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Keywords : *value added tax, revenue, wealth creation, nigeria.*

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EFFECTIVE VALUE ADDED TAX AN IMPERATIVE FOR WEALTH CREATION IN NIGERIA

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I. Introduction

Taxation has a rich and colourful background and it is almost as old as man. Its earliest record is its biblical foundation where Zacchaeus a chief tax collector entertained Jesus and later became his disciple. This is an indication that tax was in existence then, otherwise, there would not have been a tax collector. "Now behold, there was a man named Zacchaeus who was a chief tax collector and he was rich (Luke 19:2-8).

Taxation also traced its root to Islam as it is prescribed upon every Muslim top pay Zakat which is the third most important pillar of Islam. Payment of Zakat is made obligatory in at least 22 vases of the Quran, the holy book of Muslim. "Know that whatever of a thing you acquire a fifth of it is for Allah, the messenger, the near relative and the orphans, the needy and he wayfarer… (Quran 8:41).

There are quite a number of definitions of tax or taxation depending on the qualities it posses. In that vein, taxation is the process or machinery by which communities or group of persons are made to contribute… in some agreed quantum and method for the purpose of the administration and development of the society (Igbonyi, 2008).

Taxation is the system of imposing levy by the government against the income, profit or wealth of the individual, partnership and corporate organization (Tabansi, 2001).

In the present dispensation of Nigerian economy, taxation has always been a means by which communities are provided with common facilities such as access roads, religious facilities, security, amongst others from time immemorial (Obadimi, 1994).

Modern and well regulated taxation system in Nigeria started in 1940 with the introduction of direct taxation ordinance No. 29 (CAP 54) of the year. Before the 1940 ordinance, income tax has first been introduced in northern Nigeria in 1904 by Lord Lugard. It was known as community tax, several changes were made to the community tax. Valued Added Tax (VAT) is a tax change on consumption of goods and locally or imported into the country. From the buyer's perspective, it is a tax on the purchase price, while the seller views it is a tax only on the value added to a product, material or services (Tabansi, 2001).

Maurice Laure, joint director of the French Tax Authority was the first to introduced VAT on April 10, 1954, although a German Industrialist Wilhelm Van Siemens proposed the concept in 1918. It was initially directed at large business, but later extended over time to include all business sectors. In France, it is the most important source of state finance accounting for nearly 50& of state revenue (Thacker, 2009).

France favourable experience in the administration of the tax persuaded the original five-member states of the European Economic Community (EEC) to adopt the VAT. The adoption of the tax by EEC countries was made obligatory under the treaty of Rome signed in 1957 (Summerfield, 1980). VBAT became operational in Nigeria on the 1st of January 1994. Though Nigeria joined the league of countries operating VAT just of recent, she has very unique features in the operation of the policy. It is changed at a flat rate of 5% on some items of goods and services. VAT was introduced in Nigeria following a study group set up by the federal government in 1991 to review the nation's tax system. It was this group that proposed VAT and in that same manner, a committee was set up to conduct

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feasibility study on the implementation of the VAT (Thacker, 2009).

VAT was introduced to replace the sales tax because it creates storage incentives to collect than a sale tad does. It differs from sales tax in that, with the latter, the tax is collected and remitted to the government only once at the point of purchase by the end consumer. With VAT, government and credits for taxes already paid occur each time a business in the supply chain purchase products (Tabansi, 2001).

Most economy relies on income from taxation for it development. Aside from its uses as a means of raising government revenue, taxation is also often used as an instrument of regulating the economy, redistributing wealth and inducing preferred modes of behaviour, particularly consumption patterns and investment choices (Naiyebu, 1996, Oyebode, 2010). It is based on the importance of taxation in revenue generation that this research on ''Effective

Value Added Tax: An Imperative for Wealth Creation in Nigeria'' is carried out.

II. Statement of Problem

The attitude of Nigerians towards taxation is worrisome as many prefer not to pay tax if given the opportunity. The economy continues to lose huge amount of revenue through the unwholesome practice of tax avoidance and tax evasion, these loss of revenue can change the fortune of many economy particularly, developing countries like Nigeria. This problem has been lingering for so long which urgent attention and solution is overdue. The cost of collecting tax in Nigeria (both social and economic cost) is too high to the extent that, if left unchecked, the cost may soon outweigh the benefit or value derived from such operation and that will not be appropriate for the system. The government spends more to realize a miserable pittance.

The rate of corruption on the part of tax officials is alarming as most of them connive and collude with supposed-tax- payer to evade and avoid tax. Sometimes, the tax officials are not properly trained on the modern ways of tax administration. The inadequate social infrastructures in Nigeria call for attention as to how tax revenue generated is to be expanded and accounted for, especially where those in authority continue to spend these hand-earned resources with reckless abandon.

This study therefore attempts to address the issues of ineffectiveness of Value Added Tax (VAT) administration in Nigeria with the view for remedying the country's revenue potentials for enhanced wealth creation and development.

III. Objectives of the Study

The study aimed mainly at evaluating the influence of VAT on wealth creation in Nigeria. The specific objectives of the study include:

i. To examine the influence of revenue generated through VAT on wealth creation.
ii. To examine the effect of revenue generated through VAT on the overall tax revenue of Nigeria.

IV. Research Questions

In line with the objectives of the study, the following questions were raised:

i. To what extent does revenue generated through VAT influence wealth creation in Nigeria?
ii. What is the effect of revenue generated through VAT on the overall tax revenue in Nigeria?

V. Statement of Hypotheses

H_0: Revenue generated through VAT has no significant influence on wealth creation in Nigeria.

H_{02}: Revenue generated through VAT has no significant effect on the overall tax revenue in Nigeria.

VI. Significance and Scope of the Study

The study will assist the government in policy formulation as it relates to Value Added Tax and monetary policies. It will help to strengthen the operation of the relevant government agencies such as Federal Board of Inland revenue, Central Bank of Nigeria, Joint tax Board and others. This study will bring government attention to other sources of revenue apart overdependence on revenue from petroleum.

The study will be restricted to the aspect of Value Added Tax that falls under the jurisdiction of the Federal Board of Inland Revenue (FBIR), Federal Inland revenue Service (FIRS). The study covers the tax revenue generated by the Federal government through VAT and the Gross Domestic Product for the period between 2001– 2010.

VII. Conceptual Framework

There are quite a number of definitions of tax or taxation depending on the qualities it possesses. According to Igbonyi (2008) these qualities include; be a compulsory payment, Be a payment to the government, Be for a common benefit, Have a known formula, Have distractive beneficiary.

In the light of the foregoing, the following definitions can be considered fair; Taxation is the compulsory payment by individuals and organization to the relevant inland or internal revenue authorities at the federal, state or local government levels (Anyafor, 1996). Taxation is a process of levying and collecting by a public authority with proper jurisdiction, of compulsory

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contributions from person or body of persons to defray cost incurred by the authority in common interest of all (Odiongenyi, 1994). A tax is simply a compulsory payment levied and the citizens by the government for the purpose of achieving its goals (Naiyeju, 1996). Anyanwu (1993) viewed VAT as a consumption tax on economic operations including imports except those exempted as par the provision of the decree. The system attracts a flat rate of 5% and initially covers items of goods and services. The tax is coerced on behalf of the government by businesses and organizations which have registered with the FIRS for VAT services.

These businesses and organizations can claim credit for this tax (called input tax) when goods are sold or service rendered. VAT returns also have to be rendered monthly to the FIRS by these registered agents. The 5% VAT is called "the output tax". Therefore the VAT payable is the output tax less the input tax and is equivalent to the VAT paid by the final consumer of the product that will be collected by the government.

VIII. Taxable Goods and Services

The under listed are the taxable goods and services under Decree 102 of 1993 (Oyebanji, 2010).

a) Goods

- All goods manufactured and assemble in Nigeria
- All goods imported into Nigeria
- All second hand goods
- All household furniture and equipment
- Petroleum and petroleum products
- Jewel and jewelry
- Textile, clothing, carpet and rug
- Beer, wine, liquor, soft drinks, treated water
- Cigarette and tobacco
- All vehicles and their spare part excluding commercial vehicles and their spare parts.
- Perfumes and cosmetics (including toiletries)
- Soap and detergent
- Mining and mineral
- Office furniture and equipment
- Electrical materials of description

b) Services

- All services rendered by financial institutions to their customers
- Accounting services
- The provision of report, advice, information or similar technical service in the following areas:
  - i. Management, financial and taxation
  - ii. Recruitment, staffing and training
  - iii. Marketing research
  - iv. Public relations
  - v. Advertising

IX. Exempted Food and Services

a) Goods

- Medical and pharmaceutical products
- Basic food items
- Books and educational materials
- Baby products
- Newspapers and magazine
- Commercial vehicles and their spare parts
- Agricultural equipment, products and veterinary medicine

b) Service

- Medical service
- Service rendered by peoples and community banks and mortgage institutions (Tabansi, 2001).

However, Decree 31 of 1996 which amended VAT Decree 1993, the schedule of taxable goods and services had been deleted. Instead, the tax is to be changed on supply and all goods and services other than those specifically exempted under the exemption schedule of the Decree.

X. Administration of Valued Added Tax in Nigeria

According to Unwabuike (1998), the success or failure of any tax depends largely on the extent of how it is properly managed. The extent of the tax is interpreted and implemented as well as the publicity brought into it will determine how the particular tax is able to meet it objective. Hence one of the acid tests in the determination of the success of a tax is the management of the policy; Richard (1993) concluded that "the successful execution of fiscal policies depends not only on the quality of public administration but also on the formulation of policies that are realistically adapted to the available resources". The Value Added Tax (VAT) may be complicated to administer but it is not complex as personal or company income tax.

According to Soyede and Kajola (2006) there are five district bodies on which the administration of VAT rest in Nigeria. They are inter-related and the function of each is complimentary to those of the others.

They are;

a. The board (Federal Board of Inland Revenue)
b. The service (Federal Inland Revenue Service)
c. The technical committee
d. The Nigerian custom service
e. The VAT directorate

Other sub-internal in include:

a. The state Internal Revenue Services
b. The Zonal Officer
c. The local VAT offices

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XI. Effectiveness of Vat on Wealth Creation in Nigeria

An appraisal of the operation of VAT in Nigeria is expected to unravel the extent to which it has assisted the state in its objective of wealth creation and development. From the classical perspective, the Nigeria VAT system might be examined on three touchstones, namely; efficiency, administrative convenience and equity.

The efficiency criterion as Adedeji (1996) put it, embraces administrative and equity as well as fiscal autonomy especially in the federal fiscal system like Nigeria. He further states the following ways of determining or measuring VAT effectiveness in Nigeria, which include;

Budget Objective: The validity of an exclusive tax appraisal is dependent on two factors; the extent of information government have about the macro-economic variables including the potential of VAT and how much control they have over such externalities as political system, the rate of inflation and the overall tax system. The assumption that the degree of under or over estimation of the tax potential are not too disproportionate to the tax base. The more realistic a tax estimate it vis a viz the taxable capacity, the easier it is to assess tax effort.

The most reasonable index of the capacity of VAT to accelerate economic growth and wealth creation is its effectiveness in mobilizing privately held resources, which automatically should boost public revenue, enhance consumption patterns, generate savings and as well create wealth for the economy. In the first year of administration of VAT, Nigeria government estimated that as much as N6 billion should be the target revenue. This translated to the fact that the tax was projected to achieved in only six months about 150% of what the sales tax achieved in four and half years (Ijewere, 2003).

Comparative Appraisal: This simply means assessing the level of effectiveness of various forces within the system by juxtaposing them among each other. The incontestable financial productiveness of VAT viz-a-viz other taxes in fiscal territory is however, the strongest comparative determinant in the Nigeria tax system (Adedeji 1996).

Cost Effectiveness: The implementation of VAT in Nigeria was marked by apprehensions that going by the broadness of the base, the cost of monitoring would be too high. Not only that, there was presumption that administrative costs would consumed heavily, the estimated revenue leaning government with a low net yield. FIRS itself, is keen on keeping cost far below revenue from VAT to the fiscal market on the strength of only 36 local VAT official nationwide at the inception of the tax. It is internationally accepted that the capital for financing a tax project should neither be more than 10% of the yield nor less than 5% of the estimated revenue for an efficient tax administration (Aluko, 1999).

Concentration and Dispersion Effect: Tanzi (1991) as cited by Obadimi (1994) the introduction of VAT in Nigeria did not only eliminate the sales tax levied at differential rate but also eliminated certain classes of tax which were no longer effective. He specified what he termed concentration and dispersion indices to effective tax system.

Management by Objective: Although government is to every conscious tax officer an economic institution. “To emphasis only profit misdirects managers to the point where they endanger the survival of the business”. This strategy of management by objectives was propounded by Drucker (1968) as cited in Adedeji (1996).

Isah (1997) concludes that VAT has far reaching effective on wealth creation and economic development of Nigeria as a whole. The success story of VAT so far is a triumph of economic expertise. It is the resolve of government determination to improve the fiscal policy of this county with VAT, it is clear that the revenue of this country does not come from one section to satisfy the other sections as the case with oil revenue. It is expected that in the near future, the tax regime will ever contribute more to the gross tax yield and increase the tax portfolio of Nigeria and enhanced meaningful industrial and infrastructural development as well as wealth creation in Nigeria.

XII. Problems of Vat in Nigeria

Naiyebu (1996) identified some of the problems and listed them as follows:

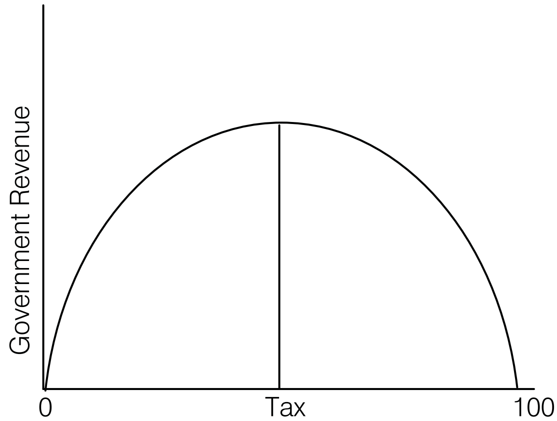
Public resistance, Small enterprise exemption, Tax refund, Accounting culture, Administrative complexity, Illiteracy level and Inflation.

XIII. Theoretical Framework

This study is based on the following theories.

a) Theory of Laffer Curve

This theory was propounded by Professor Arthrun Latter; the theory explains the theoretical representation of the relationship between government revenue raised by taxation and all possible rates of taxation. The theory demonstrated with a curve (i.e. the laffer curve) which was constructed by though experiment.



Source : Laffer 2004

It considers the amount of tax revenue raised at the extreme tax rate of 0% and 100%, he concluded that a 100% tax rate raises no revenue in the same way that a 0% tax rate raises no revenue. This is because, at 100% rate, there is no longer incentive for a rational taxpayer to earn ay income, thus, the revenue raised will be 100% of nothing. It follows that there must exist at least one rate in between where tax revenue would be a maximum. Laffer attributes the concept to Ibn Khaldun and Keynes J.M. one potential result of this theory is that, increasing tax rate beyond a certain point will become counter-productive for raising further tax revenue because of diminishing returns (Laffer 2004).

b) Ibn Khaldun's Theory of Taxation

This theory was explained in term of two different effects, the arithmetic effect and the economic effect which the VAT rate have on revenue. The two effects have opposite result on revenue in case the VAT rate are increased or decreased. According to the Arithmetic effect, if VAT rates are lowered, the VAT revenue will be lowered by the amount of the decrease in the rate. The reverse is the case for an increase in VAT rates (Ishlahi, 2006).

The economic effect however, recognized the positive impact that lower VAT rate have on work, output and employment and thereby the tax base by providing incentives to increase these activities whereas raising VAT rate has the opposite economic effect by penalizing participation in the taxed activities. At a very high VAT rate, negative economic effect dominates positive arithmetic effect, thereby, the VAT revenue declines (Ishlahi, 2006).

XIV. Research Methodology

The study adopts the historical research method in an attempt to determine the influence of Value Added Tax (VAT) on wealth creation in Nigeria. The purpose of historical research is to obtain a better understanding of the present through the evaluation of the past and intelligent prediction of the future (Adefila, 2008). The study purely used secondary data for the analysis. The use of secondary data only is because; information relating to the study is readily available from various publications of the relevant tax agencies and parastatals in Nigeria. The population of the study comprises of the record of the total tax revenue generated by the Federal Inland Revenue Service (FIRS) for 18 years from which a sample of the 10 years record was drawn based on purposive sampling techniques. The analytical tool adopted by the researcher in analyzing the data collected for the study was the descriptive statistics. This involves the use of percentage and tables. In the same vein, the study used Pearsons Product Movement Correlation Coefficient and the Student's T-Test to test the hypotheses, in order to enable the researcher to come up with decision. The use of simple percentage and tables is because they are easy to understand by the beneficiaries of the study. In the same vein, the use of Product Movement Correlation Coefficient in testing the hypothesis is to determine the extent of correlation between the two variables and most precisely the coefficient of correlation. While the Student T-Test allows for the ascertainment of the significance that exists between the variables

XV. Data Presentation and Analysis

The data presented analysis and interpreted as shown below is composed mainly of secondary data obtained from the records of the Federal Inland Revenue Service and the National Bureau of Statistics.

Table 4.1 : The Value Added Tax (VAT) and Gross Domestic Product (GDP) of Nigeria for 10 years

YEARS	VAT (N' TRILLION) X	GDP (N' TRILLION) Y	PERCENTAGE OF VAT IN GDP
2001	0.058	4.717	1.2
2002	0.092	4.910	1.9
2003	0.109	7.128	1.5
2004	0.136	8.743	1.6
2005	0.63	11.674	1.4
2006	0.193	14.735	1.3
2007	0.233	18.710	1.2
2008	0.315	20.874	1.5
2009	0.401	25.425	1.6
2010	0.481	25.490	1.9

Source : Federal Inland Revenue Service (FRIS) and Federal Bureau for Statistic (FBS), 2011

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Table 4.1 shows that N58 billion representing 1.2% of the Nigeria GDP of N4.717 trillion was generated as VAT in 2001, N92 billion representing 1.9% of GDP of 4.910 trillion as VAT in 2002, 109 billion representing 1.5% of GDP of 7.128 trillion as VAT in 2003, for 2004, 136 billion representing 1.4% GDP of 11.674 trillion was generated as VAT in 2005.

Furthermore, the table also shows that 193 billion representing 1.3% of GDP of 14.735 trillion was generated as VAT in 2006, 233 billion representing 1.2% of GDT of 18.710 for 2007, then 315 billion representing 1.5% of GDP of 20.874 trillion generated as VAT for 2008. In the same vein, 402 billion representing 1.6% of GDP of 25.425 trillion in 2009, while 481 billion representing 1.9% of the GDP of 25.490 trillion was realized by the Federal government as VAT in 2010.

Table 4.2 : The Tax Revenue and Valued Added Tax of Nigeria for 10 years

YEARS	VAT (N' TRILLION) X	GDP (N' TRILLION) Y	PERCENTAGE OF VAT IN GDP
2001	0.058	0.455	12.7
2002	0.092	0.587	15.7
2003	0.109	0.434	25.1
2004	0.136	0.698	19.5
2005	0.63	1.000	16.3
2006	0.193	1.741	11.1
2007	0.233	1.863	12.5
2008	0.315	1.841	17.1
2009	0.401	2.972	13.5
2010	0.481	2.196	21.9

Source : Federal Inland Revenue Service (FRIS) 2011

Table 4.2 shows that 58 billion representing 12.7% of the total tax revenue of 455 billion generated in 2001 was from VAT, also, 92 billion generated by the federal government representing 15.7% of the total tax in 2002 was from VAT, while 109 billion or 25.1% of the total tax of 434 billion in 2003 was equally from VAT, then in 2004, VAT of 136 billion constitutes 19.5%

Total tax of 698 billion in 2005, 163 billion representing 16.3% of total tax revenue of 1 trillion realized through VAT furthermore, the table also shows that 193 billion representing 11.1% of the total tax revenue of 1.741 trillion generated by the federal government in 2006 was from VAT, while 233 billion or 12.5% of the total tax of 1.863 trillion in 2007 was through VAT. In 2008, VAT generated 315 billion representing 17.1% of total tax of 1.841 trillion, in the same vein 401 billion was realized in 2009 as VAT representing 13.5% of total revenue of 2.972 trillion and finally, in 2010, 481 billion representing 21.9% of total tax revenue of 2.196 trillion was from VAT.

XVI. Test of Hypotheses

The data in table 4.1 was used to test H_{01}: while table 4.2 was used for hypothesis two (H_{02}).

a) Test of Hypothesis One

H_{01} : Revenue Generated through VAT has no significant Influence on Wealth creation in Nigeria.

Table 4.3 : Contingency Table

S/No	X (N' Trillion)	Y (N' Trillion)	X^2 (N' Trillion)	Y^2 (N' Trillion)	XY (N' Trillion)
1	0.058	4.717	0.003	22.250	0.274
2	0.092	4.910	0.008	24.108	0.452
3	0.109	7.128	0.012	50.808	0.777
4	0.136	8.743	0.018	76.440	1.189
5	0.163	11.674	0.027	136.282	1.903
6	0.193	14.735	0.037	217.297	2.845
7	0.233	18.710	0.054	350.064	4.359
8	0.315	20.874	0.099	435.724	6.575
9	0.401	25.425	0.161	646.431	10.195
10	0.481	25.490	0.231	649.740	12.261
	$\sum X = 2.182$	$\sum Y = 142.406$	$\sum X^2 = 0.65$	$\sum Y^2 = 2608.967$	$\sum XY = 40.829$

Source : Survey 2012

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By apply the formular for Pearson Product Moment Correlation Co-efficient

$$r = \frac{\sum XY - \sum X \sum Y}{\sqrt{[n\sum X^2 - (\sum X)^2]\,[n\sum Y^2 - (\sum Y)^2]}}$$

Where:
- r = Correlation coefficient
- X = Value Added tax (VAT)
- Y = Gross Domestic Product (GDP)
- n = Number of Years

$$\therefore \quad r = \frac{10(40.829) - (2.182)(142.406)}{\sqrt{[10(0.65) - (2.182)^2]\,[10(2608.967) - (142.406)^2]}}$$

$$r = \frac{97.57}{\sqrt{1.739 \times 5810.201}}$$

$$r = \frac{97.57}{\sqrt{10103.940}}$$

$$r = \frac{97.57}{100.52}$$

$$r = 0.97$$

This shows a very high positive correlation between Value Added Tax and the Gross Domestic product of the Nigeria economy. This reflects a high positive influence Value Added Tax has on wealth creation in Nigeria.

However, to test the significance of this positive correlation coefficient, the researcher converted the value of "r" to "t" score with the following formula as provided by Healey (1993).

$$t = r\sqrt{\frac{n-2}{1-r^2}}$$

Where:
- t = The needed significance of correlation coefficient
- n = The number of sample population
- r = The already determined correlation coefficient
- n – 2 = The degree freedom
- r^2 = The coefficient of determination

In applying the formula

$$t = 0.97\sqrt{\frac{10-2}{1-0.97^2}}$$

$$t = 0.97\sqrt{\frac{8}{1-0.9409}}$$

$$t = 0.97\sqrt{\frac{8}{0.059}}$$

$$t = 0.97(11.64)$$

The critical table value is 2.306 at 5% alpha level of significance and degree of freedom is 8.

i. *Decision Rule*

Since the t – calculated value of 11.29 is greater than the t – table value of 2.306, the Null hypothesis (H_0) is therefore rejected. Hence, revenue generated through VAT has significance on wealth creation in Nigeria.

b) Testing of Hypothesis Two

H_{02}: Revenue generated through VAT has no significant effect on the overall tax revenue in Nigeria

The Pearson Product Moment Correlation Coefficient was used to measure the strength of relationship that exists between VAT and the overall tax revenue in Nigeria. Where:

r = The Correlation Coefficient
X = Value Added Tax (VAT)
Y = Overall Tax Revenue
n = Number of Years

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Table 4.4 : Contingency Table

S/No	X (N' Trillion)	Y (N' Trillion)	X^2 (N' Trillion)	Y^2 (N' Trillion)	XY (N' Trillion)
1	0.058	0.455	0.003	0.207	0.026
2	0.092	0.587	0.008	0.345	0.054
3	0.109	0.434	0.012	0.188	0.047
4	0.136	0.698	0.018	0.487	0.095
5	0.163	1.000	0.027	1.000	0.163
6	0.193	1.741	0.037	3.031	0.336
7	0.233	1.863	0.054	3.471	0.434
8	0.315	1.841	0.099	3.389	0.580
9	0.401	2.972	0.161	8.833	1.192
10	0.481	2.196	0.231	4.822	1.056
	$\sum X = 2.182$	$\sum Y = 13.787$	$\sum X^2 = 0.65$	$\sum Y^2 = 25.773$	$\sum XY = 43.983$

Source : Survey 2012

By apply the formular for Pearson Product Moment Correlation Co-efficient

The critical table value is 2.306 at 5% alpha level of significance and degree of freedom is 8.

$$r = \frac{\sum XY - \sum X \sum Y}{\sqrt{[n\sum X^2 - (\sum X)^2]\,[n\sum Y^2 - (\sum Y)^2]}}$$

$$\therefore \quad r = \frac{10(3.983) - (2.182)(13.787)}{\sqrt{[10(0.65) - (2.182)^2]\,[10(25.773) - (13.787)^2]}}$$

$$r = \frac{97.57}{\sqrt{1.739 \text{ X } 67.649}}$$

$$r = \frac{97.57}{\sqrt{11.642}}$$

$$r = \frac{97.57}{10.85}$$

$$r = 0.90$$

This shows a very high positive correlation between Value Added Tax and the Overall tax revenue in Nigeria. However, to test the significance of this positive Correlation coefficient, the researchers also correct the value of "r" to "t" score and apply the formular.

$$t = 0.97\sqrt{\frac{10 - 2}{1 - 0.97^2}}$$

$$t = 0.97\sqrt{\frac{8}{1 - 0.9409}}$$

$$t = 0.97\sqrt{\frac{8}{0.059}}$$

$$t = 0.97(6.49)$$

$$t = 5.84$$

i. *Decision Rule*

Since the t – calculated value of 5.84 is greater than that t – table value of 2.306 the null hypothesis (H_0) is therefore rejected and the alternate hypothesis accepted, hence, revenue generated through Value Added Tax has significant effect on the Overall tax revenue in Nigeria.

XVII. Summary of Findings

Based on the analysis and test of hypothesis, the following findings were unraveled:

i. It empirically shows that Value Added Tax (VAT) revenue has significant influence on wealth creation in Nigeria as there exist a positive correlation between VAT and Gross Domestic product. It is on this note that the influence of VAT on wealth creation in the nation cannot be overemphasis. This is in general with the findings of Jayede (1993) as cited Ayua (1994) that tax incentives has a positive impact on investment decision, and tax incentives coupled with political stability stimulates economic growth as well as wealth creation.

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ii. The study also revealed that there is a very high positive correlation between Valued Added Tax (VAT) and the Overall Tax Revenue in Nigeria as the former has statistical effect in the latter.

XVIII. Conclusion

From the findings of this study, it has been discovered that Valued Added Tax (VAT) is the bedrock of wealth creation in Nigeria as well as economic development as it contribute significantly to the nation's Gross Domestic Product (GDP). Therefore, government must give adequate attention to taxation in general and VAT in particular under a stable and conducive socio-political and economic atmosphere. The effect of VAT on the Overall Tax Revenue in Nigeria is very significant, as the former contributes a very high portion in the latter. If the administration of VAT is strengthened and the compliance rate is high, government will generate more revenue through VAT and the dividend of democracy can be effectively delivered in the light of good governance. Finally, effective VAT would off-set other challenges of the nation such as inadequate and dilapidated infrastructure, complicated and antiquated tax laws, bureaucratic complexities and week administration of the other forms of tax.

XIX. Recommendations

The following recommendations are made to achieve the objective of wealth creation through VAT;

i. There should be constant review of existing tax laws every four months as that of the United State of America and other advanced economics, so as to keep the act in pace with the economic reality.

ii. There should be stringent penalty imposed on any individual or corporate body who indulge in any form of VAT malpractices irrespective of states, if the high correlation between VAT and Overall Tax Revenue in Nigeria should be maintained.

iii. There should be constant training and re-training of VAT administrators through seminars, conference to keep them abreast with the modern trend in tax administration.

iv. Government through Federal Inland Revenue Service should create an effective and reliable data base for every vatable persons to minimize (if not eliminate) the incidence of tax evasion. In the same vein, the entire tax system should be overhauled to discourage tax avoidance as VAT payers are ever willing to take advantage of loopholes in the tax system to reduce their tax liabilities.

v. Effective VAT offices should be established in every community in Nigeria so that the numerous petty traders, motor cycle operators, even the hairdressers can be made to pay VAT but with human face so as not to discourage the rural poor out of self employment.

vi. The tax payers will be willing to pay tax when the evidence of the tax paid is visible in the form of infrastructural provision. Tax frauds have been reduced to a minimum level in the people republic of China because of the capital punishment on such offences (Watt, 2009), therefore any person found guilty of tax fraud should be penalised to ensure greater faithfulness in remitting VAT proceeds for the general good of the populace.

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