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The Implementation of Value Added Tax (Vat) On E-Transactions in Nigeria: Issues and Implications

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ABSTRACT:- This study was carried out to empirically examine the issues and implications of implementing VAT on e-transactions in Nigeria. The survey research design was adopted for the study. The population of the study comprised FIRS Officers, tax researchers, tax practitioners, as well as operators and clients of e-transaction activities in Nigeria. A sample of 125 respondents selected from each of the afore-mentioned population categories using the convenience approach and a structured 5 point Likert scale questionnaire was administered. The responses in the 117 copies of questionnaire which were returned by the respondents were tabulated and frequencies, simple percentages and rankings were used to analyse the responses. The findings, among other issues, highlighted poor implementation of existing tax laws as well as the need to modify and update tax laws as the major challenges of implementing VAT on e-transactions in Nigeria. It is recommended that Government should intensify its effort in making new relevant laws, updating existing ones and ensuring proper implementation of the laws. Also, adequate taxpayer education on the modalities and essence of the e-transactions VAT should be spearheaded and sustained. A dynamic system of compensation should be designed as an encouragement cushion for those who comply with the VAT.

Keywords: Value Added Tax, e-transactions and taxation

I. INTRODUCTION

The dynamism of the business environment and the rapid technological revolution of the 21st Century has reshaped the model of business practices in recent times (ACCA, 2016; Jeremiah and Daferighe, 2019). The evolving dimension of business practices that have arisen as a result of the spread of these developments include the e-transaction model which has brought about a number of benefits in terms of enhanced business opportunities and growth, employment, as well as increased general societal wellbeing due to access to a diverse range of goods and services. This is so because the evolution of technology and the resulting possibilities of e-transactions has significantly increased the capability of businesses to source factor inputs from suppliers, acquire information and undertake transactions with private and institutional consumers around the world without having to be physically present them in the same geographical location (OECD, 2014).

It has however been noted that as globally laudable as the possibilities of e-transaction has proven to be, it has its revenue downside for most governments. This is particularly in the area of assessment and collection of the Value Added Tax (VAT). VAT is an indirect goods and services tax which is levied on qualifying goods and services, the final burden of which is borne by the final consumer of such goods or services (Bassey, 2013). However, the online nature of the e-transactions makes it difficult for the assessment and collection of the VAT. This often results in no VAT being realized from these e-transaction flows thus adversely affecting VAT revenues of governments (OECD, 2014). This observance has aroused the concern of governments on how the tax net could be effectively and efficiently extended to cover the tremendously increasing volume of e-transaction activities in order to reap commensurate tax benefits for government.

The concerns over the issue of taxing e-transactions have led to a number of tax policy reforms in several countries such as USA, Canada, The EU, South Africa, Australia, China (Ikpaisong, n.d.) In Nigeria, the Federal Inland Revenue Service (FIRS) is in charge of assessing, collecting and accounting for taxes and other revenues accruing to the Government of the federation (Simeon, Simeon and Roberts, 2017). One of such taxes administered by the FIRS in Nigeria is the VAT. VAT in Nigeria is backed up by the Value Added Tax Act 1993 and it has recently been proposed that from 2020, the VAT rate would be increased from age-old 5% to a new rate of 7.5% as a way of enhancing government revenue from Vatable goods and services to supplement the proceeds from oil (Abiodun, 2019). Though the proposal has been met with mixed feelings and reactions, it is expected that after taking away the costs of collection, the government would still be left with a reasonable increment in VAT revenue.

However, it has been noted that huge volumes of e-transactions continue to escape VAT annually in Nigeria. It is in view of this, that the FIRS has proposed that with effect from February 2020, banks is mandated on behalf of government to charge VAT on local and foreign online transactions (Chiedozie, 2019). Evidently and as earlier highlighted, the revenue benefits of implementing this VAT on e-transactions are quite enticing. However, the pertinent considerations bother around the likely issues and challenges of implementing this policy in Nigeria. The concerns heighten given the fact that though several efforts have been made to reposition the Nigerian tax system, the system is still faced with a wide range of challenges which limits the effectiveness of tax assessment and collection in the country (Simeon, Simeon & Roberts, 2017). A number of very useful and significantly related researches have been carried out in the past. However, most of these researches found were non-empirical, desk-based opinion papers. This study is therefore driven by the paucity of empirical studies on the implications of implementing VAT on e-transactions in Nigeria.

In view of these, the main objective of this paper is to empirically examine the issues and challenges of implementing VAT on e-transactions in Nigeria. The specific objectives are:

(i) To ascertain the challenges of implementing VAT on e-transactions in Nigeria
(ii) To assess the effect of VAT implementation on e-transactions in Nigeria

In order to achieve these objectives, the study is guided by the following relevant research questions:

(i) What are the challenges of implementing VAT on e-transactions in Nigeria?
(ii) How would the implementation of VAT affect e-transactions in Nigeria?

The study is significant given the fact that taxes (including VAT) serve as a more predictable and sustainable source of government revenue; as such a proper appreciation of the impending issues and challenges of the proposed implementation of VAT on e-transactions would enhance government preparedness in order to ensure effective and efficient implementation of the policy for optimal economic benefits. Also the empirical perspective that the study provides would be quite useful to future researchers on the subject matter.

II. LITERATURE REVIEW

2.1 Conceptual Review

This section contains the review of the concepts, theories and the empirical literature that are relevant to this study.

2.1.1 The Concept of E-transactions

The term "transaction" is often used to describe the transfer of money or goods involving people, businesses, accounts or applications. Transactions are bound by well- defined business processes or contractual starting and ending points (INETCO, 2019). According OECD Expert Group on Defining and Measuring E-Commerce (2000), electronic transaction (e-transaction) is defined as the sale or purchase of goods or services, whether between businesses, households, individuals, governments, and other public or private organizations, computer-mediated networks. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the good or service may be conducted on or offline. In line with this definition, e-transactions, in this study is used to refer to business activities between parties that involve the order, payment for or receipt of value for goods or services via an online electronic medium.

2.1.2 VAT: An Overview of its Essence in Nigeria

VAT originated in the developed countries of Europe and Latin American. However, over the past 25 years VAT has been adopted by a vast number of developing countries. A recent IMF study concludes that VAT is an effective method to raise revenues and modernize the overall tax system – but it requires that the tax be well designed and implemented. The rapid rise of value added tax was the most dramatic and probably most important development of taxation in the later part of the twentieth century, VAT was barely known outside theoretical discussions. It is a key component of the tax system in over 120 countries, raising about one-fourth of the world's tax revenue (Ebril, 2002).

According to Onuwuchekwa and Suleman (2014), VAT is a consumption tax (of a good or service) levied at each stage of the consumption (of a good or service) and borne by the final consumer of the product or service. It is a tax levied on sales or commodities at every stage of production. Its defining feature is that it credits taxes paid by the enterprise on their material inputs against the taxes they must levy on their sales. Unlike retail sales tax under which tax is collected only at the point of sales to the final consumer, revenue is collected throughout the production process. The VAT is chargeable on economic operations including import except those exempted as per the provision of the enabling decrees.

According to the Federal Inland Revenue Service (FIRS), VAT originated in Nigeria as a result of the report of a study group set up by the federal government in 1991 to review the entire tax system. VAT implementation in Nigeria became imperative in Nigeria business because of the nature of tax structure which according to Anyanwu (1997) was complex, inelastic, inefficient, inequitable and unfair. Moreover, the country depends on import and export duties while there were no opportunities to generate revenue through consumption-based tax such a VAT.

In Nigeria, VAT attracts a flat rate of 5% and initially covered items of good and 24 items of service. The tax is collected on behalf of the government by businesses and organizations, which have registered with the Federal Inland Revenue Services (FIRS) for VAT service. These businesses and organizations can claim credit for this tax (called input tax) when goods are sold and services rendered. VAT returns also have to be rendered monthly to the FIRS by these registered agents. The 5% VAT is also called the output tax less the input tax and is equivalent to the VAT paid by the final consumer of the product that would be collected by the government. It has however been recently proposed that from 2020, the VAT rate would be increased from age-old 5% to a new rate of 7.5% (Abiodun, 2019).

Nwezeaku (2005) noted that the implementation of VAT is intended to eliminate or minimize the distortions to private savings and investment resulting from taxation by improving transparency and predictability; as well as shifting its incidence towards expenditure rather income. Also, it is meant to enhance greater fiscal flexibility in order to develop expenditure that can be maintained in the tax fluctuation in oil revenue by broadening the statutory base for taxation and its effective coverage. It is also expected that with VAT, the burden of taxation would be more evenly distributed across different goods and services through a broader coverage to avoid multiple taxation. Another objective of VAT implementation is to consolidate and modernize the tax system in order to provide the base for strong revenue growth and flexible management in the economy. VAT tends to shift taxation towards consumption rather than income. Thus VAT helps to develop an approach to taxing luxury on consumption relatively higher and minimizing the impact on essential goods and services consumed by the low-income group.

2.1.3 The Envisaged Constraints to VAT Implementation on E-transactions in Nigeria

The digital economy is fast becoming the most innovative and widest reaching economy in the world. In 2018, the Nigeria Investment Promotion Commission explained that the Nigeria digital economy is expected to generate $88 billion and create three million new jobs by the end of 2021 (Isiandinso and Omoju, 2019). However, Nigerian may find that it is unable to effectively tax the huge income that the digital economy would generate unless it addresses a number pertinent constraint which poses a limitation to its prospects of implementing VAT on e-transactions.

(i) **Out-of-date Tax Legislations**: Nigeria is transforming itself in the information and computer technology, its laws are yet to march apace with this transition. To succeed in taxing e- transactions, not only should the laws be applicable to innovations in e-commerce, they should also be on par with and sensitive to the legal development in electronic transactions and consumer protection (Ikeh, 2014). Some of these transactions occur and income earned by the parties involved but the tax authorities and its agencies are oblivious that the transactions are taking place. The way the tax provisions are drafted could equally be improved upon to eliminate the technicalities in certain areas. Federal Ministry of Finance (2016) agrees that the tax legal framework therefore needs to be amended or revised to reflect the realities of modern transactions establish a basis of taxation that arrests leakages.

(ii) **Poor Implementation of Existing Laws:** Under current Nigerian law, taxation is enforced by the three (3) tiers of government, i.e. federal, state, and local governments, with each having its sphere and modalities clearly spelt out in the applicable tax legislations (Bassey, 2013). However, deliberately or inadvertently, it has been indicated that these laws are not obeyed or implemented. This trend may limit the success of VAT on e-transactions.

(iii) **Corruption:** This is one problem which traverses virtually every sector of the country is more likely than not, to hamper the prospects of implementing VAT on e-transactions.

(iv) **Infrastructural Lapses:** In view of the above issues where trade and commerce exist online or through the internet, the profits derived from this e-commerce are not captured in our income talk less its taxation because the enabling infrastructure is not in place. Although Nigerian tax laws have gone series of amendments but we are largely dependent on the physical approach to transacting business. Therefore, unless the origin and or destination of a transaction is Nigeria, there is usually a challenge in ascertaining when to tax and how much to tax the individual or the companies in relation to the transaction made under the e-trade or e-commerce. This, according to Andersen (2019), could limit the success of VAT on E-transactions because given that digital transactions require little or no presence of the transacting parties, the income from the transaction may not be captured in the jurisdiction where the income is derived.

(v) Technological Complexity of E-transaction: The trend with technology, new models of commercial interaction are developing as business and consumers participate in an increasingly virtual or electronic market place and reap its attendant benefits. New technology has made it possible to pay for goods and services over the internet and in many instances, displace the need to handle physical cash. However, the advent of electronic commerce as a result of the development of the internet has brought with it a number of legal and socio-economic issues (Ikeh, 2014). Despite its promise, the problem is that the internet lacks the clear and fixed geographic lines of transit that traditionally characterize the physical trade in goods and services. It generally refers to commercial activities based upon the processing and transacting of digitized data, including text, sound and visual images, which ultimately results to an ex-change of value across telecommunications networks. In fact, some goods and services are bought and sold virtually online without any physical or tangible equivalent (Walter, 2001).

(vi) Problem of Double taxation: Banks being mandated to impose VAT on online transactions could result in a number of unintended effects as it appears to impose additional obligations of monitoring and tracking various e-commerce transactions on banks. This could also expose the banks to tax audit risks, as the FIRS would seek to ensure compliance and proper remitting of the VAT imposed. More so, collection of VAT on such transactions by banks could amount to double taxation where the supplier of the good/service has already charged and remitted VAT on same transactions given that the VAT Act imposes the obligation to charge and remit VAT on the supplier of vatable goods/services (Anderson Tax, 2019).

Another critical issue is how the banks are expected to determine vatable transactions and the mode of calculating and imposing VAT on the goods and services supplied online. The law allows a supplier of goods and services to make the necessary adjustments between the output VAT and input VAT before computing the VAT on the product supplied. As such, it would be absurd to mandate banks to make arbitrary deductions on the basis of output VAT (Anderson Tax, 2019).

2.1.4 The Reactionary Effect of VAT Implementation on E-transactions in Nigeria

The implementation of VAT on e-transaction in Nigeria are intended policy changes that are made with a view to attracting fiscal and other socio-economic benefits to the country. Realistically, changes like this are inevitable because taxes introduced some decades ago cannot always achieve macro objectives today except they are changed in line with current economic realities. However, it is an inarguable reality that the reactionary effect of VAT implementation on e-transaction is inevitable and worth considering if the government is going to be people-oriented government that wants to line up to the expectation of their citizen. The effect that implementing VAT would most likely have on E-transactions business in Nigeria include:

(i) Negative Effect on Other Government Policy: People may be discouraged from engaging in e-transactions and as such the effectiveness of the cashless policy of the Federal Government which thrives on e-transactions may be affected.

(ii) Increased Cost of administration: VAT implementation on e-transaction comes with an unavoidable set of administrative and implementation costs. In order to make sure you are collecting VAT correctly, complying with the new laws, and able to do your VAT reporting, you will need to update information technology and internal systems, train employees in VAT processes.

(iii) Tax Evasion and Resistance: Taxation in Nigeria has encountered a number of problems which could re-surface as a reactionary effect of VAT implementation on e-transactions, one of these challenges is the habitual resistance to taxation generally while some are purely administrative. The implementation of the tax may be followed up by unscrupulous technical ingenuity of some of the e-transaction operators to circumvent and evade the taxes.

(iv) Increased Tax Burden for Consumers: Although small business in particular has the upfront implementation costs to consider, it is the consumer who is ultimately going to bite hardest by the new VAT laws, Although, the proceed of collecting and remitting VAT has with the company. Ultimately, it will end up being charged to the customers via sales demands.

(v) Decline in Consumption: VAT implementation on e-transaction is important but there is the possibility that the tax may cause consumers to cut consumption of certain commodities in order to reduce their indirect tax burden, hence affecting the revenue and financial sustainability of the producers and sellers of such commodities.

(vi) Changes to business structure: Aside from having a significant cash-flow impact in some companies, VAT implementation on e-transaction will be charged at each stage of production, and distribution, which can be problematic.

(vii) Uncertainty about the future: VAT rates are not set on stone. The rate might rise in future. For instance, it has recently been announced that from 2020, the VAT rate would be increased from age-old 5% to a new rate of 7.5% as a way of enhancing government revenue (Abiodun, 2019). This prospects may create uncertainty for both business and consumers, who would naturally be worried about increase costs being passed on to them.

2.2 Empirical Review

Most studies that were significantly related and useful to the focus of this study were non-empirical, desk-based papers. The few empirical studies found and deemed to be somewhat related to VAT generally, are reviewed in this section.

Izedonmi and Okunbor (2014) used seventeen (17) year time series data to assess the role of value added tax on the economic growth of Nigeria. Using both simple regression analysis and descriptive statistical methods, they found that VAT revenues and total revenues accounted for as much as 92 percent significant variations in GDP in Nigeria. They also found a positive and insignificant correlation between VAT revenue and GDP. Onwuchekwa and Suleman (2014), on the other hand examined the effects of value added tax on the economic growth of Nigeria. The study made use of the ordinary least square method in analyzing data for a period of 20 years. The result show that VAT significantly contributes to total revenue of government and to the economic growth of Nigeria.

Andrikopoulos Brox and Georgakopoulos.(1993) examined the short run effects of the VAT on consumption patterns in Greece. The aim of the study was to evaluate the influence of the VAT on individual commodity prices, consumer price index, shares and the allocation patterns of total consumption expenditures among groups of commodities. By making use of a time series data involving thirteen commodity groups in Greece for the period 1958-1986 and employing the full information maximum likelihood (FIML) approach to assess and test static almost ideal demand syste m (AIDS) model, the findings revealed that VAT had both a negative and positive effect on commodity prices. This based on the finding that consumer price index rose by 4.7 percent above the rate that was before the presence of VAT. Also, as a result of VAT, there were changes in the distribution of total consumption expenditure between groups of goods and services that were studied.

Suntoro and Tjen (2017) conducted a study on the challenges of implementing VAT on E-Commerce transactions in Indonesia. 216 account representatives in Kantor Pelayanan Pajak Pratama in DKI Jakarta constituted the sample of the study. Primary data were collected through interviews and the administration of questionnaire. Frequency, simple percentages and graphs were used to analyse the data. Based on the results, it was concluded that the challenges of implementing VAT on e-commerce transactions in Indonesia are identifying taxpayers engaged in e-commerce, determining taxpayer's jurisdiction, incompleteness of records, identifying electronic and physical products, lack of audit trails, and lack of system controls.

2.3 Theoretical Review

The expediency theory is a relevant theoretical basis for this study. The theory which is attributed to Jean Baptiste Colbert emphasizes that revenue maximization and other socio-economic objectives should not be the only or overriding consideration motivating tax policy specifications or reforms, rather every tax proposal must pass the test of practicability (Eze, Iorwuese & Abba, 2016). This means that a tax proposal may assure enticing revenue benefits for government whereas in practical terms its effective implementation is not feasible. The strength of this theory lies in the fact that although taxation is a veritable and beneficial economic tool, a tax that cannot be effectively levied and collected is practically useless (Chigbu, Akujuobi & Appah, 2012). There is no doubt that the government's plan to tax e-transactions would definitely be beneficial to Nigeria. However, the pertinent questions bother around the practicability in terms of cost-benefit analysis of implementing this policy. There is need to pre-evaluate the issues and challenges that the country will have to grapple with in the course of implementing this policy and how the implementation of this policy would affect e-transactions business in Nigeria. This will ensure that relevant facilitating machineries are put in place to ensure the effective implementation of the policy.

III. METHODOLOGY

The focus of the study is exploratory in nature. Thus s survey research design is adopted for the study. This design is deemed appropriate for the study, since it would facilitate a quicker and systematic collection of reliable primary data for the exploratory study. The population of the study consists of FIRS tax officers, researchers, tax practitioners and e-transaction business operators/clients in Nigeria. From this population, one hundred and twenty-five (125) respondents are randomly selected from using convenience technique. These 125 respondents constitute the study sample. The study employs basically primary data sourced through a structured four point Likert scale questionnaire which was distributed to the study respondents to elicit responses that would facilitates answers to the study research questions. The questions in the questionnaire were structured to address the issues of focus highlighted in the study objectives. The data collected was analyzed using the descriptive statistic such as simple percentages, averages, weight and ranking.

IV. DATA ANALYSIS AND DISCUSSION OF FINDINGS

Table 4.1: Analysis of Respondents

	FIRS tax Officers	Tax Researchers	Tax Practitioners	E- business operator/client	*Not specified*	Total	%
Total returned	**12**	**27**	**28**	**34**	**16**	**117**	
% Returned	*10.3%*	*23.1%*	*23.9%*	*29.1%*	*13.7%*		*100%*

Source: Researchers' Analysis (2020)

Table 4.1 indicates that out of the 125 copies of questionnaire administered for the study, 117 were completed and returned giving a 93.6% response rate. In respect of their occupation, 13.7% did not indicate, 10.3% of the 117 respondents were FIRS tax officers, 23.1% were researchers, 23.9% were tax practitioners while those operators and clients of E-business constituted the remaining 29.1% of the respondents. The summary of responses to the questions in the questionnaire is presented and analyzed in Table 4.2 and 4.3

Table 4.2: Analysis of Questionnaire Responses on the Challenges of implementing VAT on E-transactions in Nigeria

S/N	Questionnaire Statement	Scores	Average	Weight	Ranking
1	The need to timely modify and update tax legislations in Nigeria to take care of the implementation of VAT on e-transactions would definitely pose some limitation to the policy.	371	3.17	0.634	2nd
2	The observed poor implementation of laws in Nigeria would really affect the implementation of VAT on e-transactions in Nigeria	375	3.21	0.642	1st
3	The necessary infrastructure required to ensure effectiveness in taxing e-transactions in Nigeria is currently not in place and this will be a major challenge	350	2.99	0.598	5th
4	The problem of corruption that appears inherent in virtually every sector of Nigeria would pose a setback to the success of taxing e-transactions.	353	3.02	0.604	4th
5	The technical capacity to cope with the complex and dynamic technology that is involved in e-transactions is a huge challenge to the implementation of VAT on e-transactions in Nigeria.	355	3.03	0.606	3rd

Source: Researchers' Analysis (2020)

The result of the analysis shows that the observed trend of poor implementation of laws in Nigeria is the greatest challenge that would really affect the implementation of VAT on e-transactions in Nigeria with 64.2% in the affirmative.

Next in rank with 63.4% is the fact that the need to timely modify and update tax legislations in Nigeria to take care of the implementation of VAT on e-transactions would definitely pose some limitation to the policy. This finding is line with the views of Anyanwu (1997) as well as Simeon, Simeon and Roberts (2017). It is also revealed that the technical capacity to cope with the complex and dynamic technology that is involved in e-transactions is the third most envisaged challenge to the implementation of VAT on e-transactions in Nigeria

(60.6%). Also, 60.4% believe that the preponderant corruption existing in the country pose a setback to the success of taxing e-transactions. The least ranked challenge identified is the challenge of putting in place the necessary infrastructure required to ensure effectiveness in taxing e-transactions (59.8%). This corroborates the point made by Andersen (2019).

Table 4.3: Analysis of Questionnaire Responses on the Effect of VAT Implementation on E-transactions in Nigeria

S/N	Questionnaire Statement	Score	Average	Weight	Ranking
1	People may be discouraged from engaging in e-transactions and as such the effectiveness of the cashless policy of the Federal Government which thrives through e-transactions may be negatively affected.	371	3.17	0.634	1st
2	VAT on E-transactions might increase unscrupulous activities by e-transactions businesses, which would increase the already existing problem of tax evasion and avoidance.	361	3.08	0.616	3rd
3	It might increase economic difficulties for citizens because the additional cost of doing e-transactions resulting from the VAT, will be ultimately borne by the clients.	361	3.08	0.616	3rd
4	The VAT on e-transactions may induce consumers to cut down consumption of applicable commodities or services which may result in revenue decline for the business operators.	359	3.07	0.614	4th
5	The classification of items under VAT implementation on e-transactions would involve a rigorous process of classifying items which could be confusing and problematic for the operators of the business.	361	3.08	0.616	3rd
6	The implementation of VAT on e-transactions would increase business uncertainty about the future for e-transaction business operators.	362	3.09	0.618	2nd

Source: Researchers' Analysis (2020)

The result of the analysis suggests that the greatest effect that full implementation of VAT in Nigeria may have is that it may indirectly hamper the cashless policy of government because people would be discouraged from engaging in e-transaction related activities, in order to avoid the VAT (63.4%). The second ranked effect (61.8%) is that the full implementation of VAT on e-transactions may create uncertainty for both business and consumers, who would naturally be worried about increase costs being passed on to them. This would particularly arise because of the probability of increase in the VAT rate as is indicated by Abiodun (2019).

The other co-ranked identified challenges are that implementing VAT on e-transactions might increase unscrupulous activities by e-transactions businesses, which would increase the already existing problem of tax evasion and avoidance (61.6%). Also, in line with findings of Andrikopoulos, Brox and Georgakopoulos (1993), 61.6% respondents affirmed that VAT on e-transactions might increase economic difficulties for citizens because the additional cost of doing e-transactions resulting from the VAT, would be ultimately borne by the clients. Also a rigorous process of classifying items would be required which could actually create problem or confusion for the operators of the business (61.6%)

V. CONCLUSIONS AND RECOMMENDATIONS

The study was on the issues and challenges of implementing VAT on e-transactions in Nigeria. The gleanings from extant literature as established in the course of this study highlights the fact that as beneficial as the full implementation of VAT on E-transaction promises to be, there are issues and challenges which must not be overlooked. This reality and implications of this fact has been reiterated and corroborated by the findings of this study as discussed in the preceding section.

Based on the findings of this study it is concluded that poor implementation of existing tax laws as well as the need to modify and update tax laws are the major challenges of implementing VAT on e-transactions in Nigeria. Other issues to be considered are technical capacity, corruption and infrastructural requirement. In respect of the reactionary effect of this policy, it is concluded that implementation of VAT on e-transaction would have an indirect effect on cashless policy. It would also increase business uncertainty as well as heighten economic difficulties for citizens. In view of these findings, it is recommended that:

(i) Government should make new tax laws, update existing laws so as to provide a legal framework for e-transaction VAT policy. It should, more importantly, heighten its commitment to ensuring proper implementation of those laws.

(ii) Proactive measures should be pursued to ensure enhanced technical capacity needed for the success of the VAT implementation

(iii) Adequate taxpayer education on the modalities and of the e-transactions VAT should be spearheaded and sustained. This would enhance compliance.

(iv) A system of incentive should be designed as a cushion for those who comply with the VAT. This would encourage more compliance and discourage any tendency to unscrupulously evade or avoid the taxes.

(v) The fight against corruption should be intensified with sincerity of purpose to serve as deterrent to others and enhance public confidence in government intentions on implementing this policy.

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