



Value Added Tax (Vat) Implementation in Nigeria: Issues and Prospects

Obot Akpan Udoh

Department of Accountancy, School of Business and Management
Akwa Ibom State Polytechnic, Ikot Osurua, Ikot Ekpene, Akwa Ibom State, Nigeria
aniediudoekanem@gmail.com
08065573067, 08023635826

DOI: <https://doi.org/10.5281/zenodo.15297559>

Citation: Udoh, O. A. (2025). Value Added Tax (vat) Implementation in Nigeria: Issues and Prospects. *International Journal of Public Relations And Social Sciences*, 1(1).

Abstract

Value Added Tax (VAT) serves as a major source of revenue for the Nigerian government, which significantly contributes to economic growth and public budget sustainability. However, VAT implementation in Nigeria has been fraught with several issues, including administrative inefficiencies, non-compliance, dual taxation, and resistance from stakeholders. This article critically explores the implementation of VAT in Nigeria by identifying the difficulties hampering its efficiency and exploring potential opportunities for boosting VAT collection and administration. Using secondary data sources and policy research, the paper gives insights into how VAT might be exploited for enhanced fiscal sustainability. The analysis from 2018 to 2023 demonstrates large changes across different tax categories. The data reveals major patterns, including periods of decline and recovery, which provide insights into the effectiveness of tax policy and economic conditions influencing revenue generation. A decreasing trend began in 2020, likely due to the economic impact of the COVID-19 pandemic. The pandemic led to diminished commercial operations, impacting corporate profitability and, consequently, tax contributions. Besides, the median VAT income numbers for both Non-Import VAT (₦430.27 billion) and NCS-Import VAT (₦126.80 billion) reflect unpredictability in quarterly collections. This shows seasonality in VAT performance, probably connected to economic cycles, consumer demand, and trade activity.



However, the combination of reduced corporation tax rates, phased VAT increments, and streamlined withholding tax procedures as proposed in the 2024 tax reform is projected to provide a more predictable and stable tax climate.

Keywords: VAT, Taxation, Fiscal Policy, Revenue Generation, Economic Growth, Nigeria

1. Introduction

Taxation is a fundamental instrument for economic development, serving as a primary revenue source for governments worldwide (Bird & Gendron, 2007). Value Added Tax (VAT) plays a crucial role in Nigeria's revenue generation system, contributing significantly to national fiscal stability. Introduced in 1993 through the Value Added Tax Decree No. 102, VAT replaced the previous sales tax system with the goal of broadening the tax base and ensuring an equitable tax system (FIRS, 2020). VAT has since evolved into a major component of Nigeria's fiscal policy, and it is instrumental in funding government expenditures and public services (Owolabi & Okwu, 2011).

Despite its contributions to national revenue, VAT implementation in Nigeria has faced numerous setbacks, including policy inconsistencies, resistance from businesses, inadequate enforcement, and infrastructural gaps (Okoli & Afolayan, 2015). The frequent amendments to VAT laws and the lack of harmonisation with other tax policies have led to inefficiencies in administration and compliance (Adebite, 2018). Additionally, the growth of Nigeria's informal sector, which constitutes a significant proportion of economic activities, poses a challenge for effective VAT collection, as many businesses operate outside the formal tax system (Ekpo & Agbeyegbe, 2019).

Recent legal disputes between federal and state governments have further complicated VAT administration, raising concerns about jurisdictional authority and revenue allocation (Adebayo, 2022). The controversy over VAT collection rights, particularly between the Federal Inland Revenue Service (FIRS) and state governments, underscores the need for clear legislative frameworks to ensure equitable distribution of tax revenues (Nwokah & Ahuru, 2021). Given these challenges, a critical examination of VAT implementation is necessary to identify viable solutions for improving tax efficiency and compliance in Nigeria. VAT was introduced in Nigeria through Decree No. 102 of 1993, which later became part of the Value Added Tax Act (2004). The Nigerian government adopted a single-rate VAT system initially set at 5% but later increased to 7.5% in 2020. VAT is collected by the Federal Inland Revenue Service (FIRS) and shared among the three tiers of government. Despite its initial objectives, VAT collection in Nigeria has been marred by challenges such as low compliance rates, underreporting, and tax evasion, necessitating reforms to strengthen enforcement and compliance. This study examines the key issues affecting VAT implementation in

Nigeria and discusses potential solutions to optimise its efficiency and impact on economic development.

Research Objectives

This research aims to critically explore the implementation of VAT in Nigeria. Its specific objectives are:

- i. To assess the impact of inefficient administration and implementation challenges on VAT revenue collection trends in Nigeria between 2018 and 2023.
- ii. To evaluate the possibilities of the 2024 tax reforms in stabilizing VAT revenue collection and addressing the historical fluctuations observed between 2018 and 2023.

Research questions

The following research questions were formulated to guide this study:

- i. How has inefficient administration, non-implementation and enforcement limitations affected the trends in VAT revenue collection in Nigeria from 2018 to 2023?
- ii. To what extent can the 2024 tax reforms enhance VAT stability and prevent the sharp revenue fluctuations experienced in previous years?

2. Literature Review

Value Added Tax (VAT) has remained a significant source of government revenue in Nigeria since its introduction in 1993, replacing the former Sales Tax system. Over the years, VAT implementation has encountered several challenges and policy debates, particularly concerning administration, compliance, evasion, and intergovernmental conflicts. This literature review examines recent research on VAT in Nigeria, highlighting key issues and potential reforms. Several studies have analysed the complexities of VAT administration within Nigeria's federal structure. Etim et al. (2023) discuss the challenges of enforcing VAT on electronic transactions, highlighting the lack of infrastructure and regulatory inconsistencies. Similarly, an article in Umenweke and Nwoke (2023) explores the conflicts between federal and state governments regarding VAT collection and revenue sharing. These studies underscore the need for legal clarity and improved tax administration to ensure equitable VAT distribution among different government levels.

One of the major impediments to effective VAT collection in Nigeria is non-compliance and tax evasion. A study by Oladayo (2024) assesses the inefficiencies in VAT administration, pointing to inadequate enforcement mechanisms and corruption as major issues. Research by Bala (2020) further discusses the widespread evasion strategies employed by businesses, including underreporting sales and falsifying tax returns. These findings suggest the need for improved monitoring and automation in

VAT administration to reduce leakages. Besides, VAT has been a significant contributor to Nigeria's non-oil revenue. Research by Yeldu et al. (2023) reviewed the impact of VAT on revenue generation from 2000 to 2020, showing that despite its potential, VAT revenue is often undermined by poor collection efficiency. Similarly, Omesi and Nzor (2015) examine VAT's macroeconomic impact, highlighting its role in reducing fiscal deficits. However, both studies agree that better enforcement and a broadened tax base could significantly improve VAT contributions to government revenue.

More so, recent discussions on VAT reform emphasise the role of technology in improving tax collection efficiency. Etim et al. (2023) propose digital taxation policies to enhance VAT collection on e-commerce transactions. In addition, Yeldu et al. (2023) suggested that integrating artificial intelligence and data analytics into the VAT system can help track non-compliance and improve enforcement. Policy reforms, including a review of VAT rates and exemptions, have also been suggested as means to optimise revenue generation. The reviewed literature suggests several measures to enhance VAT administration in Nigeria. These include strengthening institutional frameworks, leveraging technology, harmonising tax policies, and improving intergovernmental coordination. Additionally, public sensitisation and taxpayer education are necessary to promote voluntary compliance. While VAT remains a critical component of Nigeria's revenue system, its implementation is fraught with challenges such as administrative inefficiencies, compliance issues, and intergovernmental disputes. However, with improved technological integration, legal reforms, and better enforcement mechanisms, VAT can significantly contribute to Nigeria's economic stability. Future research should explore the impact of emerging digital taxation trends and their implications for VAT administration in Nigeria.

3. Research Methodology

3.1 Research Design

This study adopts a descriptive research design to analyse the issues and prospects of VAT implementation in Nigeria. A qualitative approach is employed to explore policy frameworks, challenges, and future directions for VAT administration. This study utilises document analysis as the primary research method, systematically reviewing government reports, legal statutes, policy briefs, and academic literature related to VAT implementation in Nigeria. The qualitative content analysis enables the identification of key themes such as administrative inefficiencies, compliance challenges, and potential reforms in the tax system.

3.2 Data Collection Methods

The study relies on a secondary data source, which is government reports and publications from the Federal Inland Revenue Service (FIRS), as presented in Tables 3.1 to 3.6.

Obot Akpan Udoh

Table 3.1: VAT statistic from 2023

Category	2023	2023	2023 Actual Collection				
	Annual Target	Quarterly Target	Q1	Q2	Q3	Q4	Total
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
A PPT/Hydrocarbon Tax	5262.02	1315.51	1249.09	914.62	278.25	273.25	2715.20
B Non-Oil taxes	6296.27	1574.07	1268.68	2511.19	3362.86	2479.75	9622.47
C Total (A+B)	11558.29	2889.57	2517.77	3425.80	3641.10	2753.00	12337.67

Table 3.1: VAT statistic from 2023 (continued)

Tax Type	2023	2023	2023 Actual Collection				
	Annual Target	Quarterly Target	Q1	Q2	Q3	Q4	Total
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
A Petroleum Profit Tax/Hydrocarbon Tax	5262.02	1315.51	1249.09	914.62	278.25	273.25	2715.20
B Company Income Tax (Oil & Gas)	465.84	116.46	15.89	710.74	541.69	279.39	1547.72
C Company Income Tax (Non-Oil)	2108.27	527.07	453.12	837.47	1207.52	850.64	3348.75
D Capital Gains Tax	22.92	5.73	3.96	3.47	7.80	3.85	19.08
E Stamp Duty	44.47	11.12	12.13	15.88	25.07	43.22	96.29
F Non-Import VAT	822.67	205.67	587.22	654.66	726.66	956.26	2924.81
G NCS-Import VAT	2323.26	580.82	122.37	126.69	221.41	244.04	714.51
H EDUCATION TAX	248.27	62.07	15.59	94.56	575.90	33.39	719.44
I PIT	68.14	17.03	15.01	11.19	6.11	21.16	53.48
J NITDEF	25.29	6.32	2.22	13.82	10.43	0.51	26.97
K Electronic Money Transfer Levy	141.56	35.39	41.02	42.00	39.51	47.25	169.78
L NASENI	25.26	6.32	0.14	0.67	0.74	0.02	1.57
M NPFTFL	0.31	0.08	0.00	0.03	0.02	0.01	0.07
N Total Tax Revenue (Sum of A to M)	11558.29	2889.57	2517.77	3425.80	3641.10	2753.00	12337.67

SOURCE: Planning, Research and Statistics Department (FIRS), 2023

Table 3.2: VAT statistic from 2022

Category	2022	2022	2022 Actual Collection				
	Annual Target	Quarterly Target	Q1	Q2	Q3	Q4	Total
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
PPT	3824.83	956.21	646.12	991.44	1476.44	1095.01	4209.02
Non-oil taxes	6557.48	1639.37	1200.05	1474.87	1709.79	1585.63	5970.33
Total	10382.3	2595.58	1846.17	2466.31	3186.22	2680.64	10179.35

SOURCE: Planning, Research and Statistics Department (FIRS), 2022

Table 3.2: VAT statistic from 2022 (continued)

Tax Type	2022	2022	2022 Actual Collection				
	Annual Target	Quarterly Target	Q1	Q2	Q3	Q4	Total
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
FEDERATION ACCT:							
Oil Tax							
Petroleum Profit Tax	3,824.83	956.21	646.1235	991.4427	1,476.4366	1,10	4,209.0172
A Sub-total	2008.22	502.05	427.51	547.95	480.92	483	1939.52
Non-Oil Taxes							
Company Income Tax	3,117.23	779.31	532.4792	607.3184	778.2969	731	2,649.1911
Gas Income	309.44	77.36	19.0526	107.0864	31.8961	36	193.7676
Capital Gains Tax	19.84	4.96	1.0839	22.3005	1.7839	20	45.5722
Stamp Duty	16.80	4.20	9.8395	7.0671	6.9443	30	53.5256
B Sub-total	3,463.31	865.83	562.4553	743.7724	818.9212	817	2,942.0565
Total Federation Account (A+B)	7,288.14	1,822.03	1,208.5788	1,735.2151	2,295.3578	1,912	7,151.0738
OTHER NON-OIL TAXES							
VAT POOL							
Non-Import VAT	1,694.83	423.71	462.0325	470.2542	489.7803	568	1,990.0208
NCS-Import VAT	746.96	186.74	126.5664	129.8974	135.6081	129	521.4969
C Sub-total	2,441.80	610.45	588.5988	600.1516	625.3884	697	2,511.5177
D EDUCATION TAX	306.00	76.50	10.6400	79.8133	218.7879	19	328.6744
E CONSOLIDATE D ACCT:	113.30	28.32	9.1028	8.0248	7.6870	13	37.4019
F NITDEF	21.93	5.48	0.3683	11.8726	9.1318	1.20	22.5741
G Electronic Money Transfer Levy	210.82	52.70	28.8818	31.2365	29.8707	36	125.6693

Obot Akpan Udoh

H	NASENI						2.4	2.3748
I	Police Trust Fund (PTF)	0.33	0.08				0.07	0.0657
J	Total Non-oil (B+C+D+E+F+G+H+I)	6,557.48	1,639.37	1,200.0470	1,474.8712	1,709.7870	1,586	5,970.3344
K	Grand Total (A+J)	10,382.30	2,595.58	1,846.1704	2,466.3138	3,186.2236	2,681	10,179.3516

SOURCE: Planning, Research and Statistics Department (FIRS), 2022

Table 3.3: VAT statistic from 2021

Category	2021	2021	2021				Total
	Annual Target	Quarterly Target	Actual Collection				
	Q1	Q2	Q1	Q2	Q3	Q4	
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
PPT	1,636.83	409.21	327.23	316.91	305.14	1,059.17	2,008.45
Non-oil taxes	4,763.44	1,190.86	958.63	1,159.69	1,125.24	1,150.69	4,394.25
Total	6,400.27	1,600.07	1,285.86	1,476.60	1,430.38	2,209.86	6,402.71

Table 3.3: VAT statistic from 2021 (continued)

Tax Type	2021	2021	2021 Actual Collection				Total
	Annual Target	Quarterly Target	Actual Collection				
	Q1	Q2	Q1	Q2	Q3	Q4	
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
FEDERATION							
ACCT:							
Oil Tax							
Petroleum Profit Tax	1,636.83	409.21	327.23	316.91	305.14	1,059.17	2,008.45
A Sub-total	1,636.83	409.21	327.23	316.91	305.14	1,059.17	2,008.45
Non-Oil Taxes							
Company Income Tax	1,476.87	369.22	392.65	456.99	472.52	425.83	1,747.99
Gas Income	511.69	127.92	26.49	70.92	7.91	34.77	140.10
Capital Gains Tax	7.26	1.81	0.75	15.55	0.00	1.20	17.50
Stamp Duty	12.40	3.10	7.62	4.49	0.48	21.35	33.94

Obot Akpan Udoh

B	Sub-total	2008.22	502.05	427.51	547.95	480.92	483.15	1939.52
	Total Federation Account (A+B)	3645.05	911.26	754.74	864.86	786.05	1542.32	3947.98
	OTHER NON-OIL TAXES							
	VAT POOL							
	Non-Import VAT	1,378.76	344.69	396.51	395.12	376.73	436.82	1,605.17
	NCS-Import VAT	459.59	114.90	99.88	117.13	123.76	126.90	467.68
C	Sub-total			1,838.35	459.59	496.39	512.25	2,072.85
D	EDUCATION TAX	323.29	80.82	11.40	29.16	92.51	56.46	189.54
E	CONSOLIDATED ACCT:	74.75	18.69	22.67	15.69	8.42	14.42	61.20
F	NITDEF	18.84	4.71	0.66	3.98	11.09	3.58	19.31
G	Electronic Money Transfer Levy	500.00	125.00		50.66	31.82	29.36	111.84
H	Total Non-oil (B+C+D+E+F+G)	4,763.44	1,190.86	958.63	1,159.69	1,125.24	1,150.69	4,394.25
I	Grand Total (A+H)	6,400.27	1,600.07	1,285.86	1,476.60	1,430.38	2,209.86	6,402.71

SOURCE: Planning, Research and Statistics Department (FIRS), 2021

Table 3.4: VAT statistic from 2020

Category	2020 Annual Target	2020 Quarterly Target	2020 Actual Collection				Total (=N='b)
	(=N='b)	(=N='b)	Q1 (=N='b)	Q2 (=N='b)	Q3 (=N='b)	Q4 (=N='b)	
PPT	284.0039	71.0010	522.3340	440.3014	353.1125	201.2455	1,516.9934
Non-oil taxes	4,792.8479	1,198.2120	652.7431	848.0609	1,066.8371	867.5900	3,435.2311
Total	5,076.8518	1,269.2130	1,175.0771	1,288.362	1,419.9496	1,068.8355	4,952.2245

3

Table 3.4: VAT statistic from 2020 (continued)

Tax Type	2020 Annual Target	2020 Quarterly Target	2020 Actual Collection				Total (=N='b)
	(=N='b)	(=N='b)	Q1 (=N='b)	Q2 (=N='b)	Q3 (=N='b)	Q4 (=N='b)	
Petroleum Profits Tax	284.0039	71.0010	522.3340	440.3014	353.1125	201.2455	1,516.9934
A Sub-total	284.0039	71.0010	522.3340	440.3014	353.1125	201.2455	1,516.9934

Obot Akpan Udoh

Non-Oil Taxes							
Company	1,767.8865	441.9716	278.6499	324.3219	390.6746	281.7342	1,275.38
Income Tax							06
Gas Income	426.6143	106.6536	17.0288	77.7121	25.3343	13.9878	134.0630
Capital Gains	13.5387	3.3847	0.6433	0.6174	1.7837	0.4742	3.5186
Tax							
Stamp Duty	17.1925	4.2981	4.7508	62.5830	7.2573	45.5659	120.1570
B Sub-total	2225.2320	556.3080	301.0728	465.2344	425.0499	341.7621	1533.119
							2
Total	2509.2359	627.3090	823.4068	905.5358	778.1624	543.0076	3050.112
Federation							6
Account							
(A+B)							
OTHER NON-OIL TAXES							
VAT POOL							
NCS-Import	547.6539	136.9135	72.5904	81.6223	94.7012	98.8109	347.7248
VAT							
Non-Import	1,642.9617	410.7404	251.9887	245.5731	330.0069	355.8774	1,183.44
VAT							61
C Sub-total	2,190.6156	547.6539	324.5791	327.1954	424.7081	454.6883	1,531.17
							09
D EDT	277.0248	69.2562	11.3395	32.4839	195.1006	20.6394	259.5634
E CONSOLIDA	83.8314	20.9579	15.0605	11.5970	16.4727	50.2333	93.3635
TED ACCT.							
F NITDEF	16.1441	4.0360	0.6912	11.5503	5.5058	0.2669	18.0142
G Sub-total Non-	4792.8479	1198.2120	652.7431	848.0609	1066.8371	867.59	3435.231
Oil							1
(B+C+D+E+F)							
H TOTAL	5,076.8518	1,269.2130	1,175.0771	1,288.3623	1,419.9496	1,068.83	4,952.22
(A+G)						55	45

SOURCE: Planning, Research and Statistics Department (FIRS), 2020

Table 3.5: VAT statistic from 2019

Category	2019 Annual Target	2019 Quarterly Target	2019 Actual Collection				
			Q1	Q2	Q3	Q4	Total
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
PPT	4301.1836	1075.2959	493.2199	502.9935	592.5475	525.5075	2114.2684
Non-oil taxes	4501.2024	1125.3006	553.6699	897.6151	972.0212	724.3417	3147.6479
Total	8802.3860	2200.5965	1046.889	1400.608	1564.568	1249.849	5261.9163
			8	6	7	2	

Table 3.5: VAT statistic from 201 9 (continued)

Tax Type	2019 Annual Target (=N='b)	2019 Quarterly Target (=N='b)	2019 Actual Collection				Total (=N='b)
			Q1 (=N='b)	Q2 (=N='b)	Q3 (=N='b)	Q4 (=N='b)	
Petroleum Profits Tax	4301.1836	1075.2959	493.2199	502.9935	592.5475	525.5075	2114.2684
A Sub-Total	4301.1836	1075.2959	493.2199	502.9935	592.5475	525.5075	2114.2684
OTHER NON-OIL TAXES							
Company Income Tax	1708.5085	427.1271	229.8280	506.9517	513.3815	354.5373	1604.6985
Gas Income	685.6381	171.4095	2.9773	3.9796	7.5043	7.4690	21.9302
Capital Gains Tax	6.2798	1.5700	0.0964	0.9752	1.2986	3.6068	5.9770
Stamp Duty	17.6413	4.4103	3.3867	3.7187	3.6969	7.3897	18.1920
B Sub-total	2418.0677	604.5169	236.2884	515.6252	525.8813	373.0028	1650.7977
Total Federation Account (A+B)	6719.2513	1679.8128	729.5083	1018.619	1118.429	898.5103	3765.0661
OTHER NON-OIL TAXES							
NCS-Import VAT	425.9733	106.4933	57.0089	65.4764	61.3733	60.6586	244.5172
Non-Import VAT	1277.9200	319.4800	236.0305	246.4666	213.7428	249.2240	945.4639
C Sub-total	1703.8933	425.9733	293.0394	311.9430	275.1161	309.8826	1189.9811
D EDT	275.3982	68.8496	7.2296	38.4119	153.8488	21.5674	221.0577
E CONSOLIDATED ACCT.	83.8314	20.9578	17.0014	18.4862	15.5139	19.6287	70.6302
F NITDEF	20.0118	5.0030	0.1111	13.1488	1.6611	0.2602	15.1812
G Sub-total Non-Oil (B+C+D+E+F)	4501.2024	1125.3006	553.6699	897.6151	972.0212	724.3417	3147.6479
H TOTAL (A+G)	8802.3860	2200.5965	1046.890	1400.609	1564.569	1249.849	5,261.9163

SOURCE: Planning, Research and Statistics Department, FIRS (2019)

Table 3.6: VAT statistic from 2018

Category	2018	2018	2018 Actual Collection				
	Annual	Quarterly	Q1	Q2	Q3	Q4	Total
	Target	Target					
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
PPT	2666.0183	666.5046	644.7751	523.8523	626.3839	672.5694	2467.5807
Non-oil taxes	4081.0161	1020.2540	528.8388	810.3921	754.0335	760.0463	2853.3107
Total	6747.0344	1686.7586	1173.6139	1334.2444	1380.4174	1432.6157	5320.8914

Table 3.6: VAT statistic from 2018 (continued)

Tax Type	2018	2018	2018 Actual Collection				
	Annual	Quarterly	Q1	Q2	Q3	Q4	Total
	Target	Target					
	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)	(=N='b)
Petroleum Profits Tax	2666.0183	666.5046	644.7751	523.8523	626.3839	672.5694	2467.5807
A Sub-Total OTHER NON-OIL TAXES	2666.0183	666.5046	644.7751	523.8523	626.3839	672.5694	2467.5807
Company Income Tax	1669.3235	417.3309	199.1143	421.8009	348.0970	371.3172	1340.3294
Gas Income Tax	238.4606	59.6152	4.5728	49.7313	14.5693	7.1144	75.9878
Capital Gains Tax	17.8690	4.4673	0.3142	6.1663	5.8435	0.2707	12.5947
Stamp Duty	44.6126	11.1532	4.2580	2.5815	3.6305	5.3274	15.7974
B Sub-total	1970.2657	492.5664	208.2593	480.2800	372.1403	384.0297	1444.7093
Total Federation Account (A+B) OTHER NON-OIL TAXES VAT POOL	4636.2840	1159.071	853.0344	1004.132	998.5242	1056.599	3912.2900
NCS-Import VAT	385.9987	96.4997	49.9978	56.3872	86.0409	56.5959	249.0218
Non-Import VAT	1157.9960	289.4990	219.7960	210.3445	187.4632	241.4146	859.0182
C Sub-total	1543.9947	385.9987	269.7938	266.7317	273.5040	298.0105	1108.0400
D EDT	207.0721	51.7680	25.7974	29.6967	89.7968	57.9939	203.2847
E CONSOLIDATED ACCT.	12.1475	3.0369	24.8254	24.5971	16.1535	19.8474	85.4235
F NITDEF Sub-total	42.5361	10.6340	0.1629	9.0866	2.4389	0.1649	11.8533
Non-Oil (B+C+D+E+F+G)	4081.0161	1020.2540	528.8388	810.3921	754.0335	760.0463	2853.3107
TOTAL (A+H)	6747.0344	1686.758	1173.613	1334.244	1380.417	1432.615	5320.8914
		6	9	4	4	7	

SOURCE: Planning, Research and Statistics Department FIRS (2018)

3.3 Data Analysis Techniques

A trend and descriptive analysis approach is used to examine policy documents, academic literature, and statistical data. Key themes analysed include VAT compliance levels, revenue generation trends, administrative challenges, and proposed reforms.

3.4 Validity and Reliability

To ensure the credibility of findings, data was sourced from reputable institutions and peer-reviewed journals. Policy reports are cross-referenced with multiple sources to verify consistency and accuracy.

4.0. Results of findings

The results of this study show descriptive analysis of the tax statistic from FIRS for six years as well as results from trend analysis conducted over the same period of time

Table 4.1: Descriptive results of VAT implementation & collection from 2018-2023

	Mean	Median	Total revenue	Percentage of Total VAT
Non-Import VAT'	690.12	430.27	28984.8	72.13
NCS-Import VAT'	266.70	126.795	11201.2688	27.87

Source: Researcher (2025)

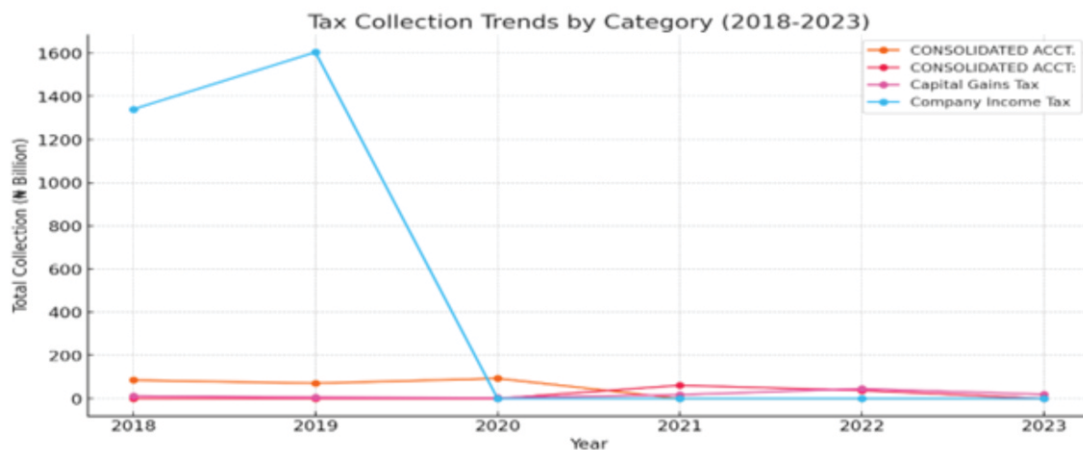


Figure 4.1: Tax collection trends category (2018-2023)

Source: Researcher (2025)



Figure 4.2: Tax revenue collection trends (2018-2023)

Source: Researcher (2025)

4.1. Discussion of Findings

Figure 4.1 depicts the variations in tax revenue collections across various categories during a six-year period. The examination of this tax revenue collection trends from 2018 to 2023 indicates considerable variations across various tax types. The data reveals significant trends, encompassing phases of decline and recovery, which elucidate the efficacy of tax policy and the economic conditions affecting revenue generation. From 2018 to 2019, tax collection exhibited relative stability, with Company Income Tax (CIT) and Capital Gains Tax making substantial contributions to total income. Nevertheless, a decline commenced in 2020, presumably attributable to the economic repercussions of the COVID-19 pandemic. The pandemic resulted in diminished company operations, helping to impact corporate profitability and tax revenues.

The fall persisted into 2021, culminating in 2022 with a significant decrease in total tax revenue collection. An exceptional case to the overall decrease was the Capital Gains Tax, which reached its zenith in 2022 before experiencing a further dip in 2023. This may signify an increase in asset sales and property transactions, maybe influenced by market conditions or tax incentives promoting capital asset liquidation. Consolidated Account Revenue exhibited substantial receipts in 2020 but was non-existent in subsequent years which indicated potential alterations in governmental accounting methodologies or policy modifications. The year 2023 showed a robust comeback, with overall tax revenue collection surpassing even pre-pandemic levels. This shows that economic activities rebounded dramatically, and tax compliance improved due to strengthened enforcement methods. The increase in tax collection may also be ascribed to policy actions aimed at broadening the tax base and boosting efficiency in revenue administration.

Despite the recent improvement, the variations in tax collection over the years show the need for a more stable and predictable tax structure. Policymakers should work

on methods to continue the increase observed in 2023 while correcting the deficiencies that led to the drop in prior years. Strengthening enforcement procedures, creating incentives for compliance, and diversifying revenue sources might assist in establishing a more consistent revenue collection pattern. As demonstrated in the graph in Figure 4.2, it demonstrates a trend of decrease followed by a remarkable comeback. This trend provides useful insights into economic volatility, tax policy efficacy, and external variables influencing revenue production.

From 2018 to 2022, there was a steady reduction in tax revenue collection. The greatest recorded revenue during this period was in 2018, where total collection exceeded ₦22,000 billion. However, from 2019 forward, revenue collection followed a declining slope. By 2020, revenue had plummeted dramatically, indicating the economic burden of the COVID-19 pandemic. This period experienced widespread economic slowdowns, firm closures, and reduced corporate earnings, all of which likely contributed to lower tax receipts. The declining trend continued through 2021 and reached its lowest point in 2022, where tax revenue fell below ₦3,500 billion. Such a significant reduction could be attributed to numerous factors, including weakened enforcement methods, lower economic activities, and probable gaps in tax compliance. The trend implies that throughout these years, revenue mobilisation efforts were either insufficient or experienced major external constraints that hampered tax collection. A significant turnaround happened in 2023, as tax income collection surged to about ₦25,000 billion, surpassing previous highs established in 2018. This substantial increase reflects a strong economic recovery, greater tax compliance, or legislative improvements that bolstered revenue production. It is probable that government actions aimed at extending the tax base, enhancing enforcement mechanisms, or diversifying tax sources contributed to this resurgence. The steep recovery in 2023 signals a return to economic stability and maybe more effective tax administration tactics.

However, the unpredictability in tax income collection over the six-year period underlines the necessity for sustainable policies that maintain stability in revenue streams. Policymakers should focus on lowering swings by introducing measures that boost economic resilience and improve tax collection efficiency. Furthermore, the examination of VAT income distribution indicates major trends and implications for Nigeria's tax system illustrated in Table 4.1, which displays a descriptive result of the trend. The dominance of non-import VAT (72.13%) represents a substantial share of non-import VAT in overall VAT revenue, which suggests that most VAT collections come from domestic economic activity rather than imported items. It suggests substantial domestic consumption, indicating there is a high proportion of goods and services spent within Nigeria that are taxable under the VAT system.

Also, the results reveal efficient VAT enforcement on local enterprises, which suggests that the collecting method for non-import VAT seems to be more structured, potentially due to enhanced compliance monitoring by tax authorities. More so, prospective policy concentrates on domestic firms; since most VAT revenue is collected

from within the country, tax policies may need to increase business compliance and broaden the tax net to include more informal sector participants.

4.2. Impact of 2024 Tax Policies on Revenue Collection Trends

The Nigerian government introduced significant tax reforms in 2024 aimed at addressing the challenges observed in previous years and ensuring more sustainable revenue collection. The key components of these policies include adjustments to Corporate Income Tax (CIT), Value-Added Tax (VAT), Personal Income Tax (PIT), and Withholding Tax regulations. The phased reduction of CIT from 30% to 27.5% in 2025 and eventually to 25% is expected to stimulate business activity, enhance compliance, and potentially increase overall tax revenue despite lower rates. Exemptions for small businesses and the elimination of withholding tax on business income could further encourage economic participation and formalisation. The VAT modifications, which aim to gradually increase the rate to 12.5% in 2026 and 15% by 2030 while maintaining exemptions for essential goods and services, are designed to boost revenue without disproportionately affecting low-income earners. This approach balances revenue generation with social considerations, making it a strategic move toward economic stability.

Additionally, PIT reforms, including tax exemptions for individuals earning ₦800,000 or less annually, will increase disposable income and stimulate consumer spending. While this may lead to short-term revenue losses, it could promote long-term economic growth and tax compliance. New withholding tax regulations effective from 2025 seek to simplify tax deductions at source, reducing administrative inefficiencies and enhancing compliance. This measure is expected to streamline revenue collection and minimise leakages in the tax system.

The question of whether the 2024 tax policies will address past challenges is one of the key reasons why the study is conducted, looking at its prospects in addressing the challenges. The 2024 tax policies appear well-structured to tackle the historical fluctuations in tax revenue collection. By fostering business growth, broadening the tax base, and improving compliance, these reforms could help sustain the revenue increase observed in 2023. The combination of reduced corporate tax rates, phased VAT increments, and streamlined withholding tax policies is likely to create a more predictable and stable tax environment. However, the success of these reforms will depend on effective implementation, enforcement, and economic conditions. If the government ensures strict compliance and minimises tax evasion, the volatility seen between 2018 and 2022 may be mitigated, leading to a more consistent and reliable revenue generation framework.

4.3. Revenue Collection Trends and Economic Implications

he median VAT revenue figures for both Non-Import VAT (₦430.27 billion) and NCS-

Import VAT (₦126.80 billion) indicate variability in quarterly collections. This suggests seasonality in VAT performance, possibly linked to economic cycles, consumer demand, and trade activities. With non-import VAT already contributing a major portion, policymakers could explore ways to increase compliance, reduce tax evasion, and expand VAT coverage without overburdening consumers. For NCS-Import VAT, improved customs processes and stricter border controls could enhance VAT collections.

5.0. Conclusion

In conclusion, the tax revenue collection trend from 2018 to 2023 demonstrates a period of significant economic downturn followed by a strong resurgence. Understanding the factors that led to these changes can help policymakers develop strategies to sustain growth and mitigate future downturns in tax revenue collection. The trend analysis indicates that while tax revenue collection has experienced volatility over the years, recent policy reforms provide a promising outlook for stability. The 2024 tax policies address key challenges, and if effectively implemented, they could ensure sustained revenue growth and economic resilience. Continued monitoring, evaluation, and policy adjustments will be essential to achieving long-term stability in tax collection and economic development.

5.1. Policy Recommendations

From the conclusions drawn, the following recommendations are put forth:

- Government should broaden the VAT base by incorporating more businesses, particularly from the informal sector, to increase VAT contributions.
- There should be an enhancement in the compliance mechanisms in order to reduce loopholes that allow VAT evasion, especially in imported goods.
- Improve tax administration by digitalising VAT collection and integrating systems between the FIRS and NCS to streamline processes and enhance revenue collection.
- Consumer education: Raising awareness about VAT and its importance could encourage voluntary compliance among businesses and consumers.

However, future studies should focus on the use of automation, digital audits, or rather AI-driven monitoring to increase VAT coverage, especially in informal markets looking at the findings of the research that non-import VAT is a significant source but also susceptible to evasion and compliance gaps.

References

- Adebayo, T. (2022). *Jurisdictional disputes over VAT collection in Nigeria: A legal and economic perspective*. *Journal of Taxation and Policy*, 15(2), 45-60.
- Adegbite, A. (2018). *Harmonization of tax policies and VAT administration in Nigeria: Challenges and prospects*. *Nigerian Journal of Economic Research*, 10(1), 32-50.
- Bala M. L (2020). *An evaluation of value added tax in Nigeria: Prospects and challenges*. *African Scholar Journal of Mgt. Science and Entrepreneurship (JMSE-7)*, 19(7); 111-120
- Bird, R. M., & Gendron, P. P. (2007). *The VAT in developing and transitional countries*. Cambridge University Press.
- Ekpo, A. H., & Agbeyegbe, T. (2019). *The informal economy and tax compliance in Nigeria: Challenges for VAT administration*. *African Economic Review*, 8(3), 22-40.
- Etim, R. S., Jeremiah O. O and Udonsek A. et al. (2023). *The implementation of value added tax (VAT) on e-transactions in Nigeria: Issues and implications*. ResearchGate. Retrieved from
- Federal Inland Revenue Service (FIRS). (2020). *Annual report on VAT revenue performance in Nigeria*. Federal Inland Revenue Service.
- Nwokah, N., & Ahuru, R. (2021). *Revenue allocation and VAT collection conflicts in Nigeria: The need for legislative clarity*. *Journal of African Fiscal Studies*, 12(4), 67-85.
- Okoli, C. A., & Afolayan, M. (2015). *VAT policy inconsistencies and their impact on Nigeria's tax administration system*. *International Journal of Public Administration*, 9(2), 101-120.
- Oladayo A. C. (2024). *Analysis of the administration of value added tax in a federal system, A bachelor of law project, UNIVERSITY, ILE-IFE, NIGERIA*.



- Omesi I., and Nzor N. P (2015). *Tax reforms in Nigeria: Case for value added tax (VAT), An International Multidisciplinary Journal, Ethiopia, 9(4); 277-287.*
- Owolabi, S. A., & Okwu, A. T. (2011). *The contribution of Value Added Tax (VAT) to revenue generation in Nigeria: A time series analysis.* African Journal of Business and Economic Research, 4(2), 25-45.
- Umenweke M. N and Nwoke T. W (2023). *Towards effective value added tax administration in Nigeria. Unizik, Law Journal, 19, (1); 118-133.*
- Yeldu N., Illo A. M., Abubakar M. M., Oladele O. S (2023). *Efforts & challenges of Nigeria value added tax: From 2000-2020. Journal of Management and Science, 13(3); 82-90.*