*Clifford University International Journal of Development Studies (CLUIJODS). Volume 2 (December, 2022), pp 82 - 95*
*www.journal.cliffordduni.edu.ng/*
*ISSN: 0795-0445*

# TAX AUDIT AND VALUE ADDED TAX (VAT) COMPLIANCE IN DEVELOPING COUNTRIES

**[1]Akujor, Jane Chinyere, [2*]Joseph, Fineboy Ikechi and [2]Nwankwo, Kelechi Calistus.**

**[1]Department of Financial Management Technology. School of Management Technology, Federal University of Technology, Owerri, Imo State, Nigeria**

**[2]Department of Accounting, Faculty of Social and Management Sciences, Clifford University, Owerrinta, Ihie, Abia State, Nigeria.**

**[*]Corresponding Author. E-mail: fayooxyz2009@yahoo.com**

## ABSTRACT
Value added tax around the world has shown great level of homogeneity. However, irrespective of these commonalities, there are differences in the administration of VAT. Nigeria like many other developing countries often place much focus on the dissemination of tax revenue, while undermining the sternness of VAT audit in enhancing favorable VAT compliance. It is equally preposterous that country like Bangladesh and others that are less developed than Nigeria are performing better in the area of VAT audit and compliance. The study therefore compares the impact of tax audit and VAT compliance between Nigeria and Bangladesh. The OLS and independent t-test analytical tools were employed. The study has also shown that there is a significant difference in level of VAT compliance between Nigeria and Bangladesh. Also VAT significantly affect VAT proceeds in Nigeria and Bangladesh. Although, unremitted VAT and VAT proceeds are high in Bangladesh; neither does Nigeria nor Bangladesh has a better VAT compliance compared to each other for the period under review. It is recommended that the scope of tax audit should be widened in such a way that will ensure proper submission of accurate and current returns for proper computation, and sanctions should be applied when necessary.

**Key Words:** Tax, Tax audit, VAT audit, VAT compliance, Nigeria, Bangladesh, VAT proceeds.

## 1.0 INTRODUCTION:
Value added taxes have a high degree of uniformity and homogeneity worldwide. Although there are many similarities, there are variances in how VAT is administered (Thuronyi, 2003). VAT-adopting nations, including Nigeria, have been compelled to adapt to local conditions and deviate from international norms and best practices due to a number of factors, including the economy structure of a nation, the tax culture, administrative dimensions, and politicization of VAT operations, etc (Igbeng, Beredugo & Adu, 2015).

The primary goal of the majority of developing nations has always been to maximize tax income, while accidentally ignoring the fundamentals of a sound tax system and lowering the rigor of tax audits in order to improve favorable VAT compliance.

An inspection of tax returns by the revenue agency to ensure that income and deductions are precise and accurate is known as a tax audit. It is beneficial to check that the financial data is being reported accurately. A tax audit, according to Goodrich (2013), is a review of a company's or an individual's tax return. Taxes are a significant source of income in many developing

**Received: June 19, 2022. Accepted: October 30, 2022.**
**Published by Clifford University, Owerrinta, Abia State, Nigeria**

nations, including Bangladesh and Nigeria. According to Modugu and Anyaduba (2014), a tax is a mandatory levy placed by the government on an individual's income, profit, or wealth as well as the wealth of their family, community, corporation, or unincorporated bodies in order to finance public expenditures. The VAT is one of the most dependable and significant taxes from which the government can generate cash.

VAT is a tax imposed on the consumption of goods and services (Fowler, 2016). The Federal Inland Revenue Service and the Federal Government view VAT as a reliable source of government revenue (Fowler, 2016). VAT is a positive development for Bangladesh and Nigeria. It is intended to be paid for in the end by the people who really use the products and services. As a result, the operational mechanism enables output-input adjustments to care for taxpayers in the supply chain who are not buyers of the items they deal in. The decision to implement a VAT has frequently been made for these reasons since it is commonly acknowledged that a well-designed VAT may raise considerable sums of income on a stable and sustainable basis (Smith, Islam &Moniruzzaman, 2011)

Effective tax compliance is hampered in nations like Nigeria and Bangladesh by a number of issues, such as tax evasion and avoidance, failure to report income subject to taxation, inadequate account-keeping, etc. Therefore, tax compliance refers to a tax-liable body's capacity to provide accurate, full, and satisfying returns in accordance with state tax rules and regulations to the authority for the purpose of tax assessment (Kircher, 2008).

According to Smith, Islam, and Moniruzzaman (2011), many developing nations consider the introduction of a VAT as an opportunity to modernize their tax systems, which may indicate that international financial organizations (such the IMF and World Bank) had a say in the choice to do so. However, a lot of developing nations discover the VAT.

Several nations have incorporated tax audit into their tax systems to address the aforementioned issues. Tax audits assist in ensuring that financial data is recorded accurately (Goodrich, 2013)

### 1.1 Statement of the problem

The government's inability to sufficiently and su ccessfully recoup the VAT proceeds from busine sses continues to be a problem.

Like many other developing nations, Nigeria fre quently places a lot of emphasis on the distributi on of tax revenue while downplaying the severit y of a VAT audit in order to improve favourable VAT compliance.

It is similarly absurd that nations less developed than Nigeria, such as Bangladesh, perform better in terms of VAT audit and compliance.

This was demonstrated by the startling discrepan cy between expected VAT returns and actual val ue added tax returns.

The inability of revenue authorities to check and audit enterprises for VAT purposes has also occ asionally reduced VAT collection. In the case of Nigeria, a number of companies charge a 5 percent VAT on sales without making sufficient payments to the tax authority, and most of the time, the whole amount of VAT deducted is not properly accounted for. Even though the Federal Inland Revenue Services (FIRS) has the authority to periodically audit Vatable Persons without a warrant in order to guarantee compliance with the VAT statute and regulations, these actions have continued uninterrupted.

## 2.0 Review of Related Literature

### 2.1 Conceptual Framework

A long-term method of income production is used to create and sustain the world's largest economies. The age of complete reliance on oil money is over, and revenue services are now considered to create government income through taxation to support government programs and initiatives (Fowler, 2010). One dependable tax that the Revenue Service uses to pay for government initiatives is the value added tax.

VAT is a positive development in nations like Bangladesh and Nigeria. Value Added Tax (VAT) is a tax assessed on the consumption of goods and services (Fowler, 2016). It is an indirect tax, which means that the onus of payment rests with the person who purchases the products or services in the end.By changing the taxpayer's behavior, auditing can significantly improve taxpayer compliance and tax administration (Kagina, Uganda commissioner of General Revenue Authority).

A tax audit, according to Kircher (2008), is a review of a person or organization's compliance with federal and state tax laws. According to Ola (2001), tax audits also contain tax returns that are chosen for audit based on a set of selection criteria. The construction of a strong and viable tax administration as well as the maintenance of a strong and viable mechanism to deal with the various organizations' access to tax evasion strategies are among the objectives of tax audit.

**Value Added Tax in Nigeria**

The VAT Act No. 102 of 1993 established the tax, and it went into effect in January 1994. In Nigeria, the VAT rate is 7.5% for all taxable products and services. Federal Inland Revenue Services also collects it. Proceeds from VAT should go into the VAT pool account, which then distributes money each month to the federal, state (including federal capital tertiary), and local governments in the proportions of 15%, 50%, and 35%, respectively. The VAT has proven to be a reliable source of revenue for the government since its inception (Flower, 2016).

**How VAT is Computed and Paid**

All vatable people must register with the board for VAT within six months after the start of the Act or within six months of the start of business, whichever comes first, in order for the tax to be collected. Furthermore, even those who engage in exempt goods must register for VAT, as are all vatable individuals. As a result, products and services, not people or organisations, are granted the exemption status outlined in the VAT statute. In Nigeria, 7.5% of the value of goods and services sold is referred to as the output VAT, while 5% of the value of items purchased for resale is referred to as the input VAT inNigeria, while a least developed nation like Bangladesh charges VAT at a uniform and regular rate of 15%. (Smith, Islam & Moniruzzaman, 2011). The computation must adhere to the following rules (Fowler, 2016):

1. The tax on goods purchased or imported directly for resale as well as products that make up the stock-on-trade utilized for the creation of any new product on which output tax is paid are the only items for which input VAT will be allowed as a deduction from the output tax.

2. VAT on administrative costs or overheads is not considered eligible input VAT. This VAT and any associated expenses are expensed in the profit and loss account.

3. Claims for input tax on services supplied are not permitted under the VAT Act.

4. VAT is deducted from profit and loss statements for input used to produce exempt goods.

Capital assets and purchases of capital goods are capitalized rather than eligible for input VAT (that is taken as part of the capital expenses of the business and capital allowance claimed).As in the case of Nigeria, VAT on inputs used to produce zero-rated products is claimed from FIRS through the submission of refund applications. VAT would not be applicable to reimbursable expenses (where applicable) that are not included in the fees and are reported explicitly and individually on the invoice. Invoice-based VAT is used. This means that the total invoices raised along with additional cash receipts are used to calculate and pay VAT rather than cash receipts alone. VAT is remitted and paid each month.

**Value Added Tax in Bangladesh**

The value Added Taax Act was passed on June 2, 1991 (Ordinance 26 of 1991), and it became effective on July 1, 1991. It superseded a number of previous sales and excise taxes. When it was originally put into practice in Bangl adesh in 1991, a number of objectives were soug ht, including (a) enhancing tax transparency; (b)

reducing cascading (taxing on tax) of consumer t axes; (c) integrating tax administration; and (d) p romoting economic growth (Rafiqul& Kumar, 2 014). VAT is assessed on both commodities and services at the import, manufacture, wholesale and retail levels at a uniform rate of 15% at the moment of the provision of taxable items or services.

When determining the VAT owed, tax paid on in puts is
taken into account.When the reduced rates or tru ncated rates apply, a predetermined amount is ta ken into account as the value contributed, and no specific credits are allowed.

The amount that is assessable for the application of VAT on taxable services is known as the "co mplete receipt," which is defined as the total am ount of money, including commission or fee but excluding the VAT or advance income tax appli ed. A number of exemptions from the applicatio n of the Bangladeshi VAT on the supply of good s and
services within Bangladesh are provided in the F irst and Second Schedules to the VAT Act.

The vast bulk of the excluded products are unpro cessed agricultural goods.

Trade, nonmedical professional services, cultura l and entertainment services, as well as other ser vices that are not normally excluded under other VAT systems, are also exempt from VAT. The li st of exempt services includes those that are regu larly exempted (or subject to a low rate of VAT) in other nations, such as financial services, trans portation, and medical, social, and educational s ervices (Rafiqul& Kumar, 2014).Nonregistered VAT payers must pay a turnover tax equal to 4% of their gross annual revenue rather than paying VAT without any input credits. Any sums paid a s turnover tax on inputs purchased by VATregist ered taxpayers, however, cannot be offset agains t VAT because turnover tax is not a type of VAT .Trade, nonmedical professional services, cultura l and entertainment services, as well as other ser vices that are not normally excluded under other VAT systems, are also exempt from VAT.

\The list of exempt services includes those that a re regularly exempted (or subject to a low rate of VAT) in other nations, such as financial service s, transportation, and medical, social, and educat ional services (Rafiqul& Kumar, 2014).Instead o f paying VAT without any input credits, non registered VAT payers must instead pay a turnov er tax equal to 4% of their gross annual income. Turnover tax is not a kind of VAT, hence any a mounts paid as turnover tax on inputs bought by VATregistered taxpayers cannot be deducted fro m VAT. The VAT system in Bangladesh impose s a separate tax known as "supplementary duty," which is essentially an excise tax, in addition to VAT and the turnove tax.The goods covered by the duty are listed in the Third Schedule of th e Act, together with the rates levied (Scott, 1999 ).
Keeping in mind that capital goods are exempt fr om Bangladesh's VAT, the standard Trade, nonmedical professional services, cultural and e ntertainment services, as well as other services t hat are not normally excluded under other VAT systems, are also exempt from VAT. The list of exempt services includes those that are regularly exempted (or subject to a low rate of VAT) in ot her nations, such as financial services, transporta tion, and medical, social, and educational service s (Rafiqul& Kumar, 2014).

**The VAT Rate**

Bangladesh only uses one VAT rate of 15%. The effective VAT rates with the turnover tax and truncated VAT rates will differ from the standard 15% rate since the real amounts of value-added and the amounts assumed with the truncated rates will not be the same. Although it is not quite a VAT, the extensive list of exclusions and the extra duty assist in partially offsetting the progressivity of the single rate VAT (Bangladesh, 2016).

**Reasons for Tax Audit**

According to Erard (1994), there are a number of reasons for tax audits, including: 1. assisting the government in obtaining the proper tax income, which is essential for funding the budget and preserving the stability of the economy and financial system.

2. To make certain that tax payers submit accurate returns.

3. To reduce the level of tax evasion and avoidance.

4. To make certain that the payers strictly adhere to the tax legislation

5. To put non-compliant taxpayers within the tax authorities' scrutiny.

6. To demonstrate the accuracy, timeliness, and completeness of tax returns submitted by tax payers.

**International perspective of Tax Audit**

Domestic tax rules of the various countries are w here international tax laws are based (Cremer, 1990). He claimed that nations create r ules to allow their tax authorities to collect tax m oney for the benefit of the people and to encoura ge domestic investment and business. In light of the fact that international organizations were est ablished to deal with the prevention and collecti on of tax evasion and avoidance, double taxation of multinational firms, etc., tax audit is crucial i nternationally.

## 2.2 Theoretical Framework

**2.2.1 Economic Theories:** This theory is based on economists constructing a theory that is based on the assumption about human behavior; saying that people typically act rationally in evaluating the cost and benefit of any chosen activity. According to Slemrod (2000), when modeling the choice individuals face when deciding whether to engage in tax evasion or not, their basic model assumes that people would commit e As a result, this theory is based on it in that it seeks to explain why tax rules and policies are not followed, which may be one of the causes of low tax revenue production.

## 2.3 Review of Empirical Studies

Some scholars conducted empirical investigations on the administration of taxes in both developed and developing nations, with a focus on tax audit. Smith and Stalans (1994) conducted research on the preferred bargaining tactics used by taxpayers and auditors to resolve tax audit disagreements in the USA. An open-ended pre-audit interview with a randomly chosen sample of taxpayers and state tax auditors from four field offices of the Oregon department of revenue was used in the study. The findings showed that the nature of the disagreement, general taxpayer attitudes regarding tax administration and taxpaying, and perceived role obligations all have an impact on both taxpayers' and auditors' strategy preferences. The survey also revealed that taxpayers who advocated exploiting tax code inconsistencies and loopholes tended to favor the forceful approach.

Alm and McKee (2006) investigate the use of experimental methods to examine how people respond in terms of compliance to a specific probability of audit and come to the conclusion that people's compliance rates increase when they are aware they will be audited and decrease when they are aware they won't be. In addition, Mittone (2006) explores the idea that early audit experiences are more beneficial than later audits at increasing compliance. Although the effectiveness of audits and fines cannot be fully established, Kastlunger, Kircher, Mittone, and Pitters' (2009) study of experimental research reveals that early audit in taxpayers' tax lives have a favorable impact on compliance.

## 3.0 Methodology

## 3.1 Research design

The study adopts the *ex-post facto* research design. This was necessitated to elicit secondary data from relevant documents of CBN statistical Bulletins, National Board of Revenue (NBR) statistics and World Bank. The secondary data were collected through the quarterly review and detailed investigation of CBN Statistical bulletin, Federal Inland Revenue Services and Annual Report of Bangladesh's National Board of Revenue, Ministry of Finance, using quarterly data from 1994 to 2021.The formulated hypotheses were tested using the ordinary least square and the independent t-test analysis. Data on Value Added Tax (VAT) and Unremitted VAT discovered through the VAT audit were basically used. The independent t-test analysis was used to compare the effect of tax audit proxy as unremitted VAT discovered on VAT

compliance proxy as VAT proceeds between Nigeria and Bangladesh within the period.

### 3.2 Model Specification

This study examined Tax audit and value added tax (VAT) compliance in Nigeria and Bangladesh. In order to accomplish this, two variables were identified in the study and these are dependent and independent variables. The independent variable is tax audit. On the other hand, the dependent or response variable is Value Added Tax.

### 3.3 Functional Relationships

**VAT = f (VATA)** **(1)**

Where:

VAT = Value Added Tax (VAT)

VATA = VAT Audit

In Econometric form;

$$VAT = \beta_0 + \beta_1 VATAD + \varepsilon_1 \quad (2)$$

Where: $\beta_0$ = the Intercepts; $\beta_1$= Parameters to the explanatory variable; $\varepsilon_1$ = Error term

VAT = VAT compliance; VATAD = VAT Audit.

The a priori expectation for model is that $B_1 > 0$; implying that the higher the tax audit, the higher the tax compliance in Nigeria and Bangladesh.

The independent t-test is also implored to compare unremitted VAT differences in the case of Nigeria and Bangladesh.

## 4.0 Data Analysis and Discussion of findings

Data were obtained using United States dollars in billions after judicious conversion of local currencies for adequate comparison between Nigeria and Bangladesh. These data include Value Added Tax (VAT) proceed and unremitted VAT discovered through VAT audit (VATAD) for the period between 1994 and 2021.

**Hypothesis 1**

**$H_{0:1}$:** VAT audit does not significantly affect VAT proceeds in Nigeria and Bangladesh.

**Table 1.1: Panel Regression of VAT Audit and VAT Proceed in Nigeria and Bangladesh**

Dependent Variable: TAXPROCEED

Method: Panel Least Squares

Date: 29/04/22 Time: 14:05

Sample (adjusted): 1994 2021

Periods included: 112

Cross-sections included: 2

Total panel (unbalanced) observations: 224

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 12.78113 | 1.742040 | 7.336101 | 0.0000 |

| | | | | |
|---|---|---|---|---|
| TAXAUDIT | 0.682987 | 0.257387 | 2.664001 | 0.0080 |

| | | | |
|---|---|---|---|
| R-squared | 0.819108 | Mean dependent var | 5.943321 |
| Adjusted R-squared | 0.796912 | S.D. dependent var | 0.668143 |
| S.E. of regression | 0.773426 | Akaike info criterion | 1.713021 |
| Sum squared resid | 26.18776 | Schwarz criterion | 1.903201 |
| Log likelihood | -78.81101 | Hannan-Quinn criter. | 2.021547 |
| F-statistic | 7.096012 | Durbin-Watson stat | 1.911012 |
| Prob(F-statistic) | 0.000800 | | |

**Source: Researcher's E-views Computations 2022**

The regression result presented in Table 1 shows that VAT audit is positive and significantly affects the VAT proceeds in Nigeria and Bangladesh. The coefficient of determination $R^2$ showed a favorable fit of 0.81 with an adjusted $R^2$ of 0.796. This adjusted $R^2$ shows that about 79.6% of the observed changes in VAT compliance in Nigeria were explained by changes in VAT audit. The individual result shows that (t-stat. = 2.664 > $t_{0.05}$ = 1.96) VAT audit significantly affects the VAT proceeds in Nigeria and Bangladesh. The null hypothesis is therefore rejected and the alternative hypothesis accepted.

**Hypothesis 2**

**$H_{02}$:** There is no significant difference in the VAT audited in Nigeria and that of Bangladesh.

**Table 2a: Group Statistics**

| | Group | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Unremitted_tax | Nigeria | 112 | .5803 | .37043 | .03500 |
| | Bangladesh | 112 | 27.5592 | 30.45999 | 2.87820 |

**Table 2b: Independent Samples Test**

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| VAT | Equal variances assumed | 129.488 | .000 | -9.373 | 222 | .000 | -26.97891 | 2.87841 | -32.65142 | -21.30641 |
| | Equal variances not assumed | | | -9.373 | 111.033 | .000 | -26.97891 | 2.87841 | -32.68266 | -21.27517 |

Source: SPSS output, 2022

Table 2 reports the mean difference between Nigeria and Bangladesh unremitted VAT. This unremitted VAT between the two countries shows a high mean difference of -26.97891. Despite this outcome, the result shows that there is a significant difference between the two countries with a t-value = -9.373, and a p-value of 0.000. Bangladesh has a better VAT compliance compared to Nigeria. Although both countries have their unique peculiarity in terms of volume of VAT proceed; Bangladesh's VAT proceeds and VAT rates are both higher compared to Nigeria. This was also conveyed in the Levene's test for equality of variances which gives a significant value of .000. This means that the data violates the assumption of equal variance between both countries, since it is lower than .05. However, the procedure of VAT audit was dissimilar between both countries. The null hypothesis is therefore rejected since the p-value is lesser when compared to the 0.05 level of significance. The test therefore shows that there is a significant difference in the VAT audited in Nigeria and that of Bangladesh.

**5.0 Findings and Conclusion** The result from the hypotheses tests show that VAT audit significantly affect VAT proceeds in Nigeria and Bangladesh and also, there is a significant difference in the VAT audited in Nigeria and that of Bangladesh. These results show that VAT audit assists the government in collecting appropriate VAT revenue which is necessary for budget, maintaining economic and financial order and stability. It is necessary in minimizing the degree of tax avoidance and by extension enforces strict compliance with VAT by the payers.

The study has also shown that there is a significant difference in level of VAT compliance between Nigeria and Bangladesh; and it is obvious from our data that there are disparities in the unremitted amounts between both countries, which is attributable to the uniqueness of the value added tax volume and the different VAT rate which tends to be higher in Bangladesh compare to Nigeria not until 2020. Based on our findings, it is recommended that the scope of tax audit should be widened in such a way that it will ensure proper submission of accurate and current returns for proper computation; and that there should be effective

sanctions by relevant tax authorities over the non-compliance tax payers with the tax rule and regulation in Nigeria.

## References


Alm, J., Jackson, B.andMckee, M. (2004), Audit information Dissemination, Taxpayer communication and compliance: An experiment Approach, paper presented at 2004 IRS Research conference, Washington D.C.

Andrew M. C. Smith, Ainul Islam and M. Moniruzzaman (2011). Consumption Taxes in developing countries-the case of the Bangladesh VAT. Working Paper Series. http://www.victoria.ac.nz/sacl/cagtr/

Andrew, J, Erard, B (1998) '' Tax compliance, *Journal of Economic literature,* 36, 18-60

Anik, S. S. B. (3rd June, 2016). New VAT law from July 2017. *Dhaka Tribune.*

Cremier, H.M,(1990),Evading, Auditing and Taxing. *Journal of public Economics* 43; 67-92

Erard, B. (1994) "Honesty and Evasion in the compliance Game" The RAND *Journal of Economics* 25(1):1-19

Fowler, T. (2016). "Synopsis of value added tax administration in Nigeria. The guardian newspaper, *p.20 (www.guardian.ng)*

Goodrich R (2013) Business News daily contributor (www.businessnews daily.com)

Igbeng, E. I., Beredugo, S. B. &Adu, V. A. (2015). Evaluation of Public Accountability and Tax Culture among Tax Payers in Nigeria. International Journal of Management Science and Business Administration, 1(9), 7 – 13

Kastlunger, B., Kirchler, E., Mittone, L. and Pitters, J (2009), Sequences of audits, Tax compliance and taxpaying strategies, *Journal of Economic psychology*,30(3):405-418,EconomicPolicy Review 9,201-228.

Kircher, E .E (2008), Enforced versus voluntary Tax Compliance: The slippery framework. *Journal of Economic psychology*, 29(2):210-225.

Mittone, L., (2006), Dynamic behaviour in tax evasion: An experimental Approach, *The journal of social Economicss*,35(5):813-835

Modugu P, Anyaduba, J. (2014). "Impact of tax audit on tax compliance in Nigeria. *International journal of business and social science*, 5(9)

National Board of Revenue (NBR) (2016). What is VAT Rate in Bangladesh?.*National Board of Revenue Publications*.

Rafiqul, I. and Kumar, B. S. (2014). Value Added Tax on Goods & Services, retrieved from http//:www. banglapedia.org

Ross, G. (2004). Indirect Taxation—Designing Its Future. International Tax Revenue NBR publications.

Scott, A. (1999). *"Taxing Financial Services: A Future with Options."* OECD Observer, National Board of Revenue publications.

Selmrod, J.(2000),Why People pay taxes: Introduction, in Slemrod, Joel(ed), why people pay Taxes: tax Compliance and Enforcement, Ann Arbor, *University of Michigan press*, 1-8.

Thuronyi, V. (2003). *Comparative Tax Law* (The Hague: Kluwer LawvInternational, 2003), 373-381.

**APPENDIX 1**
**VAT Proceeds and Unremitted VAT through VAT audit**

| YEAR | Quarterly | NIGERIA | | Exch. Rate | NIGERIA | | BANGLADESH | |
|---|---|---|---|---|---|---|---|---|
| | | VAT (₦'b) | Tax Audit (₦' b) Unremitted VAT) | ₦ = $ | VAT ($' b) | Tax Audit (Unremitted VAT) ($' b) | VAT ($' b) | Tax Audit (Unremitted VAT) ($' b) |
| 1994 | Q1 | 1.59742 | 0.2222 | 22.33 | 0.0715369 | 0.0099507 | 2.2821678 | 0.2407124 |
| | Q2 | 1.81525 | 0.2525 | 22.33 | 0.081292 | 0.0113077 | 18.508595 | 1.094086 |
| | Q3 | 2.10569 | 0.2929 | 22.33 | 0.0942987 | 0.0131169 | 21.512461 | 1.687419 |
| | Q4 | 1.74264 | 0.2424 | 22.33 | 0.0780403 | 0.0108554 | 16.4924376 | 1.563163 |
| 1995 | Q1 | 4.56742 | 1.80664 | 21.89 | 0.2086533 | 0.0825327 | 16.2875636 | 1.094086 |
| | Q2 | 5.19025 | 2.053 | 21.89 | 0.237106 | 0.0937871 | 18.545225 | 1.687419 |
| | Q3 | 6.02069 | 2.38148 | 21.89 | 0.2750429 | 0.1087931 | 19.9283621 | 1.563163 |
| | Q4 | 4.98264 | 1.97088 | 21.89 | 0.2276217 | 0.0900356 | 15.138936 | 1.434878 |
| 1996 | Q1 | 6.82 | 2.0262 | 21.89 | 0.3115578 | 0.0925628 | 16.319798 | 1.687419 |
| | Q2 | 7.75 | 2.3025 | 21.89 | 0.3540429 | 0.105185 | 17.22 | 1.804 |
| | Q3 | 8.99 | 2.6709 | 21.89 | 0.4106898 | 0.1220146 | 19.9752 | 2.144 |
| | Q4 | 7.44 | 2.2104 | 21.89 | 0.3398812 | 0.1009776 | 16.5312 | 2.321 |
| 1997 | Q1 | 7.48 | 0.66 | 75.89 | 0.0985637 | 0.0086968 | 15.1180678 | 1.563163 |
| | Q2 | 8.5 | 0.75 | 75.89 | 0.1120042 | 0.0098827 | 21.555 | 8.644 |
| | Q3 | 9.86 | 0.87 | 75.89 | 0.1299249 | 0.011464 | 25.0038 | 8.644 |
| | Q4 | 8.16 | 0.72 | 75.89 | 0.107524 | 0.0094874 | 20.6928 | 8.644 |
| 1998 | Q1 | 7.92 | 1.8722 | 75.89 | 0.1043616 | 0.0246699 | 13.877358 | 0.4322 |
| | Q2 | 9.021 | 2.1275 | 75.89 | 0.1185927 | 0.028034 | 16.0825 | 1.422 |
| | Q3 | 10.44 | 2.4679 | 75.89 | 0.1375675 | 0.0325194 | 18.3367 | 1.422 |
| | Q4 | 8.64 | 2.0424 | 75.89 | 0.113849 | 0.0269126 | 14.2392 | 1.444 |
| 1999 | Q1 | 10.362 | 2.53 | 75.89 | 0.1365397 | 0.0333377 | 25.665376 | 0.953724 |
| | Q2 | 11.775 | 2.875 | 75.89 | 0.155158 | 0.0378838 | 29.3575 | 0.965 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 8 | | | |
| | Q3 | 13.659 | 3.335 | 75.89 | 0.179984 2 | 0.0439452 | 34.0547 | 0.965 |
| | Q4 | 11.304 | 2.76 | 75.89 | 0.148952 4 | 0.0363684 | 28.1832 | 0.965 |
| 2000 | Q1 | 12.65 | 5.61 | 85.98 | 0.147127 2 | 0.0652477 | 4.4303512 | 0.899276 |
| | Q2 | 14.375 | 6.375 | 85.98 | 0.16719 | 0.0741452 | 7.805 | 0.689 |
| | Q3 | 16.675 | 7.395 | 85.98 | 0.193940 5 | 0.0860084 | 9.0538 | 0.689 |
| | Q4 | 13.8 | 6.12 | 85.98 | 0.160502 4 | 0.0711793 | 7.4928 | 0.689 |
| 2001 | Q1 | 20.196 | 3.3 | 104.2 | 0.193819 6 | 0.0316699 | 5.6107502 | 0.761537 |
| | Q2 | 22.95 | 3.75 | 104.2 | 0.220249 5 | 0.0359885 | 6.4 | 0.765 |
| | Q3 | 26.622 | 4.35 | 104.2 | 0.255489 4 | 0.0417466 | 7.424 | 0.765 |
| | Q4 | 22.032 | 3.6 | 104.2 | 0.211439 5 | 0.0345489 | 6.144 | 0.765 |
| 2002 | Q1 | 23.892 | 5.698 | 112.5 | 0.212373 3 | 0.0506489 | 2.8500494 | 0.514493 |
| | Q2 | 27.15 | 6.475 | 112.5 | 0.241333 3 | 0.0575556 | 3.2225 | 0.5144 |
| | Q3 | 31.494 | 7.511 | 112.5 | 0.279946 7 | 0.0667644 | 3.7381 | 0.5144 |
| | Q4 | 26.064 | 6.216 | 112.5 | 0.23168 | 0.0552533 | 3.0936 | 0.5144 |
| 2003 | Q1 | 30.008 | 3.388 | 119.4 | 0.251323 3 | 0.0283752 | 3.3727584 | 0.902181 |
| | Q2 | 34.1 | 3.85 | 119.4 | 0.285594 6 | 0.0322446 | 3.835 | 0.502 |
| | Q3 | 39.556 | 4.466 | 119.4 | 0.331289 8 | 0.0374037 | 4.4486 | 0.502 |
| | Q4 | 32.736 | 3.696 | 119.4 | 0.274170 9 | 0.0309548 | 3.6816 | 0.502 |
| 2004 | Q1 | 35.09 | 6.732 | 134.6 | 0.260698 4 | 0.0500149 | 3.498572 | 0.824325 |
| | Q2 | 39.875 | 7.65 | 134.6 | 0.296248 1 | 0.0568351 | 3.975 | 0.823 |
| | Q3 | 46.255 | 8.874 | 134.6 | 0.343647 8 | 0.0659287 | 4.611 | 0.823 |
| | Q4 | 38.28 | 7.344 | 134.6 | 0.284398 2 | 0.0545617 | 3.816 | 0.823 |
| 2005 | Q1 | 39.182 | 5.258 | 131.27 | 0.298484 | 0.0400548 | 4.0056566 | 0.783713 |
| | Q2 | 44.525 | 5.975 | 131.27 | 0.339186 4 | 0.0455169 | 4.5 | 0.78 |
| | Q3 | 51.649 | 6.931 | 131.27 | 0.393456 | 0.0527996 | 5.481 | 0.89 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2 | | | |
| | Q4 | 42.744 | 5.736 | 131.27 | 0.325619 | 0.0436962 | 4.536 | 0.89 |
| 2006 | Q1 | 48.752 | 10.9835 | 128.65 | 0.3789506 | 0.085375 | 5.0855178 | 0.890347 |
| | Q2 | 55.4 | 12.48125 | 128.65 | 0.4306257 | 0.0970171 | 5.86 | 0.89 |
| | Q3 | 64.264 | 14.47825 | 128.65 | 0.4995258 | 0.1125398 | 6.7976 | 0.89 |
| | Q4 | 53.184 | 11.982 | 128.65 | 0.4134007 | 0.0931364 | 5.6256 | 0.89 |
| 2007 | Q1 | 63.712 | 19.888 | 125.81 | 0.5064144 | 0.1580796 | 6.7960816 | 1.038648 |
| | Q2 | 72.4 | 22.6 | 125.81 | 0.5754709 | 0.179636 | 7.625 | 1.92 |
| | Q3 | 83.984 | 26.216 | 125.81 | 0.6675463 | 0.2083777 | 8.845 | 1.92 |
| | Q4 | 69.504 | 21.696 | 125.81 | 0.5524521 | 0.1724505 | 7.32 | 1.92 |
| 2008 | Q1 | 88.374 | 17.5142 | 118.55 | 0.7454576 | 0.1477368 | 10.0737736 | 1.140999 |
| | Q2 | 100.425 | 19.9025 | 118.55 | 0.8471109 | 0.1678827 | 11.3 | 1.15 |
| | Q3 | 116.493 | 23.0869 | 118.55 | 0.9826487 | 0.194744 | 13.108 | 1.15 |
| | Q4 | 96.408 | 19.1064 | 118.55 | 0.8132265 | 0.1611674 | 10.848 | 1.15 |
| 2009 | Q1 | 105.908 | 19.899 | 148.9 | 0.7112693 | 0.13364 | 9.020649 | 0.944461 |
| | Q2 | 120.35 | 22.6125 | 148.9 | 0.8082606 | 0.1518637 | 10.305 | 0.966 |
| | Q3 | 139.606 | 26.2305 | 148.9 | 0.9375823 | 0.1761619 | 11.9538 | 0.966 |
| | Q4 | 115.536 | 21.708 | 148.9 | 0.7759302 | 0.1457891 | 9.8928 | 0.966 |
| 2010 | Q1 | 124.2758 | 13.5916 | 150.3 | 0.8268516 | 0.0904298 | 12.7369814 | 1.142484 |
| | Q2 | 141.2225 | 15.445 | 150.3 | 0.9396041 | 0.1027611 | 6.25 | 8.9104 |
| | Q3 | 163.8181 | 17.9162 | 150.3 | 1.0899408 | 0.1192029 | 14.442 | 3.49743 |
| | Q4 | 135.5736 | 14.8272 | 150.3 | 0.90202 | 0.0986507 | 62.208 | 7.8 |
| 2011 | Q1 | 161.5558 | 27.71758 | 153.86 | 1.0500182 | 0.1801481 | 34.276198 | 8.9104 |
| | Q2 | 152.7777 | 31.49725 | 153.86 | 0.9929657 | 0.2047137 | 38.506425 | 3.49743 |
| | Q3 | 183.7391 | 36.53681 | 153.86 | 1.1941967 | 0.2374679 | 15.747 | 91.872 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | 161.081 | 30.23736 | 153.86 | 1.0469323 | 0.1965252 | 8.832 | 12.7225 |
| 2012 | Q1 | 175.8575 | 26.4022 | 161.8 | 1.086882 | 0.163178 | 33.885654 | 3.49743 |
| | Q2 | 178.9823 | 30.0025 | 161.8 | 1.1061947 | 0.1854295 | 38.61 | 4.322 |
| | Q3 | 170.6902 | 34.8029 | 161.8 | 1.0549456 | 0.2150983 | 44.7876 | 4.322 |
| | Q4 | 185.0251 | 28.8024 | 161.8 | 1.143542 | 0.1780124 | 37.0656 | 4.322 |
| 2013 | Q1 | 192.1964 | 39.57998 | 165.9 | 1.1585075 | 0.2385773 | 15.048 | 9.1872 |
| | Q2 | 180.6144 | 44.97725 | 165.9 | 1.0886944 | 0.2711106 | 18.85 | 9.183 |
| | Q3 | 207.0707 | 52.17361 | 165.9 | 1.2481658 | 0.3144883 | 23.606 | 9.183 |
| | Q4 | 222.802 | 43.17816 | 165.9 | 1.3429898 | 0.2602662 | 19.008 | 9.183 |
| 2014 | Q1 | 212.3854 | 23.12244 | 185.5 | 1.1449348 | 0.1246493 | 17.908 | 1.27225 |
| | Q2 | 197.2551 | 26.2755 | 185.5 | 1.0633698 | 0.1416469 | 4.1 | 1.273 |
| | Q3 | 192.0825 | 30.47958 | 185.5 | 1.0354852 | 0.1643104 | 23.519 | 1.273 |
| | Q4 | 201.2417 | 25.22448 | 185.5 | 1.0848609 | 0.135981 | 19.536 | 1.273 |
| 2015 | Q1 | 193.3893 | 22.53218 | 275 | 0.7032338 | 0.0819352 | 22.913352 | 8.96347 |
| | Q2 | 196.9737 | 25.60475 | 275 | 0.716268 | 0.0931082 | 26.0379 | 8.95632 |
| | Q3 | 193.5206 | 29.70151 | 275 | 0.7037113 | 0.1080055 | 30.203964 | 8.95632 |
| | Q4 | 183.4499 | 24.58056 | 275 | 0.6670905 | 0.0893839 | 24.996384 | 8.95632 |
| 2016 | Q1 | 198.7343 | 24.6576 | 401 | 0.4955968 | 0.0614903 | 17.037273 | 3.27058 |
| | Q2 | 197.7765 | 28.02 | 401 | 0.4932082 | 0.0698753 | 19.3605375 | 3.27058 |
| | Q3 | 207.214 | 32.5032 | 401 | 0.5167431 | 0.0810554 | 22.4582235 | 3.27058 |
| | Q4 | 224.4743 | 26.8992 | 401 | 0.5597863 | 0.0670803 | 18.586116 | 3.27058 |
| 2017 | Q1 | 221.3805 | 44.2684 | 331 | 0.6688233 | 0.1337414 | 39.83694 | 8.54576 |
| | Q2 | 246.3033 | 50.305 | 331 | 0.7441187 | 0.1519789 | 45.171425 | 8.54567 |
| | Q3 | 250.5607 | 58.3538 | 331 | 0.756981 | 0.1762955 | 81.398853 | 8.54567 |
| | Q4 | 254.1039 | 48.2928 | 331 | 0.7676855 | 0.1458997 | 67.364568 | 8.54567 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2018 | Q1 | 269.7938 | 26.4022 | 380 | 0.7099837 | 0.0694795 | 66.48686 | 2.1466338 |
| | Q2 | 266.7317 | 30.0025 | 385 | 0.6928096 | 0.0779286 | 75.55325 | 2.3823067 |
| | Q3 | 273.504 | 34.8029 | 385 | 0.7104 | 0.0903971 | 87.64177 | 2.7372679 |
| | Q4 | 298.0105 | 28.8024 | 385 | 0.7740532 | 0.0748114 | 72.53112 | 2.3010061 |
| 2019 | Q1 | 293.0394 | 39.57998 | 385 | 0.7611413 | 0.1028051 | 92.47062 | 2.1469269 |
| | Q2 | 311.943 | 44.97725 | 385 | 0.8102416 | 0.116824 | 55.08025 | 2.3826765 |
| | Q3 | 275.1161 | 52.17361 | 385 | 0.7145873 | 0.1355159 | 54.90309 | 2.7377607 |
| | Q4 | 309.8826 | 43.17816 | 385 | 0.8048899 | 0.1121511 | 91.27704 | 2.3013489 |
| 2020 | Q1 | 324.5791 | 23.12244 | 385 | 0.8430626 | 0.0600583 | 94.6506 | 2.4081922 |
| | Q2 | 327.1954 | 26.2755 | 450 | 0.7271009 | 0.05839 | 107.5575 | 2.7148131 |
| | Q3 | 424.7081 | 30.47958 | 425 | 0.9993132 | 0.0717167 | 124.7667 | 3.1852119 |
| | Q4 | 454.6883 | 25.22448 | 427 | 1.0648438 | 0.0590737 | 103.2552 | 2.608497 |
| 2021 | Q1 | 531.04 | 22.53218 | 428 | 1.2407477 | 0.0526453 | 96.426 | 2.5014509 |
| | Q2 | 512.25 | 25.60475 | 429 | 1.1940559 | 0.0596847 | 108.325 | 2.8345941 |
| | Q3 | 500.49 | 29.70151 | 429 | 1.1666434 | 0.0692343 | 128.528 | 3.3488016 |
| | Q4 | 563.72 | 24.58056 | 430 | 1.3109767 | 0.0571641 | 104.5032 | 2.7188875 |

SOURCE: CBN Statistical Bulletin; Federal Inland Revenue Service 2018; **National Board of Revenue (NBR)** statistics (NBR 2011, 2014, 2021)