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Voluntary assets and income declaration scheme (VAIDS) and tax compliance in Nigeria

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Abstract
The study investigates the effect of tax reforms in the form of voluntary assets and income declaration scheme (VAIDS) on tax compliance cum revenue generation in Nigeria. To achieve this objective, various tax reforms from independent Nigeria until date and their influences on tax compliance level and revenue mobilization were evaluated and discussed from a conceptual, theoretical and empirical viewpoints. This was complemented with the administration of 120 copies of questionnaire to respondents adopting 5-point likert scale format. Findings reveal that Nigeria still ranked very low in tax compliance and ease of tax payment in the world taking 182 out of 190 and having a lower tax to GDP ratio of 6% compared to 26.2% by South Africa. The paper also reveals that most of the tax reforms initiated and implemented by the government in Nigeria are effective in improving tax revenues but the actual target anticipated has not been attained because of the incidence of tax evasion, complexities, corruption and distortions still dotting the Nigerian tax space in the face of the scheme. This becomes more convincing as the analysis of variance supported by the unstandardized coefficients indicate a positive but insignificant relationship between VAIDS and Tax Compliance level in Nigeria leading to the acceptance of the null hypothesis. Besides, the study reveals that it takes more than VAIDS to promote honest filing of tax returns. Based on this, it was recommended that the Nigerian government must show sincerity and transparency in the use of tax revenue and the scheme should not be implemented in isolation of other economic and tax reforms.

Keywords: VAIDS, tax compliance, income declaration, tax amnesty, tax evasion

Introduction

The increasing interest of the Nigerian government on Voluntary Assets and Income Declaration Scheme (VAIDS) is driven by pressure on government to generate more tax revenue in the face of dwindling oil fortune, effect of the covid 19 pandemic and for government to meet its part of the social contracts of providing socio-economic development programmes and facilities to the citizenry. Olaseyitan and Sankay (2012) [14] opine that taxes constitute the major source of revenue to the government, and the beauty of any government is for the citizens to voluntarily execute their tax obligations without much harassment and coercion. Tax is a compulsory deduction of money by public authority for public purposes (Soyode & Kajola, 2006) [19]. It is therefore expected of every law abiding citizens to discharge his or her civic responsibility of paying their taxes at the specified rates when due. By implication, taxation signifies rights and responsibilities. It is the responsibilities of the citizens to pay tax and it is their rights to enjoy the benefits of tax payment through the provisions of social amenities, quality education, social security and improved living standard. "Taxes, after all, are the dues that we pay for the privileges of membership in an organized society" - Franklin D. Roosevelt.

Section 6 of the Personal Income Tax Act 2011 (as amended) creates subsection (6) to section 36 of the Principal Act, which provides that "a taxpayer shall be assessed on such terms under a presumptive tax regime where for all practical reasons the income of the taxpayer cannot be ascertained for proper assessment". The Voluntary Assets and Income Declaration Scheme (VAIDS) is therefore an initiative designed and driven by the Federal Ministry of Finance (FMOF) in collaboration with the Federal Inland Revenue Service (FIRS) to widen the country's tax base by encouraging voluntary disclosure of previously undisclosed assets and income of individuals, body of individuals and corporate entities for the purpose of payment of all outstanding tax liabilities. It is not only aimed at broadening the tax base but to offer some form of tax amnesty and incentives for tax evaders. The Scheme is an attempt made by the Government to encourage full tax compliance; discharge outstanding tax liabilities as well eradicate all forms of tax fraud/evasion. While this policy may have net effect of increase yield in government revenue, the taxpayer also benefits from it vide workable tax payment plans, and immunity from prosecution for tax offences and tax audit. Therefore, it is not a winner takes all programme but a win-win policy direction of the government aimed at discouraging tax fraud for the benefits of all stakeholders.

The Scheme applies to all persons chargeable to tax in Nigeria. Taxes covered include Petroleum Profits Tax, Companies Income Tax, Personal Income Tax, Capital Gains Tax, Value Added Tax, Tertiary Education Tax, Information Technology Development Levy (IT Tax), Stamp Duties and Withholding taxes. For the Scheme to be successful, Government will rely on tax intelligence gathering and whistle blowing policies. International tax conventions and multilateral agreements to obtain necessary evidential information required for prosecution of defaulting taxpayers or those who make false declarations will also be pursued. An international forensic and asset tracing company has been engaged to support this process (Oyedele, 2017) [17].

Under the Scheme, tax defaulters are granted a form of tax amnesty, which require them to voluntarily disclose any previously undisclosed asset and income relating to the preceding six (6) years of assessment within a nine (9) month period from July 1, 2017. The Scheme is targeted at individuals, body of individuals and corporate entities in default of tax liabilities including non-disclosure, nonpayment, and underpayment, under remittance. Persons who own assets or earn incomes but have not registered with the relevant tax authorities are still covered under the scheme. Valid declaration/disclosure must be made using the Voluntary Asset and Income Declaration Scheme forms or in any other manner that may be prescribed under the scheme. Such disclosure must be complete, honest and voluntarily made to the relevant tax authority as incorrect and untrue declaration may attract a severe sanction.

Problem of Study

Low tax revenue generation in Nigeria

Many Africa nations, including Nigeria are faced with low level of tax compliance. The tax system and structure in Nigeria is hugely faulty. If this were not the case, the economy would have been running on tax revenues as it is obtains in advanced countries and not on oil revenue. In comparison with Nigeria, the tax system work well in South African and other advanced countries of the world. For instance, in year 2016 fiscal year, total tax revenue collected by all the three tiers of government in Nigeria was about N6 trillion compared to about N27 trillion in South Africa - more than Nigeria's oil and tax revenue aggregated. According to Oyedele (2017) [17], altogether with oil revenue, Nigeria generates about N10 trillion. Even without corruption, this amount is barely enough to fund transportation alone (roads, rail, water and air travel infrastructure and maintenance).This problem resulted from the attitude of the average Nigerians to tax payment. Most Nigerians do not pay the right amount of tax as required by law. Others in the informal or underground economy do not even register for tax payment. Tax evasion is so pervasive in the Nigerian federation. The average Nigeria considers tax as an undesirable levy imposed on them by government and an avenue for government authority to enrich themselves at the expense of the masses. Many Nigerians hide under this excuse and employ several means to avoid and evade tax payment. Consequently, the Nigerian government has lost quantum of tax revenues that would have been channeled towards the financing of infrastructural projects. Some have asserted that the tax compliance challenge in Nigeria is because of corruption on the part of government. However, empirical study reveals that the reason why government is fraudulent and corrupt is partly due to the people propensity and penchant to evade tax payment. Empirical evidence further indicates that when the public pay their taxes correctly and promptly, they will be better positioned to hold their leaders accountable. While other countries are bothered about tax fraud and are devising measures to curb tax avoidance and evasion, the Nigeria narrative is audacious tax evasion and outright and flagrant disregard for the rule of law. Dearth of tax intelligence, lack of reliable data and lack of political will to enforce the law especially for the politicians and high net worth individuals and companies are some of the key factors that have prolonged this untoward narrative. A proposed action plan otherwise referred to as VAIDS was thus instituted on 29 June 2017 to change this narrative.

Objectives of the Study

The primary objective of this paper is to investigate the effect of VAIDS implementation on tax compliance in Nigeria. Specific objectives include:

1. Assessing the effect of VAIDS in the expansion of the Nigerian tax base.
2. evaluating the impact of VAIDS in encouraging voluntary disclosure of income
3. Investigating the effect of VAIDS in the reduction of tax evasion in Nigeria.
4. discussing major problems that could prevent efficient tax administration in Nigeria; and
5. Making informed recommendations and suggestions for efficient VAIDS and other tax policies implementation in Nigeria.

The rest of the paper is divided into four parts: Conceptual, theoretical and empirical review, research material and methods, results and discussion, conclusion, policy implications and recommendations.

Literature Review

Conceptual review

The Voluntary Assets and Income Declaration Scheme (VAIDS) is a strategic focus and initiative designed and driven by the government through the Federal Ministry of Finance (FMOF) in collaboration with the Federal Inland Revenue Service (FIRS) to expand the country's tax base by encouraging voluntary disclosure of previously undisclosed assets and income of individuals, body of individuals and corporate entities. It is geared towards regularizing the tax status of individuals and entities, payment of all pending taxes for all the relevant years and to promote full tax compliance. The proposed Bill on tax amnesty currently before the House of Representatives should complement and provide more legal backing for the VAIDS operation in Nigeria.

VAIDS Legal Framework

The Nigerian Constitution and an executive order from the presidency back the voluntary assets and income declaration scheme. The executive order that was derived from the Nigerian Constitution states that

"whereas the Constitution impose a duty on every citizen to declare his/her income fully and honestly to appropriate and lawful agencies and pay taxes promptly; whereas every taxable person is under obligation to voluntarily declare his/her income from all sources within and outside Nigeria by filing annual tax returns, computing same and paying the tax due to the tax authority; cognizant of the desirability of inculcating in all citizens, the ethics of responsibility to the nation, accountability, and honesty; aware that the Federal and State Governments owe citizens the duty of providing security, welfare and development in all parameters; and consequent upon the determination of the Federal and State Governments to provide an opportunity to tax payers who are in default under relevant Statues to voluntarily declare their assets and income and pay taxes due on them and in return obtain some benefits".

In furtherance of the above, the acting President of Nigeria, Yemi Osinbanjo ordered as follows:

- The Federal Ministry of Finance shall set up a Voluntary Assets and Income Declaration Scheme (hereinafter referred to as "the Scheme") for all categories of taxpayers who have defaulted in payment of taxes due and collectible subject to the fulfillment of the terms and conditions as may be stipulated in this Order and other subsequent complementary regulations.
- The Scheme shall provide a nine (9) month period commencing from the 1st of July 2017 for taxpayers who are in default of their tax liabilities to declare their assets and income from sources within and outside Nigeria relating to the preceding six (6) years of assessment.
- The Scheme shall encourage and provide an opportunity for eligible taxpayers to:
- regularize their tax status for all the relevant years;
- pay all outstanding taxes;
- prevent and stop tax evasion; and
- ensure full tax compliance

The proposed Bill on tax amnesty currently before the House of Representatives should complement and provide more legal backing for the VAIDS operation in Nigeria.

Benefits and Consequences of VAIDS

Paragraph six (6) of the VAIDS Order list the reliefs available under this Scheme to include an option of spreading payment of outstanding liabilities over a maximum period of three years as may be agreed with the relevant tax authority; immunity from tax audit and prosecution for tax offences and waiver of sanctions and interests. VAIDS will promote the culture of voluntary declaration, high tax compliance rate and improved tax revenue generation. This will invariably lead to sound governance as it has been empirically proven that there is a direct correlation between tax compliance and good governance. This will result from the interest of the people in sound governance and holding their leaders accountable for the resources under their custody. Effective VAIDS implementation has the potential to reduce the size of underground or informal economy by transitioning them into the formal economy, which can better meet the needs of the people because of its regulation and due process. If the Nigeria's revenue base is diversified, and more reliance is placed on tax revenue rather than oil, the sovereign credit rating of the country will improve and consequently, more foreign direct and portfolio investment will be channeled into the nation's economy by investor. According to Oyedele (2017) [17], lenders will see Nigeria as more credit worthy and hence our sovereign credit rating will improve leading to lower borrowing rate/cost. This will also result in lower interest rate within the economy to promote growth.

Paragraph eight (8) of the VAIDS Order outlines the consequences of any defaulting taxpayer who refuses to comply with the Scheme at expiration to include payment of the total tax liability with all accrued penalties and interest. Such a taxpayer shall be subject to a comprehensive tax audit and analytical review. Any taxpayer who fail to enlist in the Scheme will be investigated after the expiration period and if found liable will be prosecuted in the court according to the dictates of the law. Government also promised to publish the 'name and shame" list of the tax evaders to serve as a deterrent to others.

Theoretical Review

There are several theories underpinning tax reforms like voluntary assets and income declaration scheme. However, the benefits received and the laffer curve theories shall be reviewed in the course of this paper because of their influences and relevance on voluntary tax compliance.

Benefits Received Theory

The theory states that people should be made to pay taxes in proportion to the benefits they received from the services provided by the government. It assumes that there is exchange relationship between taxpayers and governments. The government provides some benefits to the taxpayers in form of social amenities and other welfare packages and the taxpayers in return for the use of these services pay a consideration in form of taxes. As attractive as the theory may appear, one of its major weaknesses is that it would be difficult to be applied in reality. This is because the determination of the amount of benefits received from government is quite difficult to measure. For instance, benefits received from government include diffuse benefits such as military and police protection received by each citizen or taxpayers. This kind of benefits would be difficult to determine. Ahuja (2012) [1] observes that the inability to measure the benefits received by an individual from the services rendered by the government has rendered this theory inapplicable. In addition, a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family (Akintoye & Tasie, 2013) [2]. There is also a presumption according to Nzotta (2007) that the contribution to the public revenue made by the taxpayer may not be equivalent to the benefits received.

Laffer Curve Theory

This theory, which was named against Professor Arthur Laffer, who originated it, elucidates the theoretical symbolization of the association between the mobilization of public revenue through tax compliance and all possible tax rates that may range between 0% and 100%. In the laffer curve, he considers the quantum of tax revenue collected at the extreme tax rate of 0% and 100%. He therefore drew an inference, that a 100% tax rate generates no revenue in the same manner that 0% tax rate generate no revenue. He explains that at 100% tax rate, there is no more incentive for a chargeable person to earn any income, thus the revenue mobilized will be 100% of 0(Zero). This suggests that for tax revenue maximization, there must be at least one relative tax rate between 0 and 100. This presupposes that increasing tax rates above a particular ceiling will become counterproductive for mobilizing additional tax revenues because of diminishing returns (Okoye and Gbegi, 2013) [13].

Empirical Review

Under this section, works carried out by other researchers shall be reviewed and analyzed to consider their line of thoughts and findings on the responsiveness of taxpayers to tax reforms such VAIDS on one hand and the responsiveness of tax reforms on revenue yield and tax compliance on the other hand.

In Nigeria, Orhiaki and Ahuru (2014) [15] investigated the impact of tax reforms on federal revenue generation in Nigeria using annual data set covering between 1981 to 2011. They regressed total federally collected revenue on Value Added Tax (VAT), Petroleum Profit Tax (PPT) and Customs and Excise Duties (CED). They used Personal Income Tax (PIT), Petroleum Profit Tax (PPT, Value Added Tax (VAT) and Total Tax Revenues (TTR) as proxies for tax reforms. Findings reveal that there will be improvement in the ability of the Nigerian government to generate sufficient revenue through tax reforms through reduction of tax evasion and tax avoidance scheme as well as reduction in the marginal rates of personal income tax and companies' income tax rate and general improvement of the Nigerian tax system. In order to achieve more gains from tax reforms in Nigeria, the study recommends that the issue of multiple taxation should be tacked with utmost seriousness coupled with the grant of full autonomy to the Federal Inland Revenue Service (FIRS). In addition, government must promote accountability and transparency in the management of generated revenues to build confidence on investors and other chargeable units in the Nigerian tax system. Similarly, Temitayo and Edu (1999) investigated the productivity and the efficiency of the Nigerian tax system for the period covering 1970 to 1995.Their findings showed that aggregate public revenue was generally buoyant as they obtained a buoyancy of 1.6 with the base year as the denominator and 1.3 buoyancy when the current year was adopted as the denominator and 1.4 buoyancy value was obtained when the mean of the base and current periods was used as the denominator. This result supports Ariyo (1997) [3] findings on the productivity of the Nigerian tax system. Using yearly time series data set covering 30 years (1983 to 2012), Meshak and Jeff (2014) [11] examined the efficiency and productivity of the Nigerian tax system. Results revealed that individual tax sources were all significant at 5% level. They employed the tax elasticity and buoyancy method and the buoyancy result indicated that customs and excise duties, petroleum profit tax and total tax revenue were less than unity and are negative. The result corroborates the one obtained by Ariyo (1997) [3].In this study, company income tax and value added tax showed a buoyancy that is more than unity (1.13 and 1.85 respectively). The negative results of total tax revenue mean that the tax revenue generated was not positive but negatively responsive to variation in GDP. They reported in the conclusion that the negative result some of the tax bases to GDP may have resulted from poor tax enforcement and administrative structure, extension of tax incentives, tax evasion, poor tax efforts and of course corruption. In addition, Ebi and Aladejare (2016) [4] assess the nexus between tax revenues and economic growth in Nigeria for the period covering 1980 to 2013. Public revenues were decomposed into oil revenue + non-oil revenue = total tax revenue. The short and long run buoyancy of public revenue sources were analyzed using auto-regressive distributive lag method. The findings showed a very weak buoyancy of public revenue in both the short and long run periods. This indicates the need to develop the non-oil sector and to put mechanism in place that will curb corruption in the system. Oyedele (2017) [17] compare tax data between Nigeria and South Africa and came up with the following results:

Table 1: Comparison of tax data: Nigeria versus South Africa

S/N	Tax Information	Nigeria	Source	South Africa	Source
1	Ease of paying taxes (ranking,2017)	182/190	World Bank	51/190	World Bank
2	Personal income tax to GDP ratio	0.8	Derived	9.5 %	SARS
3	Tax to GDP ratio (all taxes)	6%	FGN	26.2%	SARS
4	Personal income tax revenue (2016)	N802B	NBS	R 390B (9.71)	SARS
5	Total tax revenues (all levels)	943	FGN-JTB	950,000	SARS, Derived
6	Registered individual taxpayers	14m	JTB	19m	SARS
7	Unemployment rate (2016)	13.9%	NBS	26.6%	Stats (SA)
8	Labour force	79.9m	NBS	21.8m	Stats (SA)
9	Population (20160	182.2m	NPC	55.6m	Stats (SA)

Explanation of Abbreviations

FGN = Federal Government of Nigeria
SA = South Africa
JTB = Joint Tax Board
NBS = National Bureau of Statistics
NPC= Nigerian Population Commission
SARS= South African Revenue Service
Stats (SA) = Statistics, South Africa

From the table above, Nigeria ranked very low in the ease of paying taxes in the world, taking 182 out of 190. This implied that Nigeria is among 8 countries in the group of 190 countries that have much problem with tax payment. While only 14 million people are registered with all 36-tax authorities and the FIRS out of 79.9 million workforce; South Africa with a lower workforce of 21.8 million has a greater registration figure of 19 million. Out of the 14 million registered tax payers, 96% are captured through the PAYE tax system while only 4% (or 560,000) file returns through direct assessment as self-employed and high net-worth individuals (HNIs). Within the direct assessment population, only 943 people pay N10m or more in personal income tax (including 214 who paid N20 million or more) compared to about 950,000 in SA. To pay N10 million in income tax, one needs to earn about N50 million annual income (or about N100m to pay N20m tax) (Oyedele, 2017) [17]. Further study indicates that 99.8% (941) of the taxpayers resides in Lagos while 0.2% (2 persons) is resident in Ogun state. It is not surprising that Lagos State aggregate internally generated revenue (IGR) is the highest among the 36 States of Nigeria.

It could be seen from the table that South Africa's population is less than one-third (about 31%) of Nigeria's population. However, the rate of unemployment in South Africa is higher than that of Nigeria by 91% in year 2016. South Africa has a higher Tax to GDP ratio of 26.2% compared to Nigeria at just 6%. The total collected tax revenue of South Africa is higher than that of Nigeria in the period under review.

While reviewing the performance of FIRS within the VAIDS regime, Fowler (2019) stated that FIRS had recovered the sum of N23 billion from 45,000 millionaire tax defaulters, each of which had over N100 million as turnover in their accounts in 2018. He said that the Service is looking at the books of another set of 40,000 millionaire tax defaulters in year 2019. Summary of collection and tax statistics within VAIDS implementation period is as follows:

Table 2

Years		**FIRS**			**Cost of collection**	**% of Non-oil**	**No. of millinaire**	
	Revenue Collected		as % of actual taxes	collection	tax defaulters			
					Collected			
		N						
2016	3,307,000,000,000		2.6%		64.99%		-	
2017	4,027,000,000,000		2.49%		62.25%		-	
2018	5,320,000,000,000		2.14%		53.62%		45,000	
2019		-				-		40,000*

Source: Tunde fowler, the executive chairman, federal Inland Revenue service (Firs)

Summary of the empirical review

The review indicate that Nigeria have much problem with tax payment and that the level of tax fraud is quite high. It also reveals that tax reforms in form of VAIDS will promote tax compliance in Nigeria and at the same time expand the tax net and boost tax revenue yield. Empirical findings on the effect of tax reforms such as VAIDS have mixed results. However, the common findings is that result oriented tax reforms can increase tax revenue, boost economic growth and encourage tax compliance.

Material and Methods

The survey method research design was adopted and this led to the administration of 120 copies of questionnaire to officers at Federal Inland Revenue Services (FIRS), Rivers State Internal Revenue Service's (RSIRS) and other chargeable units. The convenience sampling method was employed and the retrieval rate was 100%. 5-likert scale of strongly agree (5), agree (4), not sure (3), disagree (2) and strongly disagree (1) was utilized and the responses were analyzed with the aid of statistical package for social sciences version 20. The model of the study is expressed as follows:

$$TCL = \beta_0 + \beta_1 VAIDS\text{---}\varepsilon$$

Where
TCL = tax compliance level
VAIDS = voluntary assets &income declaration scheme
B_0 - B_1 = coefficients (intercepts)
E = error terms

Research hypothesis: there is no significant relationship between VAIDS and Tax Compliance Level in Nigeria.

Results and Discussion

a. **Descriptive statistics:** The descriptive statistics results on Table 2 under the appendix shows a mean score of 4.0911 and 4.2089 and a corresponding standard deviation of 0.41029 and 0.56516 for tax compliance level (TCL) and voluntary assets income declaration scheme (VAIDS)respectively.
b. **Correlation:** From the result obtained on Table 3 under the appendix, VAIDS is weakly correlated as the R =.333 against Tax Compliance Level (TCL) of 1 constant number. This implies that if the voluntary assets and income declaration scheme (VAIDS) is well implemented, it can encourage voluntary tax compliance thereby improving tax revenue mobilization by the government.
c. **Model Summary:** While the correlation coefficient is 0.333 (33%), the correlation of determination r^2 is 0.111 (11%) and the standard error 0.41360. This suggests a very weak association between VAIDS and tax compliance level. VAIDS only explained 11% of the changes in tax compliance level. This goes to show that it takes more than VAIDS to encourage tax compliance in Nigeria. Other factors not in this model must also be given consideration.
d. **Analysis of Variance (ANOVA):** At the degree of freedom 1 and 7 and level of significant 0.05, the F - computed is 0.872 and significance level is.0381 >.005, which indicate that the relationship is not significant (see table 5 under the appendix).
e. **Unstandardize Coefficients**

Table 3

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	3.074	1.098		2.800	.027
	VAIDS	.242	.259	.333	.934	.381

To formulate the ordinary least square model of the studied variable (VAIDS), the equation formula is given as:

$$TCL = \beta_0 + \beta_1 VAIDS\text{---}\varepsilon$$

$$TCL = 3.074 + 0.242VAIDS$$

The above table indicates that the estimated coefficient of VAIDS is.242 with a t-test value of 2.800 and p-value of 0.381 > 0.05 level of significance. This implies that VAIDS is not statistically significant at 0.05 (5% confidence level). By this, the null hypothesis is accepted. Thus, there is no significant relationship between VAIDS and Tax Compliance Level in Nigeria.

Conclusion

The primary objective of the paper was to investigate the effect of tax reforms in form of VAIDS on tax compliance cum revenue generation in Nigeria. To achieve this objective, various tax reforms from independent Nigeria until date and their impact on revenue mobilization were evaluated and discussed from conceptual, theoretical and empirical viewpoints. The investigations reveal that most of the tax reforms initiated and implemented by the government in Nigeria are effective in expanding the Nigerian tax base, improving tax revenue, encouraging voluntary disclose of income and have potential in minimizing the rate of tax evasion. However, the relationship is not significant. This outcomes partly supports the conclusion of Ebi and Ayodele (2017) [5] who concluded in their study that there was general improvement in posttax reforms tax elasticity in Nigeria with total tax revenue (TTR) and Petroleum Profit Tax (PPT) having a coefficients exceeding 1(elastic). He further stated that total tax revenue responded most to changes in the GDP while Personal Income Tax (PIT) had the least response after the tax reforms.

Furthermore, the study also revealed that the Nigerian tax system is characterized by distortions, complexities, tax evasion, corruption and low tax revenue yields especially prior to major tax reforms such as VAIDS. The study however reveals that it takes more than VAIDS to promote honest filing of tax returns. In addition to the Voluntary Assets and Income Declaration Scheme (VAIDS), the Nigerian government must show sincerity and transparency in the use of tax revenue. This becomes more convincing as the analyses of variance supported by the unstandardized coefficients indicate a positive but insignificant relationship between VAIDS and Tax Compliance Level in Nigeria.

Policy Implication and Recommendations

The results of this study suggest some basic policy recommendations, which when considered and implemented could have a far-reaching positive effect on the Nigerian economy: For effectiveness, the Federal, State and Local governments should jointly implement the approved VAIDS policy.

Besides, the media and Civil Society Organization and other relevant agencies should be involved in the implementation. There should be Community Tax Liaison Officers (CTLO) who are to be recruited and trained by the relevant tax authority for this purpose. A specific day of the week or month should be declared Tax Day to focus on tax matters. The Scheme should not be implemented in isolation of other reform programmes of the government. It should be reinforced with the pursuit of Economic Recovery & Growth Plan (ERGP). It should run pari passu with the implementation of the Revised National Tax Policy and efforts aimed at creating enabling business environment should be made.

As part of the tax reforms exercise and in a bid to promote tax efficient system, there should be continuous and regular review of the Nigerian tax statutes and other tax related issues by government agencies to align them with the current macroeconomic objectives of the government and international best practices that will engender foreign direct investment.

Other key mechanisms should be put in place to compliment the Scheme. Some of the measures to consider may include transparent reporting of tax revenue and its utilization, a comprehensive tax law reforms and review, and simplification of tax registration and payment system.

Going forward the Nigeria government must be accountable to the people on how the revenue collected was utilized. This will build confidence and boost the compliance level of the taxpayers.

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