

## Assessment of the Socio-Economic Implications of Value Added Tax Increment on FCT Residents

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### Abstract

On September 11 2019, the Minister of Finance, Budget and National Planning, Zainab Ahmed announced after that week's Federal Executive Council meeting that the government is proposing increasing the Value Added Tax rate from 5% to 7.2%. This according to her was the meet the financial needs of the government, especially the newly increased minimum wage demanded by the organized labour. The announcement of this proposal was received with mixed feelings across the nation, given the hardship and poverty that pervades across the land. This study sought to assess the socioeconomic implications of the Value Added Tax increase on the residents of the Federal Capital Territory. To be able to do this, the researchers adopted Survey Design as their research design while using questionnaire as the major instrument of data collection. The population of the study was 3,155,692, according to the World Statistical Data population projection of Abuja for 2019. The Sample size was determined using the Taro Yamani formula for sample size determination which was approximately 400. Some of the findings include: Majority of the FCT residents are of the opinion that the proposed VAT rate increment is ill timed and ill advised, most of the respondents believe that the proposed Value Added Tax rate increment will worsen the condition of living of FCT residents. Another finding of this study indicates that most of the respondents believe that the social implications of Value Added Tax increment include poverty, increased crime rate, poor health conditions and increased destitution. Some of the recommendations include: The proposed Value Added Tax increment is not acceptable to the residents of the FCT, there are other alternatives to Value Added Tax increment open to the government to explore. Some of them include property tax in high-brow areas, taxing people with more than one car and increasing the tax on ostentatious goods like cigarette, alcohol beverages, jewelries etc.

**Keywords:** *Value Added Tax, Minimum wage, FIRS, Diversification, Revenue*

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### **Background to the Study**

The idea of introducing Value Added Tax into Nigerian Economy came from the report of the study group set up by the Federal Government in 1991 to review the entire tax system. Value Added Tax was proposed and a committee was set up to carry out feasibility studies on its implementation. In January 1993, (Circular no. 9304) government agreed to introduce Value Added Tax by the middle of the year. It was later shifted to first September, 1994 by which time the relevant legislation would have been made and proper ground work done. It was introduced by the Ibrahim Babangida led military junta as a way of diversifying the economy and shoring up the nation's revenue base. Value Added Tax is a replacement of the existing sales tax which has been in operation under federal government, operated on the basis of resident. The term Value Added Tax as the name implies, is the tax added to the value or total unit price of a given commodity or value added tax on spending borne by the consumer or it can also be looked at as the cost of output less the value of input. (Ogundele, 2006). The tax is at the flat rate of 5%, collected on behalf of the government by businesses and organizations which have registered with the Federal Inland Revenue Service (FIRS).

With the persistent fall in the price of crude oil, Nigeria has been plunged into an economic downturn that has left the government desperately looking for other sources of revenue generation. This became more imperative with the demand of the Nigerian Labour Congress for a new national minimum wage of thirty thousand naira, which was approved by the nation's parliament. To prevent shutting down government business by the organized labour, the government has to shop for other sources of revenue to prevent an industrial action. In March 2019, the then Minister for Budget and National Planning, Senator Udo Udoma and the Executive Chairman of Federal Inland Revenue Service, Babatunde Fowler hinted the National Assembly that the Value Added Tax rate is likely to go up. Their position was later corroborated by the in July as the Chairman, Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC), Engr. Elias Mbam added his voice to the call for an increment in VAT from 5 percent to about 7.5 percent to shore up Nigeria's revenue base which according to him is heavily reliant on oil earnings. Also, on September 11, the Minister of Finance, Budget and National Planning, Zainab Ahmed, spoke on the proposed plan to increase VAT from 5% to 7.2% at the end of the Federal Executive Council meeting (The Tide, 2019).

According to Udoma, Fowler and Ahmed, an increment in VAT is not just needed to shore up the nation's revenue base but also necessary to enable government fund the new minimum wage of thirty thousand naira per month approved by the National Assembly. This decision by the Federal Executive Council has generated a lot controversies and mixed reactions among the residents of the Federal Capital Territory. Though Nigeria's VAT rate is low compared to most other countries like Cameroun, 19.5%, South Africa 14%, Zambia, 17.5%, Egypt 10%, Kenya 12-16% to mention just a few, the World Bank has declared it the poverty capital of the world. What will be the socio-economic implications of foisting more tax burden on the citizens of the country, through an increment of Value Added Tax in Nigeria, with special emphasis on FCT residents will be the focus of this study.

### **Objectives of the Study**

The broad objective of the study is to find out the socio-economic-implications of the proposed increment of Value Added Tax rate on FCT residents in Nigeria.

The specific objectives include:

1. To find out if there is need for the proposed VAT rate increment at this point in time.
2. To ascertain if the proposed increment will lead to improved condition of living among FCT residents.
3. To find out the social implications of VAT increment among FCT residents.
4. To find out the economic implications of VAT increase among FCT residents

### **Research Questions**

The following research questions were developed for this study and they include:

1. Is there any need for the proposed VAT rate increment at this point in time?
2. Will the proposed increment lead to improved condition of living among FCT residents?
3. What do you think will be the social implications of VAT increment among FCT residents?
4. What in your opinion will be the economic implications of VAT increase among FCT residents?
5. What could be the alternative to VAT increment to enable the government increase its revenue?

### **Conceptual Clarification**

#### **Value Added Tax**

Value Added Tax is a replacement of the existing sales tax which has been in operation under federal government operated on the basis of resident. The term Value Added Tax Meaning Value Added Tax Value Added Tax as the name implies is the Tax Added to the Value or total unit price of a given commodity or value added tax on spending borne by the consumer or it can also be looked at as the cost of output less the value of input. (Ogundele: 2006).

Value Added Tax Value Added Tax (VAT) is a consumption tax levied at each stage of the consumption chain and borne by the final consumer of the product or services. In Nigeria, each person is requiring to charge and collect VAT at a flat rate of 5% on all invoiced amount on all goods and services not exempted from paying VAT, Under Value Added Tax Act 1993, as amended. Where the VAT collected on behalf of the government (output VAT) in a particular month is more than the VAT paid to other persons (input VAT) in the same month, the difference is require to be remitted to the government on monthly basis, by the taxable person (Federal Inland Revenue Services. Information Circular No 9304). Where the reverse is the case, the tax payer is entitled to a refund of the excess VAT paid. All exports are zero rated for VAT, no VAT is payable on exports.

According to Oraka, Okegbe, and Ezejiofor, (2017), every person, whether resident in Nigeria, who sales goods or render services in Nigeria under the VAT Act as amended is obligated to register for VAT within six months of its commencement of business in Nigeria. The

registration is with the Federal Board of Inland Revenue (FBIR). The VAT Act as amended provides that a foreign nonresident person or company that carries on economic activities in Nigeria is also obligated to register for VAT, using the address of the person with who it has a subsisting economic activity for the purpose of correspondence with FBIR and for compliance with the VAT law. The foreign non-resident persons or company is required upon registration for VAT to include in its invoice VAT 5% with the instruction to the receiver of the goods or services to remit the VAT in the currency of the transaction to the Nigeria government on behalf of the foreign non-resident person. A taxable person, whether Nigeria resident outside Nigeria, who fails or refuse to register for VAT administration within six months of engaging in any economic activity in the territory of Nigeria is liable to pay a penalty of \$67 for the first month that failure occurs and a further penalty of \$34 for each subsequent month in which the failure continues. In addition to the fines of non registration .Section 32 of the VAT Act as amended, authorized the FIBR to seal up the premises from where the economic activity in question is being carried on within the territory of Nigeria (Oraka et al, 2017).

In Sub Saharan Africa, VAT has been introduced in Benin Republic, Cote d'Ivoire, Guinea, Kenya, Madagascar, Mauritius, Senegal, Togo, and Nigeria (Onwucheka and Aruwa, 2014); Adereti, *et al.*, 2011). The main reasons for the rapid spread of this form of taxation were, first, the early adoption of it in the European Union and, second, the key role played in spreading the world to developing and transitional economies by the International Monetary Fund in particular and by international agencies and advisors more generally (Bird, 2005).

According to (Fabile, 2004), Unlike Income Tax and Sales Tax, Value Added Tax has two rationales behind the replacement of Sales Tax with the Value Added Tax as informed by a number of factors and considerations notably are:

- i. The base of sales tax as operated under Decree No.7 of 1986 is narrow. It covers only nine categories of goods plus sales on services in registered hotels, motels and sunders establishments. The narrow base of the tax covers the fundamental principles of consumable goods and services value added tax base is broader and includes most professional services and banking transactions which are highly profit generating sectors.
- ii. Only locally manufactured goods are targeted by the sales tax decree of 1986, although this might have been the intention of the law. Value Added Tax is neutral in this regard. Under Value Added Tax a considerable part of the Tax to be realized is from imported goods. This means that under the new Value Added Tax locally manufactured goods will not be placed at a disadvantage relative to imports.
- iii. Since Value Added Tax is based on the general consumption behaviour of the people, the expected high yield from it will boast the fortunes of the state, government with minimum resistance from the payers of the tax.

### **Empirical Literature Review**

The Executive Chairman of the Federal Inland Revenue Service (FIRS), Babatunde Fowler and the Minister for Budget and Planning Udoma Udo Udoma, recently alluded to a proposed increase of Value Added Tax (VAT) rate from 5% to 6.5% -7.5% while addressing the Senate



Committee on Finance on the Federal Government 2019 - 2021 Medium Term Expenditure Framework (Vanguard News, 2019). Although the FIRS Chairman refuted the reports on the basis of being misquoted, he maintained that there is a need to increase the VAT rate to raise government revenue as Nigeria's VAT rate is currently one of the lowest in the world when compared to other comparable economies. In addition, he stated that the FIRS is committed to raising a revenue of ₦8.3 trillion from taxes in 2019 and it expects ₦3 trillion to come from VAT (Vanguard New, 2019).

It was against this background that on September 11, the Federal Executive Council agreed to a 44 per cent hike in Value Added Tax, VAT from 5 per cent to 7.2 per cent. The decision of the federal government to undertake this increment was not unexpected as there had been murmurings in government circles on the need for an increase as a veritable way of meeting the expansive fiscal expenditure needs of the federal government that have ballooned over the last five years. Babatunde Fowler, the Executive Chairman of Federal Inland Revenue Service had held that the proposed payable VAT increment will be between 6.75 per cent and 7.25 per cent as against the five per cent on all products in the country. This implied an increase of between 35 per cent and 50 per cent. He added that the increment would affect the Company Income Tax and the Petroleum Profit Tax only (This Day, September 2019)

With the persistent fall in the price of crude oil, Nigeria has been plunged into an economic downturn that has left the government desperately looking to other sources for revenue generation. Oil accounts for over 75% of government revenue and 90% of export revenue and has fallen to levels below \$50 per barrel. Compared to the glory days of \$100 plus oil prices, this is a 50% decline in prices and has been accompanied by a 27% fall in foreign direct investment. These declines have had profound implications for the nation's revenue foreign reserve, public expenditure and economic growth.

In addition to the decline, the U.S. lifting of Iran's economic sanctions is a further threat to Nigeria. Iran, which has the fourth largest oil reserve in the world (160 billion barrels), is now poised to export oil to the international oil market, and has recently announced it can produce oil at \$1/barrel. This means Iran can afford to sell its oil below the official international rate if it pleases, which would further hamper Nigeria's export efforts and revenue expectations. Other key challenges include the declining stock market, the increasing inflation rate (currently at 9.6%), the exchange rate volatility, and declining oil reserves, a problem which has prompted the Central Bank of Nigeria (CBN) to take several measures to defend the value of the naira. This situation was exacerbated by the recent labour demand for a wage increase, which was finally agreed by both parties at 30% increase, thereby shooting up the recurrent expenditure of the various levels of government. As a result, it has become imperative for the government to diversify the economy and increase revenue generation from other sources. Tax increases have been one of the front-line considerations, with an increase in VAT among the options.

The need for an increase in government's revenue is rather apparent. The National Tax Policy, the Economic Recovery and Growth Plan (ERGP) and the 2018 International Monetary Fund (IMF) Report on Nigeria all stress the need for an increased focus on revenue generation

from VAT in Nigeria. While the dwindling oil prices is no longer news, the weakness of the naira against the United States Dollars (dollar) and other foreign currencies largely contributes to the need to increase revenue. Although the FIRS' revenue collection of ₦5.3 trillion in 2018 is quite commendable, a critical analysis of the collections in dollar terms would reveal the imbalance and the weakness in collection when compared to previous years' collections when the Naira was not as weak as it is today. No doubt, the fragile nature of the Nigerian economy is largely connected to the Country's poor balance of trade owing to the import-based predicament. Consequently, the FIRS' effort to increase revenue collection is a response in time to bridge Nigeria's growing fiscal deficit. In fact, the 2019 Appropriation Bill, which is currently before the National Assembly projects an 11% increase in revenue from VAT when compared to 2018 projections. However, while an increased revenue from VAT may be a necessity, the pertinent question becomes whether there is a need for a 35% - 50% increase in VAT rate to achieve the projected 11% increase in VAT collection to meet the National budget? (Vanguard News, 2019)

VAT currently contributes a significant percentage of Nigeria's revenue from taxes as the FIRS reported a total VAT collection of ₦1.1 trillion of the total sum of ₦5.3 trillion it generated in the 2018 fiscal year. The FIRS also indicated that it is committed to raising ₦3 trillion from VAT in 2019 which is an increase of over 200% from the 2018 collections. VAT in Nigeria is a consumption tax levied at every stage of production and ultimately borne by the final consumer of a good or service. VAT is charged on most goods and services provided in Nigeria as well as goods imported into Nigeria. The VAT Act 1993 provides for a recoverability system whereby VAT, which is paid during the course of production, is recovered by the taxpayer in form of input VAT and ultimately passed down to the final consumer. However, the current VAT system in Nigeria disallows input VAT claims on capital goods and services. The effect of this is that the VAT paid by such manufacturers and service providers would be incurred as a business cost since they cannot be recovered. This makes the Nigerian manufacturing and related sectors uncompetitive when compared to some other foreign jurisdictions. For example, the United Kingdom (UK) VAT system provides for the recovery of input VAT rate in Nigeria in cases of supply of services.<sup>4</sup> Thus, an increase in VAT rate in Nigeria may be counter-productive to companies that cannot recover input VAT already paid. This is because the increased input VAT that is not recovered would result in an increase in the cost of doing business and a reduction in the profitability of such companies (This DAY, 2019).

While the progressive increase in revenue generation is commendable, there are still several factors hindering the FIRS from optimizing the revenue that could be generated from VAT collection in Nigeria. The issue of tax evasion raises a major concern, as a number of taxpayers that should ordinarily remit VAT are not captured within the tax net. In addition to this, the lack of sufficient database and information poses a huge challenge to proper taxation of the informal sector. Also, there still exist some inefficiencies and leakages which hamper the amount of revenue that could be realized from tax sources even though several measures are being put in place to plug the leakages. Thus, an increase in VAT rate may not be very effective in improving revenue, if the foregoing concerns are not addressed. This is because an increased rate may not generate the projected amount of revenue in the face of a likely increased level of non-compliance that could result from an increased tax burden and other factors impeding effective tax collection and administration as earlier mentioned.

An increased VAT rate may also have a detrimental impact on the country's economy as its reductive effects on consumers' disposable income can lead to a contraction in general economic activities. While some may argue that the minimum wage of public servants will be increased, there is also an argument that the increase in VAT rate will simply deplete the value of the increased minimum wage. Moreover, it is only a marginal proportion of the working population that may be positively impacted by the increase in minimum wage. But while the need for government to bridge its revenue gap remains incontestable, and while it also reserves the right to adopt any legitimate measure in its revenue generation drive, VAT increment inclusive, the timing of the proposed increase is quite worrisome, given the hardship and widespread poverty in the land. If Udoma, Fowler, and Zainab's reason for the planned increment is anything to go by, then there is need for more innovative approaches to scaling up the government's revenue capacities so as to meet its growing funding commitments, especially, against the background of increasingly financing its fiscal deficit from borrowings. Let us not forget that there are expectations that the increase in minimum wage could possibly be eroded by price increases of key household items, offsetting the expected improvement in purchasing power (ThisDay, 2019)

And for the Nigerian industrial climate, one can guess what hope this portends for foreign investments and the faith of the Small and Medium Enterprises (SMEs). The study hopes that the government's enamoured pursuit of increasing revenue should not be to the detriment of the wellbeing of its own citizens as the choice of VAT increase upon the prevailing economic realities could be interpreted to be. CSL Stockbrokers confirmed the above fears when it declared that “financing the increment in the wage burden through tax increment would force companies to raise prices significantly, ultimately placing the incidence of the tax increment on the consumers. It is, therefore, considered a bad timing and inconsistent with current economic reality”. VAT, as we know, is basically imposed on consumption. Apart from the already diminished scale of consumption in the Nigerian economy which invariably may affect the collection performance of VAT, a simple economic analysis would attest that any increase in VAT at this time, would disproportionately affect poor people. But even beyond that argument, the biggest challenge is that any increase in indirect taxes affects the prices of goods and services. With an inflation rate of over 11 per cent, the outcome of the proposed VAT increase is very critical given that the Central Bank of Nigeria is keen to contain inflationary pressures in the economy and bring inflation back to a single digit within a target range of 6-9 percent. It is thus expected that the rise in VAT would likely lead to arise in inflation.

More so, in a clime like ours where the poverty level of the general populace has eroded their economic power, VAT increase may further worsen the living conditions of consumers whose real income has been stifled over the years. According to a recent report, “one striking feature in the performance of consumer goods companies over the past 18 months is the consistent decline in reported revenue, suggesting that consumer demand remains weak. “Well-meaning Nigerians have said “the consequence of this hike on the lives of Nigerians that are already suffering horrendous deprivations is dire and so, capable of exacerbating the poverty that has ravaged the people.

At a period like this, when Nigerian workers expect an upward review in their monthly remuneration in order to be economically repositioned, a planned corresponding increase in the prices of consumer goods by the government does not portray the government as one with the intention of making positive impacts on the lives of its citizens. By this planned increment, the government risks being interpreted as one that does not realize the depth of misery that pervades our nation and may have probably completely detached itself from the people it ought to succour; a reason, the organized labour described this planned increase as anti-people and anti-development. The reality is that any increase in VAT will be counter-productive to the goals of reducing poverty and inequality given the existing high economic disparity in the country. In fairness to all, the proposed increase in VAT, by the federal government will not only weaken the citizens' purchasing power, but would also worsen the poverty level in the country.

Successive Nigerian governments have always insisted that the VAT rate is one of the lowest in the continent. CSL Stockbrokers agree that there is the need for government to bridge its revenue gap. They however fault the thinking that an increase in VAT would not lead to further economic scarring. In their view, "it may further worsen the living conditions of consumers whose real income have been stifled over recent years. Looking at the performance of consumer goods companies over the past 18 months, one striking Choji Pwol, an Abuja based economist, believes that while an increase in VAT in an ordinary case would have been beneficial to Nigeria in the medium to long term. The current reason being proffered for this VAT increase is wrong and will lead to increased corruption and mismanagement, particularly at the state level since most of the money is not earmarked for capital projects or education. He posited that, "while the proposed increase will likely buoy and bolster the purchasing power of Nigerians by increasing the minimum wage, which on paper this government claims is the major reason for this increase to enable states pay for the increment, at best, the utilisation of funds at the state level is heavily mismanaged and the states stand to gain the most from this increase, because they already collect 50 percent of all VAT collection proceeds" (This Day, 2019).

Because VAT is basically imposed on consumption, it is pertinent to understand that the diminished scale of consumption in the Nigerian economy may affect the collection performance of VAT. From a simple economic point of view, any increase in VAT would disproportionately affect poor people. But even beyond that argument, the biggest challenge is that any increase in indirect taxes affects the price of goods and services. This in turn would affect the country's inflation rate. With an inflation rate of over 11 per cent, the outcome of the proposed VAT increase is very critical given that the Central Bank of Nigeria is keen to contain inflationary pressures in the economy and bring inflation back to a single digit within a target range of 6-9 percent. It is thus expected that the rise in VAT would likely lead to a rise in inflation.

Taiwo Oyedele of PwC Nigeria agrees that "contemplating an increase in VAT rate now is bad timing and inconsistent with current economic reality... VAT increase will lead to higher inflation, interest rate hike, more unemployment and generally make people poorer. Any



increase in VAT rate without a registration threshold and zero rating of basic consumption will increase burden on the poor and SMEs contrary to the 2017 National Tax Policy. Trying to expand the VAT net while also increasing VAT rate at the same time is a faulty tax strategy. Nigeria can make twice as much from VAT at current rate by reforming the law, expanding the net and ensuring robust administration rather than by increasing rate."Oyedele added that "in any case, the likely increase in revenue will not be sufficient to pay the new minimum wage."

Pwol was of the same view that the mismanagement of federal government's intervention and the looting of the Paris club interventions by governors across the country was so blatant "they many could not even pay salaries after collecting huge sums of money, owing salaries of workers for up to two years in extreme cases". According to him, "if the projected N3 trillion VAT collections are realised in this year's budget, it means the state governments will gain an additional N1 trillion in revenue this year alone without an increase in the VAT rate, which is expected to kick-start in the first quarter of 2020" (This Day, 2019).

In its review of the proposed VAT hike, CSL Stockbrokers concluded that the plan by the federal government to finance the increment in the wage burden through tax increment would force companies to raise prices significantly, ultimately placing the incidence of the tax increment on the consumers. According to them, "in effect, we see this as a fiscal policy designed to 'rob Peter to pay Paul'. We also expect the increase in minimum wage to be eroded by price increases of key household items, offsetting the expected improvement in purchasing power. The proposed tax policies will also pose a downside for foreign investments in the Nigerian industrial climate as well as growth of SMEs. We believe companies who are unable to raise prices might lay off workers in a bid to manage costs, further impacting on the level of unemployment."The reality is that any increase in VAT will be counter-intuitive to the goals of reducing poverty and inequality given the existing high economic disparity in the county where there is already a high cost associated with the poor accessing economic opportunities. But then again, VAT will inevitably affect everybody that spends money, both rich and poor. They concluded by saying that it is understandable that government needs money and should find ways of getting the monies, but more critically, the federal government needs to clamp down hard on the expenditure side of things. Most critical of these is corruption and the cost of corruption, which has become an economic leviathan that crowds out efficient expenditure that benefits the country and its citizens (This Day, 2019).

### **Methodology**

This research work employed survey method as its methodology. The researcher developed questionnaire and distributed among the FCT Residents in the six Area Councils of the FCT which include Abuja Municipal Area Council, Bwari Abaji, Gwagwalada, Kwali and Kuje.

### **Population and Sample Size**

According to the World Statistical Data, the Population projection for Abuja for 2019 is Three million, one hundred and fifty-five thousand, six hundred and ninety-two (3,155,692), comprising of residents of the six Area Councils- Abuja Municipal Area Council, Abaji, Bwari, Gwagwalada, Kwali and Kuje. The sample size for this study was calculated using the Taro Yamane formula for Sample Size Determination. According to Yamane in Omale (2012), the sample size can be calculated using the formula below:

$$n = \frac{N}{1+N(e)^2}$$

Where n = Sample size  
 N = Population size  
 e = Margin of error (0.05)  
 1 = Constant

To determine the sample size

N = 3,155,692  
 e = 0.05

$$n = \frac{3,155,692}{1+3,155,692(0.05)^2}$$

$$\frac{3,155,692}{7890} = 399.9609632$$

### Sampling Techniques

This study adopted Multi-stage sampling technique- this comprised the stratified sampling technique and simple random sampling technique. The population was first stratified according to the six Area Councils of the FCT. Simple random sampling technique was eventually adopted in the actual distribution of the questionnaires, to give every resident the opportunity of being chosen in the study.

### Data Presentation and Analysis

**Research Question One:** Is there any need for the proposed VAT rate increment at this point in time?

**Table 1:** Whether There is Need for VAT Rate Increment at this Time

OPTIONS	RESPOSES	PERCENTAGE
Yes	100	25
No	300	75
Do not Know	0	0
<b>TOTAL</b>	<b>400</b>	<b>100</b>

**Source:** Research Data 2021

Table 1 shows that when asked whether there is any need for an increment in the Value Added Tax rate in Nigeria at the moment, 100 or 25% of the respondents affirmed that there is a need. 300 or the respondents or a whopping 75% answered in the negative, that there is no need, while none answered 'Do not know'. This indicates that majority of the respondents believe that increment in the Value Added Tax rate at the moment is not necessary.

**Research Question Two:** Will the proposed increment lead to improved condition of living among FCT residents?

**Table 2:** If the Proposed Increment will lead to Improved Condition of Living Among FCT Residents

OPTIONS	RESPONSES	PERCENTAGE
Yes	75	18.75
No	300	75
Do Not Know	25	6.25
<b>TOTAL</b>	<b>400</b>	<b>100</b>

**Source:** Research Data 2021

The analysis from table 2 shows that when asked if the proposed increment will lead to improved condition of living among FCT residents, 75 or 18.75% of the respondents answered in the affirmative, 300 or 75% answered “No”, that it will not improve condition of living while 25 or 6.25% answered 'Do not know'. This shows that majority of the residents believe the increment will not improve their condition of living.

**Research Question Three:** What do you think will be the social implications of VAT increment among FCT residents?

**Table 3:** The Social Implications of VAT Increment Among FCT Residents

OPTIONS	RESPONSE	PERCENTAGE
Poverty	200	50
Increased Crime Rate	100	25
Poor Health	60	15
Increased Destitution	40	10
<b>TOTAL</b>	<b>400</b>	<b>100</b>

**Source:** Research Data 2021

Table 3 above shows that when asked the social implications of VAT increment among FCT residents, 200 or 50% of the respondents answered “Poverty”, 100 or 25% answered “Increased Crime rate”. Another 60 or 15% answered 'Poor Health’ while 40 or 10% answered “Increased Destitution”. Majority of the respondents believe that the social implications of VAT rate increment are mostly in the negative.

**Research Question Four:** What in your opinion will be the economic implications of VAT increase among FCT residents?

**Table 4:** The Economic Implication of VAT Increase Among FCT Residents

OPTIONS	RESPONSE	PERCENTAGE
Inflation	50	12.5
Job loss	80	20
Increased Rent	120	30
Increased Cost of Living	150	37.5
<b>TOTAL</b>	<b>400</b>	<b>100</b>

**Source:** Research Data 2021

The analysis of table 4 shows that when asked the economic implications of the proposed VAT rate increment on FCT residents, 50 or 12.5 % o the respondents answered 'Inflation", 80 or 20% answered "Job loss", 120 or 30% answered "Increased Rent" while 150 or 37.5% answered "Increased Cost of Living". The response equally showed that the economic implications of the proposed VAT rate increment will be mostly negative on the residents of the FCT.

**Research Question Five:** What could be the alternative to VAT increment to enable the government increase its revenue?

**Table 5:** The Alternative to VAT Increment to Increase Government's Revenue Base

OPTIONS	RESPONSES	PERCENTAGE
Property Tax	25	6.25
Vehicle Tax	300	75
Luxury Goods Tax	75	18.75
<b>TOTAL</b>	<b>400</b>	<b>100</b>

**Source:** Research Data 2021

The analysis of table 5 above shows that when asked the alternative to Value Added Tax increment, 25 or 6.25% of the respondents answered 'property tax', 300 or 73% answered 'Vehicle tax while 75 or 18.75% answered 'Luxury goods.' This shows that majority of the respondents believe that those that own more than enough should be taxed and not a general tax that is not equitable. People with more than one car should be made to pay taxes on them; again, those purchasing ostentatious goods should be made to pay more. Same applies to property taxes as majority of the choice properties are owned and rented by the rich; they should be made to pay more and not increasing the burden of the poor by imposing a general tax on goods and services.

### Findings

Based on the research questions and objectives of this study, some findings were made and they include:

1. Majority of the FCT residents are of the opinion that the proposed VAT rate increment from 5% to 7.2% is ill timed and ill advised. Coming at a period of heavy loss of jobs in the economy, as it is just recovering from a recession and a period of widespread poverty that made the World Bank recognize Nigeria as the poverty capital of the world. Another tax



burden by way of consumption tax will lead to inflation and further loss of jobs, thereby deepening the already existing poverty in the land.

2. The findings of this study indicate that most of the respondents believe that the proposed Value Added Tax rate increment will worsen the condition of living of FCT residents. The cost of living already in FCT is very high with the cost of accommodation one of the highest in the country. A further increment in VAT will reduce drastically, the disposable income in the hands of the residents thereby worsening the living conditions of the residents.

3. Another finding of this study indicates that most of the respondents believe that the social implications of Value Added Tax increment include poverty, increased crime rate, poor health conditions and increased destitution. Majority of the respondents believe that the social implications of VAT rate increment are mostly in the negative and do not see anything good coming out of its implementation.

4. This study found out that the economic implications of VAT increase according to the FCT residents include: Inflation, job loss, increased rent and increased cost of living. Just like the social implications, they believe that the economic implications are all on the negative, showing that the increment is not acceptable to the FCT residents.

5. Finally, this study found out that the FCT residents believe that there are better alternatives to Value Added Tax increment and they include imposing property tax on buildings in high brow areas of the city, Imposing taxes on car owners with more than one car and also to increase the tax on luxury goods. It is believed that it would collect more from those that have more than imposing a general tax on consumer goods which makes the tax regressive in nature.

### **Recommendations**

Based on the findings and conclusions above, the researchers proffered these recommendations which when implemented, will in no small measures, look at better alternatives to shore up its revenue base and be able to pay the new minimum wage than contemplating an increase in the Value Added Tax which will encroach on the disposable income of an already impoverished.

The recommendations include:

1. The proposed Value Added Tax increment is not acceptable to the residents of the FCT who thinks the tax is regressive in nature and the government should therefore look for an alternative to improve its revenue base.
2. There are other alternatives to Value Added Tax increment open to the government to explore. Some of them include property tax in high-brow areas, taxing people with more than one car and increasing the tax on ostentatious goods like cigarette, alcohol beverages, jewelries etc. Through this, the government will spare the low income earners and the poor people in FCT the tax burden of an increased Value Added Tax.

3. The poverty in the nation is very palpable, the government of the day should look for measures to alleviate the poverty and suffering in the land by subsidizing more products and not increasing the tax burden of the people, thereby increasing the poverty in the land.

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