 LRE	$\overline{X}$	Std. Dvtn	Remark
	Subtraction method								
12	VAT on sales approach	35	78	59	44	11	3.36	1.11	Small extent
13	Non invoice approach	83	88	27	17	12	3.94	1.12	High Extent
14.	Deduction approach	66	89	42	18	12	3.79	1.11	High Extent
	Credit method								
15	Set-off approach	90	71	35	26	5	3.95	1.10	High Extent
16	Input output approach	58	94	54	12	9	3.79	1.01	High Extent
17	Invoice approach	96	81	29	16	5	4.09	1.01	High Extent
	Addition method								
18	Nontaxable and taxable approach.	83	84	25	19	16	3.88	1.20	High Extent
19	Total income approach	72	73	38	27	17	3.69	1.24	High Extent
20	Sum approach	83	75	39	16	14	3.87	1.17	High Extent
	Grand Mean						**3.81**		

As can be seen from the data presented in Table 3, 35 respondents in item 12 indicated that VAT on sales approach is utilized to higher extent, 78 respondents indicated that it was utilized to high extent, 59 respondents indicated that it was utilized to small extent, 44 respondents indicated that VAT on sales approach was utilized to low extent while 11 respondents indicated that it was utilized to lower extent. As regards item 13, 83 respondents indicated that non invoice approach was utilized to higher extent by taxable persons in collecting VAT revenue, 88 respondents indicated that it was utilized to high extent, 27 respondents indicated that it was utilized to small extent, 17 respondents indicated that it was utilized to low extent

while 12 respondents indicated that it was utilized to lower extern. Item 13 had a mean score of 3.94 which implied that many of the respondents had the view that subtraction method is utilized to high extent in collecting VAT revenue. Sixty six out of 227 respondents who responded to item 14 indicated that deduction approach was utilized to higher extent, 89 respondents indicated that it was utilized to high extent, 42 respondents indicated that it was utilized to small extent, 18 respondents indicated that it was utilized to low extent while 12 respondents indicated that it was utilized to lower extent

With regard to item 15, 90 respondents indicated that set-off approach was utilized to higher extent, 71 respondents indicated that it was utilized to high extent, 35 respondents indicated that it was utilized to small extent, 26 respondents indicated that it was utilized to low extent while 5 indicated that it was utilized to lower extent. As regards item 16, 58 respondents indicated that input output approach was utilized to higher extent, 94 respondents indicated that it was utilized to high extent, 45 respondents indicated that it was utilized to small extent, 12 respondents indicated that it was utilized to low extent while 9 respondents indicated that it was utilized to lower extent. As regards item 17, 96 respondents indicated that invoice approach was utilized to higher extent by taxable persons in collecting VAT revenue, 81 respondents indicated that it was utilized to high extent, 29 respondents felt that it was utilized to small extent, 16 respondents indicated that it was utilized to low extent while 5 respondents indicated that it was utilized to lower extent. The item 17 had a high mean score of 4.09 implying that invoice approach was utilized to high extent in collecting VAT revenue. As regards item 18, 83 indicated that nontaxable and taxable approach

was utilized to higher extent by taxable person in collecting VAT revenue, 84 respondents indicated that it was utilized to high extent, 25 respondents indicated that it was utilized to small extent, 19 respondents indicated that it was utilized to low extent while 16 respondents indicated that it was utilized to lower extent. With a means score of 3.88, it implied that many respondents had the view that nontaxable and taxable approach was utilized to high extent by taxable persons in collecting VAT revenue. With regard to item 19, 72 respondents indicated that total income approach was utilized to high extent, 73 respondents indicated that it was utilized to high extent, 38 respondents indicated that it was utilized to small extent, 27 respondents indicated that it was utilized to low extent while 17 respondents indicated that it was utilized to lower extent. As regards item 20, 83 respondents indicated that it was utilized to higher extent, 75 respondents indicated that it was utilized to high extent, 39 respondents indicated that it was utilized to small extent, 16 respondents indicated that it was utilized to low extent while 14 respondents indicated that it was utilized to lower extent. Grand mean of 3.81 revealed that the respondents indicated that the methods were utilized to high extent by the taxable person in collecting VAT revenue.

Items 12 to 20 had standard deviation ranging from 1.01 to 1.24. This indicated that the opinions of the respondents on those items were not close to one another. This implied that all the respondents did not have similar opinions on the extent of utilization of the methods for VAT administration and collection in government parastatals.

Hypothesis 2:

There is no significant difference in mean responses of accountants, executive officers and tax inspectors on the extent of utilization of methods for administration and collection of VAT in government parastatals in Enugu and Anambra states.

The analysis of variance (ANOVA) with regard to hypothesis 2 is presented in Table 4

Table 4: Analysis of variance (ANOVA).

				F - Result			
Source of variance	**Sum of squares**	**df**	**Mean squares**	**F-Value**	**SPSS sig**	**Level of sig.**	**Decision**
Between groups	346.931	2	173.465	13.277	. 0.000	0.05	Significant
Within groups	2926.576	224	13.065				
Total	**3273.507**	**226**					

The analysis of variance (ANOVA) presented in Table 4 showed that the level of significance of 0.000 computed by SPSS statistical package for the calculated F-value was lower than 0.05 level of significance used for testing the null hypothesis 2. It revealed that there was significant difference in the mean responses of accountants, executive officers and tax inspectors on the extent of utilization of the methods for administration and collection of VAT in government parastatals. This implied that accountants, executive officers and tax inspectors had different opinions on the extent of utilization of the methods (credit, subtraction and addition) for administration and collection of VAT in government parastatals in Enugu and Anambra States.

Research question 3

What are the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra states?

Table 5: Mean responses on the Control mechanisms for VAT Administration and collection in government Parastatals

Item No	Items	5 SA	4 A	3 SA	2 D	1 SD	$\overline{X}$	Std. devtn	Remark
21	VAT input analysis book	79	74	27	21	26	3.70	1.34	Agree
22	Input analysis schedule	75	79	42	18	13	3.81	1.15	Agree
23	Import VAT analysis book	89	71	35	18	14	3.89	1.19	Agree
24	VAT input adjustment schedule	79	94	28	20	6	3.97	1.03	Agree
25	Output VAT adjustment schedule	112	62	34	14	5	4.15	1.03	Agree
26	VAT visits	74	79	33	30	11	3.77	1.18	Agree
27	VAT drives	71	72	26	35	23	3.59	1.34	Agree
28	VAT investigation	91	82	23	18	13	3.97	1.16	Agree
29	Audit visits	74	66	29	35	23	3.59	1.35	Agree
30	VAT on imports monitoring	45	55	39	56	31	3.30	3.09	Slightly Agree
	Grand mean						**3.77**		

Out of the 227 respondents who responded to item 21 in Table 5, 79 respondents strongly agreed that VAT input Analysis Book was a control mechanism for VAT administration and collection, 74 agreed, 27 slightly agreed, 21 disagreed

while 26 strongly disagreed. With a mean score of 3.70, it implied that many respondents felt that VAT Analysis book is control mechanism for VAT administration and collection.

The mean responses of items 22, 23, 24, 26, 27, 28 and 29 in table 5 ranging from 3.59 to 3.97 which were within the boundary limit of 2.50 ï 3.49 showed that those items were control mechanisms for VAT administration and collection. As regards item 25, 112 respondents strongly indicated that output VAT adjustment schedule is control mechanism for VAT administration and collection, 62 respondents agreed, 34 respondents slightly agreed 14 respondents did not agree that output VAT adjustment schedule was control mechanism for VAT administration and collection while 5 respondents strongly disagreed. With an outstanding mean score of 4.15 it was clear that output VAT adjustment schedule was control mechanism for VAT administration and collection. Forty-five out of 227 respondents who responded to item 30, 45 respondents strongly agreed that VAT on import monitoring was control mechanism for VAT administration and collection, 55 respondents agreed, 39 respondents slightly agreed, 56 respondents disagreed and 31 respondents strongly disagreed. With a mean score of 3.30 showed that majority of the respondents slightly agreed that VAT on import monitoring is control mechanism for VAT administration and collection. Grand mean of 3.77 indicated that the control mechanisms were available for VAT administration and collection.

The standard deviation of items 21 to 30 range from 1.03 to 3.09. The range in the responses was large. This implies that the respondents had different opinions on the control mechanisms for VAT administration and collection.

Hypothesis 3:

There is no significant difference in the mean responses of accountants, executive officers and tax inspectors on the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra states.

The analysis of variance (ANOVA) as regards hypothesis 3 is presented in Table 6.

Table 6: Analysis of variance (ANOVA)

				F - Result			
Source of variance	**Sum of squares**	**df**	**Mean squares**	**F-Value**	**SPSS sig**	**Level of sig.**	**Decision**
Between groups	129.922	2	64.961	2.661	0.072	0.05	Not Significant
Within groups	5468.765	224	24.44				
Total	**5598.687**	**226**					

The analysis of variance (ANOVA) presented in Table 6 showed that the level of significance or probability of 0.072 computed by SPSS statistical package for the calculated F-value was greater than 0.05 level of significance used for testing the null hypothesis 3. It revealed that there was no significant difference in mean responses of accountants, executive officers and tax inspectors on the control mechanisms for VAT administration and collection in government parastatals. This implied that the three categories of staff had similar opinions on control mechanisms for VAT administration and collection. The null hypothesis was, therefore, not rejected.

Research Question 4

How effective are the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra states?

Table 7: Mean responses on the effectiveness of the control mechanisms used for VAT administration and collection in government parastatals

Item No	Items	5 VE	4 E	3 SE	2 IE	1 VIE	$\overline{X}$	Std Dvtn	Remark
31	Import monitoring by the custom service	44	73	44	32	34	3.27	1.33	Slightly Effective
32	Efficiency and transparency in book keeping	62	75	50	33	7	3.67	1.12	Effective
33	Provision of accurate registration of tax payers	79	83	36	13	16	3.86	1.17	Effective
34	Easy and simplified registration process for tax payers	47	63	59	31	27	3.32	1.27	Slightly Effective
35	Proper documentation of all transactions involved in the entire supply claim in the export business	47	79	38	29	34	3.33	1.34	Slightly Effective
36	Availability of honest and diligent staff	53	55	44	46	29	3.25	1.35	Slightly Effective
37	Studying invoices to detect over-reporting of exports and under -reporting of imports	74	86	20	38	9	3.78	1.18	Effective
38	Auditing of returns submitted to local VAT office	68	71	41	28	19	3.62	1.26	Effective
	Grand mean					**3.51**			

As can be seen from the data on Table 7 forty-four out of 227 respondents who responded to item 31 indicated that import monitoring by the custom service was very effective as a control mechanism used for VAT administration and collection in government parastatals, 73 respondents indicated that it was effective, 44 indicated that it was slightly effective, 32 respondents indicated that it was ineffective while 34 respondents indicated that it was very ineffective. With a mean score of 3.27, it implied that many of the respondents indicated that it was slightly effective. As regards item 32, 62 respondents indicated that efficiency and transparency in book-keeping is very effective as control mechanism for VAT administration and collection in government parastatals, 75 respondents felt that it was effective, 50 respondents indicated that it was slightly effective, 33 respondents indicated that it was ineffective while 7 respondents indicated that it was very ineffective. The above item had a mean score of 3.67 showing that efficiency and transparency in bookï keeping was effective as control mechanism for VAT administration and collection in government parastatals. Of the 227 respondents who responded to item 33, 79 indicated that provision of accurate registration of tax payers was very effective as a control mechanism for VAT administration and collection in government parastatals, 83 of the respondents indicated that it was effective, 36 respondents indicated that it was slightly effective, 13 respondents indicated that it was ineffective while 16 respondents indicated that it was very ineffective. With a high mean score of 3.86 it implied that provision of accurate registration of tax payers was effective as control mechanism for VAT administration and collection in government parastatals.

As regards item 34, 47 respondents indicated that easy and simplified registration process for tax payers was very effective as control mechanism for VAT administration and collection in government parastatals, 63 respondents indicated that it was effective, 59 respondents indicated that the respondents indicated that it was slightly effective, 31 respondents indicated that it was ineffective while 27 respondents indicated that it was very ineffective. The item 34 had a mean score of 3.32 showing that many of the respondents indicated that easy and simplified registration process for tax payers was slightly effective. As regards item 35, 47 respondents indicated that proper documentation of all transactions involved in the entire supply chain in the export business was very effective as control mechanism for VAT administration and collection in government parastatals, 79 respondents indicated that it was effective, 38 respondents indicated that it was slightly effective, 29 respondents indicated that it was ineffective while 34 respondents indicated that it was very ineffective. With a mean score of 3.33 for item 35, it implied that many respondents were of the view that it was slightly effective. Fifty three out of 227 respondents who responded to item 36, 53 indicated that availability of honest and diligent staff was very effective as control mechanism for VAT administration and collection in government parastatals, 55 respondents indicated that it was effective, 44 respondents indicated that it was slightly effective, 46 respondents indicated that it was ineffective while 29 respondents indicated that it was very ineffective. With a mean score of 3.25 it implied that many of the respondents were of the opinions that availability of honest and diligent staff was slightly effective as control mechanism for VAT administration and collection. Of the 227 respondents who responded to item

37, 74 respondents indicated that studying invoices to detect over reporting of exports and under reporting of imports was very effective as control mechanism for VAT administration and collection in government parastatals, 86 respondents indicated that it was effective, 20 respondents indicated that it was slightly effective, 38 respondents indicated that it was ineffective while 9 respondents indicated that it was very ineffective. The above item had a mean score of 3.78 implying that many of the respondents were of the view that it was effective as control mechanism for VAT administration and collection in government parastatals. With regard to item 38, 68 respondents indicated that it was very effective, 71 respondents indicated that it was effective, 41 respondents indicated that it was slightly effective, 28 respondents indicated that it was ineffective while 19 respondents indicated that it was very ineffective. Item 38 had a mean score of 3.62 implying that auditing of returns submitted to local VAT office is effective as control mechanism for VAT administration and collection in government parastatals. Grand mean of 3.51 revealed that control mechanisms were effective for VAT administration and collection.

The standard deviation of items 31 to 38 range from 1.12 to 1.35. The range in the responses was large which implied that all the respondents did not have the same opinions on effectiveness of control mechanisms used for VAT administration and collection.

Hypothesis 4:

There is no significant difference in the mean responses of accountants, executive officers and tax inspectors on the effectiveness of the control mechanisms

for administration and collection of VAT in government parastatals in Enugu and Anambra states.

The analysis of variance (ANOVA) with regard to hypothesis 4 is presented in Table 8.

Table 8: Analysis of variance (ANOVA)

				F - Result			
Source of variance	**Sum of squares**	**df**	**Mean squares**	**F-Value**	**SPSS sig**	**Level of sig.**	**Decision**
Between groups	2.625	2	1.313	0.023	0.978	0.05	Not Significant
Within groups	12719.667	219	58.081				
Total	**12722.293**	**221**					

The analysis of variance (ANOVA) presented in Table 8 showed that the level of significance of 0.978 computed by SPSS statistical package for the calculated F-value was greater than 0.05 level of significance used for testing the null hypothesis 4. It means that there was no significant difference in the mean responses of accountants, executive officers and tax inspectors on the effectiveness of the control mechanisms for administration and collection of VAT in government parastatals. The null hypothesis of significance was therefore not rejected. This implied that accountants, executive officers and tax inspectors had similar opinions on the effectiveness of the control mechanisms for VAT administration and collection in government parastatals.

Research Question 5

What is the level of realization of VAT revenue from government parastatals in Enugu and Anambra states?

The above research question was answered using checklist. The responses to the checklist were summarized as can be seen in the checklist below:

Bar chart in Appendix present colours that represent level of VAT revenue realized for each year. The colours include Green which indicates realised, Lemon - higher than, Blue ï less than and purple ï lesser (Appendix 2)

Checklist: Level of realization of VAT revenues from 1994 to 2010.

Years	Higher	Realized	Less	Lesser
1994		3		
1995	4			
1996	4			
1997		3		
1998			2	
1999				1
2000			2	
2001				1
2002	4			
2003		3		
2004			2	
2005			2	
2006	4			
2007				1
2008		3		
2009		3		
2010			2	

Note: 4= Higher than projected VAT revenue realized; 3 = projected VAT revenue realized; 2 = less than projected VAT revenue realized and lesser than projected VAT revenue realized.

Based on responses, the green in the Bar Chart indicated that projected VAT revenues were realized in 1994, 1997, 2003, 2008, and 2009. Lemon showed that higher than projected were realized in 1995, 1996, 2002,2006, Blue indicated that less than projected were realized in 1998, 2000,2004, 2005, 2010 while purple indicated that lesser than projected were realized in 1999. 2001 and 2007. The result indicated that less than projected revenues were realized for five different years, projected VAT revenues realized for five different years, higher than projected revenues for four different years while lesser than projected were realized for three different years. The result indicated also that the level of realization of VAT revenues in government parastatals in Enugu and Anambra States fluctuates. For instance, in 1994 projected VAT revenue was realized while it increased in 1995, 1996 and goes down in 1997 and further down in 1998.

Findings

Research Questions

1. It was found that the following methods were variously used for VAT administration and collection in government parastatals in Enugu and Anambra States. They include: Credit method, Subtraction method and Addition method.
2. With regard to the extent of utilization of the above methods, it was found that Subtraction method is utilized to high extent in collecting VAT revenue, Credit method is utilized to high extent in collecting revenue and Addition method is utilized to high extent in collecting VAT revenue.

3. The following control mechanisms were used for VAT administration and collection in government parastatals in Enugu and Anambra States:

VAT input analysis book, Input analysis schedule, Import VAT analysis, VAT input adjustment schedule and output adjustment schedule. Others include VAT visits, VAT drives, VAT investigation and Audit visits.

4. It was found that the following control mechanisms used for VAT administration and collections were effective: Efficiency and transparency in book-keeping, Provision of accurate registration of tax payers, Studying invoices to detect over reporting of exports and under reporting of imports and Auditing of returns submitted to local VAT office

5. It was found that the following VAT revenues were realized in government parastatals, in Enugu and Anambra States from 1994 to 2010: The lesser than projected VAT revenues were realized in 1999, 2001 and 2007. Less than projected VAT revenues were realized in 1998, 2000, 2004, 2005 and 2010, Projected VAT revenues were realized in 1994, 1997, 2003, 2008 and 2009 and Higher than projected VAT revenues were realized in 1995, 1996, 2002 and 2006.

Hypotheses

HO_1: The finding with respect to this hypothesis revealed that there was no significant difference in the mean responses of the accountants, executive officers and tax inspectors on the uses of credit method and addition method for VAT administration and collection in government parastatals. On the other hand, the accountants, executive officers and tax inspectors differed significantly in their mean responses with regard to the uses of subtraction method for VAT administration and collection in government parastatals.

HO_2: There was no significant difference in the mean responses of the accountants, executive officers and tax inspectors on the extent of utilization of the credit method used for VAT administration and collection in government parastatals. Conversely, accountants, executive officers and tax inspectors differed significantly in their mean responses on the extent of utilization of subtraction method and addition methods used for VAT administration and collection in government parastatals.

HO_3: There was no significant difference in the mean responses of the accountants, executive officers and tax inspectors on the VAT input analysis book, VAT input adjustment schedule, VAT visits and VAT drives as control mechanisms for VAT administration and collection in government parastatals. On the other hand, accountants, executive officers and tax inspectors differed significantly in their mean responses with regard to VAT input analysis book, VAT input adjustment schedule, VAT visits and VAT drives as control mechanisms for VAT administration and collection in government parastatals.

HO_4: There was no significant difference in the mean responses of the accountants, executive officers and tax inspectors on the effectiveness of studying invoices to detect over reporting of exports and under reporting of imports as control mechanism used for VAT administration and collection in government parastatals. Conversely, accountants, executive officers and tax inspectors differed significantly in their mean responses on the effectiveness of Efficiency and transparency in book keeping; Provision of accurate registration of tax payers and Auditing of returns submitted to local VAT office as control

mechanisms used for VAT administration and collection in government parastatals.

Discussion of the major findings

The findings are discussed according to the research questions and hypotheses as follows.

Research Questions

1. The finding in respect to this research question revealed that credit method is used and enables the seller to issue invoices that would show separately the price of goods sold, services rendered and VAT due for collection.. The above finding is in agreement with the views of Gillis, Shoup and Sicats (1990). Gillis, Shoup and Sicat stated that the sum of the VATôs already paid at earlier stages is shown on the purchase invoice. Gillis, Shoup and Sicat pointed out that each invoice will give, separately, the price and the sellerôs gross tax on that price.

   It was found that subtraction method is used and calculated by multiplying the tax rate directly by the difference between a firmôs sales and purchases. This finding is in consonance with the view of Tamaoka (1994) that tax due under subtraction method is calculated by multiplying the tax rate directly by the difference between a firmôs sales and inputs. It was also found that addition method is used and sums the factor payments made by the firm during the period, including profits. The above finding is consistent with Gillis, Shoup and Sicat that income VAT can be implemented mostly directly by the addition method by adding the payments made to factors of production

2. It was found in research question two that credit method is utilized to high extent by taxable persons in collecting VAT revenue. The above finding is near to the view of Okaiwele (1994) that credit method is commonly used because it requires the issuances of invoices for every sale made by every vatable person.

It was further found that subtraction method is utilized to high extent by taxable persons in collecting VAT revenue. The above finding is contrary to the view of Ijewere (1993) who pointed out that Federal Inland Revenue Service adopts credit method in collection of VAT revenue.

It was also found in research question two that addition method is utilized to high extent by taxable persons in collecting VAT revenue. This finding is contrary to the view of Oluba (2008) who stated that credit method is used in many countries including Nigeria. This finding is also contrary to the views of many experts who believe that credit method and subtraction method are used for collecting VAT revenue in most of the countries.

3. It was found in research question three that VAT input analysis book; Input analysis schedule; Import VAT analysis book; VAT input adjustment schedule; Output records; and Output VAT adjustment schedule are control mechanisms. The above finding is in consonance with the publication of Federal Inland Revenue Service Circular (FIRSIC 1999) that listed above control mechanisms. It was found that VAT visits, VAT drives, VAT audit and VAT investigation are control mechanisms for VAT administration and collection in government parastatals. The above findings are in agreement with the view of Egemonu

(2007) that control mechanism of VAT collection and remittance can be assured when certain inspecting measures like VAT visits, VAT drive, VAT audit and VAT investigation are taken.

4. With regard to this research question it was found that efficiency and transparency in book-keeping is effective for VAT administration and collection. The findings agree with Manu (2005) which stated that whoever involves in VAT must learn how to keep clean records for easy collection of VAT revenue. It was further found that provision of accurate registration of tax payers help to tackle fraud successfully. The above finding is in consonance with Bird and Gendron (2005) that accurate registrations of taxable persons help the tax administration to identify at early stage the individuals and shareholders of companies that have committed tax fraud in the past and may be prone to fraudulent activity in the future.

5. It was found in research question five that in 1994 projected VAT revenue was realized. This finding is slightly in agreement with Ajakaiye (1999), who stated that the actual VAT revenue in 1994 was ₦8.194 billion which is thirty six point five percent higher than the projected ₦ 6 billion for the year.

   It was further found in research question five that projected VAT revenues were realized in 1994,1997, 2003, 2008 and 2009 while higher than projected revenues were realized in 1995, 1996, 2002 and 2006. The above findings are in agreement with the view of Oluba (2008) that performance of Value Added Tax (VAT) as a source of revenue in Nigeria is clearly encouraging. Conversely, it was found that less than projected VAT revenues were realized

in the following years: 1998, 2000, 2004, 2005, and 2010. The above findings are at variance with Olorunleke (1999). Olorunleke stated that VAT has turned to be a revenue spinner so far. Though, his emphasis was on the overall contributions to total federally collected revenue while the findings of above are on the revenue collection in government parastatals in Enugu and Anambra states.

Hypotheses

1. It revealed that there was significant difference in the mean responses of accountants, executive officers and tax inspectors on the uses of different methods for VAT administration and collection in government parastatals in Enugu and Anambra states. This implied that accountants, executive officers and tax inspectors had different opinions on the uses of various methods for VAT administration and collection in government parastatals in Enugu and Anambra states.
2. Hypothesis 2 revealed that there was significant difference in the mean responses of the accountants, executive officers and tax inspectors on the extent of utilization of methods used for VAT administration and collection in government parastatals. This implied that the three categories of staff differed in their opinions on the extent of utilization of credit method, subtraction method and addition method used for VAT administration and collection in government parastatals.
3. It was found in hypothesis three that there was no significant difference in the mean responses of accountants, executive officers and tax inspectors on VAT

input analysis book, VAT input adjustment schedule, VAT visits and VAT drives as control mechanisms for VAT administration and collection in government parastatals. The null hypothesis of no significant difference was not rejected because the opinions of three categories of staff did not differ. The implication of the above finding is that all the various control mechanisms are used for VAT administration and collection in government parastatals in Enugu and Anambra states. However, their opinions differed significantly with regard to input analysis schedule, import VAT analysis book, output VAT adjustment schedule, VAT investigation and Audit visits as control mechanisms for VAT administration and collection in government parastatals.

4. It was found that there was no significant difference in the mean responses of accountants, executive officers and tax inspectors on the effectiveness of studying invoices to detect tax fraud in VAT administration and collection in government parastatals. The null hypothesis of no significant difference was accepted because the opinions of accountants, executive officers and tax inspectors did not differ significantly with regard to the extent to which studying invoices as control mechanisms detects and prevent tax fraud in VAT administration and collection in government parastatals. However, the opinions of three categories of staff differed significantly with regard to the extent to which (a) efficiency and transparency in book-keeping (b) provision of accurate registration of tax payers and (c) auditing of returns submitted to local VAT office detects and prevents tax fraud in administration and collection of VAT in government parastatals.

CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the summary of the study, conclusions and recommendations.

Restatement of the Problem

Value Added Tax (VAT) is a tax on the net value of products or services based on the difference between the cost of materials and other expenses involved in the manufacture of a product and ultimate value of the finished product (Shoup, 1990). VAT is one of the significant sources of revenue for financing both Federal and State government services and programmes because of expected high yield and this expectation has not been achieved (Chugbo 2009). Naiyeju (1997) pointed out that VAT mechanisms which include credit, subtraction and addition are not reviewed by the tax administrators to know the extent of their utilization and adoption in Nigeria. Constant review of the methods could improve the effectiveness in the administration of VAT.

In good administrative system, registered collectors required to submit all the needed documents before they could be allowed to register. Chugbo observed that some registered collectors do not submit all the documents required during registration. This practice gives room for misappropriation of money collected from VAT revenue. Ndulue (2003) stated that the registered collectors are involved in revenue misappropriation because tax administrators neither review nor evaluate regularly the assessment and collection procedures given to the registered collectors. The problem could be that most of the registered collectors are not well trained and as

a result fail to apply VAT regulations. The inadequate training of the registered collectors could also lead to falsification of mechanisms utilized for VAT registration. The revenue generated from VAT could be low if the registered collectors in Enugu and Anambra States are poorly trained. Azubuike (2009) stated that most of the tax administrators do not review the revenue generation capacity regularly so that the VAT revenue realized each year should be known. They occasionally visit the premises of some registered tax payers. Olorunleke ((1999) pointed out that the registered collectors are not checked regularly to ensure that the money collected from tax payers are paid to Federal Inland Revenue Service. It was reported that the last effort in reviewing revenue generation performance was in 1989. A study like this is therefore necessary to establish the status of Value Added Tax (VAT) administration and collection in government parastatals in Enugu and Anambra States.

Summary of the procedures used

The study adopted a survey research design. Four research questions were answered while four hypotheses were tested at 0.05 level of significance. A structured questionnaire made up of 38 items and checklists were used to obtain information for the study. The population for the study consisted of two hundred and thirty three staff of Federal Inland Revenue Service and government parastatals in Enugu and Anambra States. The staff included Executive officers and tax inspectors from Federal Inland Revenue Service and accountants from government parastatals. There was no sample because the entire population was studied. The research instrument was subjected to face validation by five experts, made up of two lecturers from the Department of Vocational Teacher Education, University of Nigeria, Nsukka and one

lecturer from the Department of Accountancy, University of Nigeria, Enugu Campus, one from Art Education and one from Measurement and Evaluation. The Cronbach Alpha Reliability Coefficient of 0.77 was obtained for this study. The questionnaire was administered personally by the researcher with the help of two trained research assistants. A total of 227 copies out of 233 copies of questionnaire administered was returned and analysed for the study. The research questions were answered using mean. The hypotheses were tested using one way Analysis of Variance (ANOVA).

Summary of findings

The findings of the study are summarized in line with the research questions and hypotheses as follows:

Research Questions

1. It was found that credit method, subtraction method and addition method were variously used for VAT administration and collection in government parastatals in Enugu and Anambra states.
2. On the extent of utilization, it was found that credit method was utilized to high extent by taxable persons, subtraction method was utilized to high extent by taxable persons. Addition method was also utilized to high extent by taxable persons in collecting VAT revenue.
3. It was found that VAT Input Analysis Book, Input Analysis Schedule, Import VAT Analysis, VAT Input Adjustment Schedule, Output Adjustment Schedule, VAT Visits, VAT Drives, VAT Investigation, and Audit Visits were control mechanisms for VAT Administration and collection

4. Efficiency and transparency in book-keeping; provision of accurate registration of tax payers; studying invoices to detect over-reporting of exports and under-reporting of imports as well as auditing of returns submitted to local VAT office were found to be effective in tax fraud detection and prevention.

5. With regard to level of realization, it was found that the higher and projected VAT revenues were realized in 1994, 1995, 1996, 2002, 2003, 2006, 2008 and 2009 while less than the projected VAT revenues were realized in 1998, 2000, 2004, 2005, and 2010. Lesser than projected VAT revenues were realized in 1999, 2001 and 2007

Hypotheses

HO_1: It was found that there was significant difference in mean responses of accountants, executive officers and tax inspectors with regard to the uses of various methods for VAT administration and collection in government parastatals in Enugu and Anambra states

HO_2: It was also found that there was significant difference in mean responses of accountants, executive officers and tax inspectors with regard to the extent of utilization of the methods for VAT administration and collection in government parastatals. .

HO_3: There was no significant difference found in mean responses of accountants, executive officers and tax inspectors with regard to the control mechanisms adopted for VAT administration and collection in government parastatals.

HO_4: No significant difference was found in the mean responses of accountants, executive officers and tax inspectors with regard to the effectiveness of control

mechanisms used for VAT administration and collection in government parastatals.

Implication of the Findings for Accounting Education

The findings of this study have the following positive implications for accounting education.

The findings of this study especially the uses of various methods and the extent of their utilization in VAT administration would enable the accounting educators to emphasize the need of these methods when teaching their students. The control mechanisms would help accounting educators to provide information on tax payers to the administrators of other taxes like Income Tax and Custom and Excise Duties. The effectiveness of control mechanisms would improve accounting educators understanding of VAT Administration which would enable them educate the public on how VAT would prevent tax evasion and boost revenues to state governments.

Accounting educators would use the knowledge about the level of realization of VAT revenues from 1994 to 2010 as benchmark for advising the Tax administrators of the Federal Inland Revenue Service on the strategies for increasing VAT revenues. Curriculum planners in accounting education would utilize the knowledge gained with regard to the methods and control mechanisms in the planning, reviewing and updating the accounting education curriculum.

Conclusions

Based on the findings of the study the following conclusions were drawn.

1. The three categories of staff unanimously agreed that credit method, subtraction method and addition method were variously used for VAT administration and collection in government parastatals.
2. The three categories of staff ï (accountants, executive officers and tax inspectors) agreed that credit method was utilized to high extent, subtraction method was utilized to high extent and addition method was utilized to high extent for VAT administration and collection in government parastatals.
3. Accountants, executive officers and tax inspectors unanimously agreed that most of the control mechanisms were used for VAT administration and collection in government parastatals.
4. The three categories of staff were in agreement that efficiency and transparency in book-keeping; provision of accurate registration of tax payers; and studying invoices to detect over-reporting of export and under-reporting of imports as control mechanisms were effective in detecting and preventing tax fraud.
5. Accountants, executive officers and tax inspectors were unanimously agreed that projected VAT revenues were realized in nine (9) different years while less than projected VAT revenues were realized in five different years and lesser than projected VAT revenues were realized in three different years.

Recommendations

Based on the findings made and conclusions drawn from the study, the following recommendations were made:

1. The administrators of Federal Inland Revenue Service and Government parastatals should ensure that the control mechanisms are regularly utilized, maintained and updated for effective tax fraud detection and prevention.
2. The administrators of FIRS should regularly review revenue generating performance so that the management would know when to intensify effort in monitoring the activities of staff and tax payers.
3. The administrators of FIRS should also review their control mechanisms regularly to ensure that they are effective, relevant and modern.
4. Federal Inland Revenue Service should supervise and monitor the activities of tax collectors to ensure that they effectively utilize relevant and adequate control mechanisms for reduction and avoidance of tax fraud.
5. Ministry of Finance should encourage the staff of FIRS by engaging them in training and retraining on the control mechanisms to ensure efficiency and effectiveness in the system.

Suggestions for Further Research

The following suggestions were made for further research.

1. The present study should be replicated in other states of Nigeria.
2. A study should be conducted on the extent of utilization of control mechanisms in detecting and preventing tax fraud in commercial banks.
3. A comparative analysis of VAT administration in private and public companies in Enugu and Anambra States should be undertaken
4. An analysis of the mechanisms for tax fraud detection and prevention in Nigeria should be conducted.

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APPENDENCES

APPENDIX 1

Population Distribution Enugu and Anambra States

	Federal Inland Revenue Service		Government Parastatals
	Executive officers	**Tax Inspectors**	**Accountants**
Enugu	17	40	**81**
Anambra	17	47	**31**
Total	**34**	**87**	**112**

APPENDIX 3

Department of Vocational Teacher Education
(Business Education Section)
University of Nigeria,
Nsukka

20th February, 2010.

Dear Sir/Madam

Request for Validation of Research Instrument

I am a postgraduate student in the above-named Department currently carrying a research on Administration and Collection of Value Added Tax (VAT) in Government Parastatals in Enugu and Anambra States, Nigeria.

The attached are purpose of the study, research question, hypotheses and checklist for the study. Could you please vet these instruments for validity and reliability purposes. Thanks for your kind cooperation.

Yours sincerely

Ezemma, Joseph C.

Purpose of the study

The major purpose of the study is to assess the Administration and collection of Value Added Tax (VAT) in Government Parastatals in Enugu and Anambra States. Specifically, the study sought to:

1. Identify the uses of various methods of VAT administration and collection in government parastatals in Enugu and Anambra states.
2. Ascertain the extent of utilization of the methods for VAT administration and collection in Government parastatals in Enugu and Anambra states.
3. Identify the control mechanisms for VAT administration and collection in Government parastatals in Enugu and Anambra states.
4. Ascertain the effectiveness of the control mechanisms for VAT administration and collection in Government parastatals in Enugu and Anambra states.
5. find out the level of realization of VAT revenue from government parastatals in Enugu and Anambra states.

Research question

The following research question guided the study:

1. What are the uses of various methods of VAT administration and collection in Government parastatals in Enugu and Anambra states.
2. To what extent are the methods for VAT administration collection utilized in government parastatals in Enugu and Anambra States?
3. What are the control mechanisms for VAT administration and collection in Government parastatals in Enugu and Anambra states?

4. How effective are the control mechanisms for VAT administration and collection in Government parastatals in Enugu and Anambra states.

5. What is the level of realization of VAT revenue from government parastatals in Enugu and Anambra States?

Hypotheses

The following null hypotheses formulated to guide the study tested at 0.05 level of significance

1. **HO_1:** There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the uses of various methods of VAT administration and collection in government parastatals in Enugu and Anambra States.

2. **HO_2:** There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the extent of utilization of methods for administration and collection of VAT in government parastatals in Enugu and Anambra States.

3. **HO_3:** There is no significant difference in the mean responses of Accountants, executive Officers and Tax inspectors on the control mechanisms for VAT administration and collection in government parastatals in Enugu and Anambra States.

4. **HO_4:** There is no significant difference in the mean responses of Accountants, Executive Officers and Tax Inspectors on the effectiveness of the control mechanisms for administration and collection of VAT in government parastatals in Enugu and Anambra States.

APPENDIX 4

Department of Vocational Teacher Education
(Business Education Section)
University of Nigeria, Nsukka.

18th March 2010.

Dear Respondent,

I am a postgraduate student in the Department of Vocational Teacher Education (Business Section), University of Nigeria, Nsukka. I am currently conducting a research on Administration and Collection of Value Added Tax (VAT)in government parastatals in Enugu and Anambra States.

You have been identified as one who could furnish the researcher with the relevant information I would need to effectively carry out the study. The researcher, therefore, humbly requests your sincere opinion in completing the attached questionnaire. The researcher would want to assure you that the information given by you will be confidentially handled and used only for the purpose of this study

Thanks for your anticipated cooperation.

Yours faithfully,

Ezemma, Joseph C.

QUESTIONNAIRE

Administration and Collection of Value Added Tax (VAT) in government parastatals in Enugu and Anambra States

Section A: General Information

Please complete or tick with (ã) as appropriate

1. Establishment

a) Federal Inland Revenue Service

b) Government Parastatals

2. Position in the Establishment

a) Accountant ☐

b) Tax Inspector ☐

c) Executive ☐

Section B:

Uses of the various Methods of VAT Administration and collection in government parastatals. Indicate your level of agreement or disagreement on the following uses of the various methods of VAT Administration and collection in your establishment.

Response categories/points for section B, C, D and F.

Strongly Agree	(SA)
Agree	(A)
Slightly Agree	(SA)
Disagree	(D)
Strongly Disagree	(SA)

Item No	Item Statements	5 SA	4 A	3 SA	2 D	1 SD
1	Credit method is used in collecting VAT on sales of goods and services					
2	Credit method enables the seller to pay VAT on his input and collect VAT from the purchase of his input					
3	Credit method ensures that the total VAT revenue from all increases added at each stage of production or transfer of goods and services is collected					
4	Credit method enables the seller to issue invoices that would show separately the price of goods sold, services rendered and VAT due for collection					
5	Subtraction method enables the vatable persons to add the total output and input and subtract the input from the output in order to get the VAT payable					
6	Subtraction method is used and calculated by multiplying the tax rate directly by the difference between a firmôs sales and purchases					
7	Subtraction method enables taxable persons subtract purchases from the sales of the firm					
8	Subtraction method enables taxable persons to fully deduct the cost of investment					
9	Addition method is used in collecting VAT on total income of parastatals					
10	Addition method is used and sums the factor payments made by the firm during the period, including profits					
11	Addition method enables firm to divide its total wage bill into nontaxable and taxable and take VAT from taxabale					

Section C.

Extent of utilization of the methods for VAT administration and collection in government parastatals. Indicate in the appropriate column the extent of utilization of each of the method for VAT Administration and collection in your establishment.

Response categories		points
Higher Extent	(HRE)	5
High Extent	(HE)	4
Small Extent	(SE)	3
Low Extent	(LE)	2
Lower Extent	(LRE)	1

Item No	Item Statements	5 HRE	4 HE	3 SE	2 LE	1 LRE
12	Subtraction method VAT on sales approach					
13	Non invoice approach					
14	Deduction approach					
15	Credit method Set-off approach					
16	Input output approach					
17	Invoice approach					
18	Addition method Nontaxable and taxable approach					
19	Total income approach					
20	Sum approach					

Section D

Control mechanisms for VAT Administration and collection in government parastatals. Indicate in appropriate column the control mechanisms for VAT Administration and collection in your establishment.

Item No	Item Statements	5 SA	4 A	3 SA	2 D	1 SD
21	VAT Input Analysis Book					
22	Input Analysis Schedule					
23	Import VAT Analysis Book					
24	VAT Input Adjustment Schedule					
25	Output VAT Adjustment Schedule					
26	VAT Visits					
27	VAT Drives					
28	VAT Investigation					
29	Audit Visits					
30	VAT on Imports Monitoring					

Section E

Effectiveness of the Control Mechanisms used for VAT Administration and collection in government parastatals. Indicate the level of effectiveness or ineffectiveness is each of the control mechanisms used for VAT Administration and collection in your establishment.

Response	Categories	Points
Very Effective	(VE)	5
Effective	(E)	4
Slightly effective	(SE)	3
Ineffective	(IE)	2
Very ineffective	(VIE)	1

Item No	Item Statements	5 VE	4 E	3 SE	2 IE	1 VIE
31	Import monitoring by the custom service					
32	Efficiency and transparency in book keeping					
33	Provision of accurate registration of tax payers					
34	Easy and simplified registration process for tax payers					
35	Proper documentation of all transactions involved in the entire supply chain in the export business					
36	Availability of honest and diligent staff					
37	Studying invoices to detect over-reporting of exports and under-reporting of imports					
38	Auditing of returns submitted to local VAT office					

APPENDIX 5

List of Federal Inland Revenue Service and Government Parastatals

Enugu State

1. Federal Inland Revenue Service, Enugu

Government parastatals

1. Federal Radio Station Enugu
2. Nigerian Television Authority, Enugu
3. Power Holding Nigeria, Okpara Avenue, Enugu
4. Enugu State Broadcasting Station
5. Enugu State Waste Management Authority
6. Enugu State Staff Pension Board
7. Enugu State Christian Pilgrims Welfare Board
8. Enugu State council of Arts and Culture
9. Enugu State Tourism Board
10. Nike Lake resort Hotel
11. Presidential Hotel Enugu
12. Ikenga Hotel Nsukka
13. Enugu State Transport Company
14. Rural Water and Sanitation Agency, Enugu.
15. Power Holding Nigeria, Enugu Road, Nsukka
16. Enugu State Housing Development Corporation.
17. Rural Electrification Board, Enugu
18. Enugu State Printing and Publishing Corporation

19. Enugu State Premier Cashew Industry
20. Advance Company, Nsukka
21. Fertilizer Procurement and Distribution, Enugu
22. Nigeria Construction and Furniture Company, Enugu
23. Enugu State Community Development Co-ordinating Council, Enugu.
24. Enugu State Sports Council
25. Enugu State Gaming commission
26. Enugu State Consumer Protection Committee
27. Enugu State Marketing Company Limited
28. Enugu State Water Corporation
29. Enugu Capital Development Authority
30. Enugu State Industrial Estate Management Board
31. Local Government Service Commission
32. Local Government Pension Board
33. Enugu State Agricultural Development Programme
34. Games Village Enugu
35. United Palm Produce Limited
36. Governing Board, State College of Agriculture (interim)
37. Niger Gas Company
38. Orba Market Development Company, Nsukka
39. Governing Council, Enugu State College of Education Technical
40. State Universal Basic Education Board
41. Governing Council, Institute of Management and Technology

42. Enugu State Technical and Vocational Education Board

43. Post Primary School Management Board

44. Enugu State Library Board

45. Enugu State Newspapers/Star publishing Company

Anambra State

1. Federal Inland Revenue Service, Awka

2. Federal Inland Revenue Service, Onitsha

Government parastatals

1. Anambra State gaming Commission, Awka

2. Volunteer service Agency, Abagana

3. Anambra State Water Corporation, Awka

4. Rural Electrification Board, Nise

5. Anambra State Housing Development Corporation, Awka

6. Anambra State Home Ownership Company Limited, Awka

7. Anambra State Urban Development Board, Amawbia

8. Transport Corporation of Anambra State, Awka (TRANCAS)

9. Anambra State Newspapers and Publishing Corporation, Awka

10. Foundry and Machine Tools Products, Ozubulu

11. Anambra State Library Board, Awka

12. Anambra State Health Management Board, Enugu-ukwu

13. Anambra State Broadcasting Service (ABS), Awka

14. State Emergency Management Agency (SEMA) Government House, Awka

15. Adult and Non-formal Education Agency, Awka Amaenyi

16. State Education Commission, Awka.

APPENDIX 6

Reliability

Warnings

The covariance matrix is calculated and used in the analysis. The determinant of the covariance matrix is zero or approximately zero. Statistics based on its inverse matrix cannot be computed and they are displayed as system missing values

Case Processing Summary

		N	%
Cases	Valid	34	97.1
	Excluded*	1	2.9
	Total	35	100.0

a. List wise deletion based on all variables in the procedure

Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.772	.771	47

UNIVERSITY FO NIGERIA, NSUKKA

DEPARTMENT OF VOCATIONAL TEACHER EDUCATION

CORRECTION OF ERRORS NOTED BY EXTERNAL EXAMINER

NAME OF STUDENT: **EZEMMA, JOSEPH CHUKWUGBOROIWE**

REG. NO: **PG/Ph.D/05/39471**

INTERNAL EXAMINER **PROF. E. E. AGOMUO**

SUPERVISOR: **PROF. E. C. OSUALA**

TOPIC: **Administration and collection of Value Added Tax (VAT) in Government Parastatals in Enugu and Anambra States, Nigeria.**

s/no	Page No	Errors noted	corrections
1,	xi	Abstract ï checklist updated not shown to the supervisor	The checklist is now shown to the supervisor.
2.	xi	Abstract contents not corresponding with research question in chapter one. So Abstract was wrongly written.	ñFourô research questions in line 4 are changed to óFiveô research questions to correct the write-up.
3.	118	Bar chart on page 118 should be interpreted.	Is now interpreted. This led to some changes on pages 95 and 96.
4.	9	Put Chugbo (2009) in the Reference.	Chugbo (2009) is on page 112.
5.	10	Significance of the study should read would and not could.	Could changed to would on pages 10 and 11.
6.	71	Page 71 wrong sentence (2nd line) óit asô	Change to óit wasô in line 3.
7.	71	Summary of Review should show the Researcherôs own view.	In lines 14 ï 17 ñVAT system provides more stable and sustainable revenue base for government than sales tax. However, VAT also constitutes a serious problem

			for efficient implementation in a developing economy like Nigeriaò.
8.	63 and 65	Adam 1982, Marco and Stephen 1996, Bradford 2009.	Referenced on pages 111, 112 and 113.
9.	73	No title for Research instrument.	óAdministration and collection of Value Added Taxô.
10.	78	Distribute questionnaire evenly.	Is evenly distributed thus: credit method 4, subtraction method 4, Addition method 3. This led to changes in analysis on pages 79, 80 and 81
11.	78	Avoid lumping all the questions on one analysis.	The evenly distribution on the table 1 and changes in the analysis corrected the lumping.
12.	78, 83, 87, 90	Avoid undecided option.	Changed to SA ï slightly agree, SE ï Slightly effective and small extent. This led to some changes in tables 1, 3, 5, 7 and on pages 96, 97, 1010, 106, 109, 122, 123, 124 and 125.
13.	118	Re-do the Bar chart if possible	It is re-done-on page 117.

Prof. E. E. Agomuo
Internal Examiner

Ezemma, Joseph C.
Student

Prof. E. C. Osuala
Supervisor