THE EXPERIMENT
INTERNATIONAL JOURNAL OF SCIENCE AND TECHNOLOGY

ISSN-2319-2119

RESEARCH ARTICLE
A.E NDU OKO et al, The *Experiment, 2015., Vol. 33(1), 2071-2089*

Value Added Tax and The Operations of The Lease Market in Nigeria

Abstract:
The impact of value added tax on lease service consumption is variously felt among lessors, lessees and lease financers across the globe sequel to the variance in environments of operation. This accounts for variation in the acceptability of leasing and its marketing as contributor to macro economic development through growth. This work addressed these controversies as it compared the incidence sales tax, as an alternative to value added tax; related value added tax operations in Nigeria to Ghana and identified strategies to the re-positioning of value added tax in Nigeria. As a survey based exercise, the work relied on the use of questionnaire and interviews with the records of Equipment Leasing Association of Nigeria, those of Ghana and Afrolease as complementary and supplementary sources of data. Tools of analyses include 't' test statistics for difference of means, Analysis of Variance (ANOVA), Pearson correlation coefficient 'R'; Co-efficient of determination R^2 and the Spearman's rank correlation co-efficient, given the ranking of variables using the different scales as weighted based on the modified likert ranking scale. Common observations include the existence of insignificant difference between the impact of sales tax and value added tax on the consumption of lease services, Nigeria compared to Ghana has poor attitude to value added tax administration hence the poor level of lease service acceptance in Nigeria, Rebate in value added tax rate and efficiency in tax accounting education for cost minimization have the potency of addressing the supposed poor attitude of Nigerians to lease service consumption. Recommended thus are, the re-structuring of the administration and policies of value added tax, for the recognition of the differences in characteristics of the different segments of the lease ticket markets, emphasy on lease e-transaction for fraud control and the improvement in the level of value added tax accounting education for cost management.
Keywords: Value added tax, sales tax; Nigeria, Ghana, tax Rebate and tax accounting education

1.01 Introduction:

Taxation as a deduction on profit or income reduces the disposable revenue of the lessor thus creates unfavorable business situation. The treatment of value added tax (VAT) as a segment of tax (ation) is differently appreciated across the globe. In Nigeria, the leasing authorities perceive VAT as one of the varying services problems facing the industry, hence-ELAN (2003 and 2004), market review opines.

> *The major issues currently at stake includes; unfavourable government policies and regulations mainly in the area of taxation, increasing risk of default, inadequate funds for investment and the absence of appropriate legal framework.*

Value added tax is in the process of continued harmonization in the European Union, however, in the Latin American region, value added tax is assessed on the rental payment on a finance lease in Argentina, Chile, El Salvador, Guatemala, Honduras and Peru while in Colombia, Costa Rica, Nicargua and Panama, the rentals are value added tax exempt. Mexico assesses value added tax only on the interest portion of the rent –Amembal (2000). This is an indication that the situation in Nigeria where the tax law subjects lease to value added tax (VAT), considered as double taxation is obtainable in other nations of the world. This research work ascertained the ills in a system that allows value added tax payment on the leased asset at the time of purchase and when the asset is leased.

1.02 Background of the Study:

Value added tax in the Nigerian context is not an element in the price rather a percentage of the value created in production process. It is based on invoice on input value consumed either as initial, intermediate or ultimate consumer. Hence every taxable firm has a duty to issue a tax invoice for every single value added taxable transaction carried out by the business either as an equipment manufacturer, lessor or lessee.

Common features of the Nigerian value added tax system include:

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a. *Multi –stage tax system, referring to the fact that value added tax is imposed at every stage of the production chain, from the manufacturer to the consumer. In the lease transaction, it is from the equipment manufacturer to the lessee through the lessor then to the ultimate consumer. At each of these stages consumption is involved.*
b. *Its operational mechanism is credit based. It is paid at the point of input acquisition as input tax and at the point of sales of the product of production (value creation) exercise as output tax. However, what is paid is the net difference between the input and output tax values. This mechanism, tax authorities claim eliminates that cascading effect of taxation at every stage of production-Information Circular (2005).*

The Nigeria Equipment Leasing Authorities are of the view that: subjecting leases to value added tax (VAT) amounts to double taxation as value added tax is paid on the leased asset at the time of purchase and when the asset is leased out-ELAN (2004).

This argument in the assertion of tax authorities is improper as value added tax burden is borne by the ultimate consumer of lease based productive exercise (offer) like those of hire purchase or straight (ownership) purchase and not on the manufacturer, the lessor nor the lessee of the equipment. Given that lease rental is spread over a period of time, the tax value on lease based product may be considered lower based on the time value of the rental payments, hence lessees are advantaged compared to straight asset owners or hire purchase avert holders.

A comparative analysis of the lease and straight ownership of asset is shown below in figure 1

Collection of Multi Stage Value Added Tax at 5%

I. Straight Purchase (Equipment)

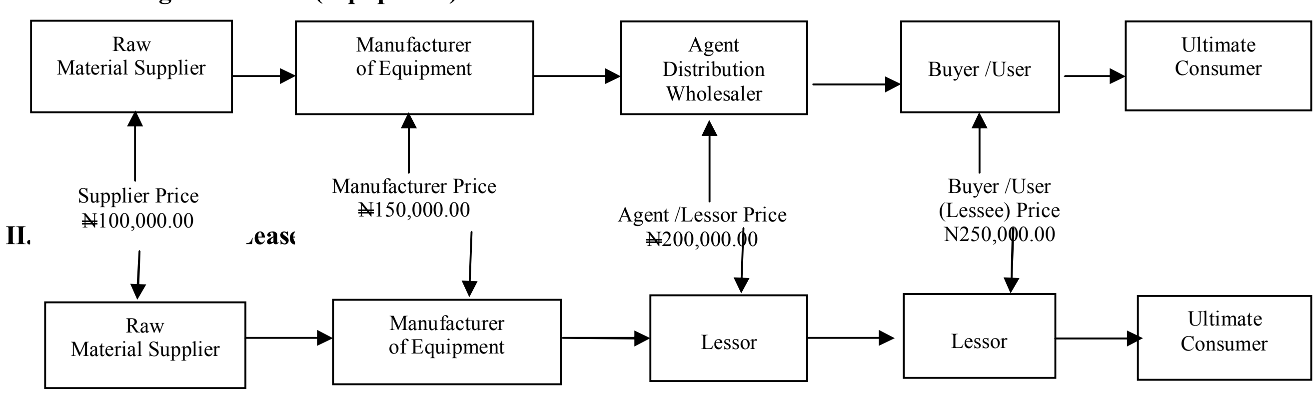

Figure 1.0
Source: ***Adopted from Value Added Tax (VAT); Federal Inland Revenue Service Information Circular Jan. 1999 No 9901.***

VAT payment-Straight Purchase and Lease

Assumption I
The supplier of raw materials paid VAT at 5% on extractors Price of ₦60, 000.00. Total paid to the extractors of the raw materials is ₦63, 000.00

Actual Amount	₦60,000.00
VAT @ 5%	3,000.00

VAT on Output	3,000.00
VAT on Input	Nil
VAT payment	3,000.00

Assumption II
The suppliers of raw material to the manufacturer as at

VAT on Output	5,000.00

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₦100, 000.00 at Value Added Tax of 5%. Total manufacturer payment is ₦105,000.00

Actual Amount	₦100,000.00
VAT @ 5%	5,000.00

VAT on Input	3,000.00
VAT payment	2,000.00

Assumption III

The equipment manufacturer supplied to the Agent (straight purchase) and the lessor (Lessee agreement) at the price of ₦150, 000.00 at VAT rate of 5%, Agent and Lessor Paying ₦157,500.00

VAT on Output	7,500.00
VAT on Input	5,000.00
VAT payment	2,500.00

Actual Amount	₦150,000.00
VAT @5%	7,500.00

Based on the above, the straight equipment buyer and the lessee employing the services of the same equipment in value and generating the same value of offer, pay the same amount as value added tax. The advantage the lease arrangement has over other alternatives lays on the spread (deferred) of payment schedule which allows the lessee remain active in leverage, hence readily responds to contingencies in marketing activities, compared to those whose capital is tied down in equipment. Value added tax on lease rental does not make leasing more expensive than it should ordinarily be as argued by lease authorities- ELAN (2004).

Insisting that value added tax has the negative impact on leasing, tax rebate is argued for the lease market; especially for operating lease as an innovative solution to the problem of the high cost of funds confronting the lease industry –Olusoga (2004). This rebate is obtainable in Ghana as tax deductible expenses are allowed on total rentals payable by the lessee.

This work in the midst of these controversies, has its thrust, as assessing the impact of value added tax on lease service consumption, identifying the managerial approach to these impacts and the repositioning of the lease market and its product for greater acceptance as means to contributing to the macroeconomic developmental strives of government.

1.03 Significance of the Study:

Controversies are common intra and inter lease industry and authorities and those in the field of taxation on the impact of value added tax on lease service marketing in Nigeria-ELAN (2003:6-8) & (2004) Market Review, Amenbal (2000) and Olusoga (2004:7). These controversies have not sought out solution to current inadequacies of value added tax on lease, neither has leasing been repositioned in the face of value added tax for visible contribution to national development. This work is considered significant given its resolve to identify solution to the challenges of value added tax on lease service marketing and consumption in Nigeria.

1.04 Objectives of the Study:

The objectives of this work is to seek alternative to address the impact of value added tax on lease service marketing and consumption in Nigeria as means to enhancing the acceptability of the lease service offer and for the re-positioning of the industry for contribution to macroeconomic development of Nigeria.

Based on the above, the following are considered vital

- Compare value added tax with sales tax for impact assessment;*
- Compare existing value added tax law in Nigeria and in Ghana for variance in law adoption and application;
- Determine the impact of the implementation of the value added tax on lease service marketing and consumption in Nigeria;
- Determination of solution to the impact of value added tax on lease service marketing and consumption in Nigeria, and

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- Determination of activities vital to re-positioning the Nigeria lease market for positive contribution to macro development even in the face of the impact of value added tax on this (lease) industrial market offer.

1.05 Hypotheses:

Based on the listed null hypotheses, the objectives of this research work are actualized.

$H0_1$: There is no significant difference between the impact of value added tax and sales tax in the consumption and marketing of lease services in Nigeria.

$H0_2$: Significant operational difference does not exist between Nigeria and Ghana lease markets in the adoption of value added laws.

$H0_3$: There is no significant impact of the implementation of the value added tax on lease service marketing and consumption in Nigeria.

$H0_4$: Rebate and reduction in value added tax and income tax rates are not considered significant solutions to the impact of value added tax on lease service marketing and consumption in Nigeria.

$H0_5$: Value added tax accounting education for cost management efficiency does not significantly contribute to the re-positioning of the Nigeria lease market for macroeconomic development

Sales tax impact assessment is retrospective for the period before its abolition in Nigeria.

1.06 Methodology:

This work is survey based as it is descriptive; thus it is questionnaire, interview and observation based. Data thus were acquired from the members of Equipment Leasing Association of Nigeria as lessors and lessees as well as from members of the finance industry involved in finance lease. The work is thus stratified and clustered around operating and finance lease with lessees as principal target market.

Variables of the research hypotheses formed basic ingredience of the questionnaire; data were evaluated and measured using the ordinal, interval and nominal ratio scales and were weighed based on the modified five (5) scale Likert's scale measurement –Oko (2002) and Ezejelue, Ogwo & Nkamnebe (2008). Hypotheses were tested given the 't' test statistic for difference of means, analysis of variance (ANOVA), pearson correlation co-efficeint R, Co-efficient of determination R^2 and the spearman's rank correlation co-efficient statistical tools-Ezejelue, Ogwo & Nkamnebe (2008).

The pilot study and pre-test method were adopted for the test of the reliability, consistency of data collection instruments and methods, while the reliability test involved interactions with experts for validity of techniques.

1.07 Organization of the Study:

The organization of this study is as follows:-introduction (made up of introduction/background of the study; significance of the study, objectives of the study, hypotheses and research methodology), literature review; data analysis, findings and discussion of findings, conclusion, recommendations and references.

2.1 Literature Review:

Persons, natural and or artificial in the business of selling, barter, and exchange, lease of goods or properties, rendering of services and or are involved in the importation of goods are subject to relevant conditions specified in the value added tax code of Nigeria –VAT, FIRS-Information Circular (1999).

Value added tax is a form of consumption tax for consumers of lease services as well as other forms of services and goods. The buyer of lease service considers value added tax as a tax on the purchase price of lease, while the lessor considers it tax on the value added to the lease (product) service-NIRC, Bureau of Internal Revenue (www.bir.gov.ph/lumangweb/nirc/nir-t/04-chl.html). The difference between the purchase value and the value added is what the lessor remits to government, while the balance there-to is employed in offsetting taxes paid previously on inputs of operation.

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Generally, the value added tax is considered a form of indirect tax whose incidence is shifted from the lessor to the lessee, thus it is considered a source of government revenue and is compared to the corporate income tax or the personnel income tax-en.wikipedia.org/wiki/value-added-tax.

2.2 Value added tax-implementation Procedure:

The operational frame work of value added tax is the price of the lease offer minus all taxes paid previously on the service-en.wikipedia.org/wiki/value-added-tax. In the ascertion of Bodin, Ebril, Keen & Summers (2001), value added tax collection method could be accounts based and or invoice based. The invoice collection method provides that each seller should charge value added tax rate on operational output which is passed on to the buyer based on invoice showing the value of the tax charged. Buyers based on invoice value added tax procedure are subjected to value added tax based on output (sales), hence the tax on purchase invoice as input tax is deducted from the income value as value added tax liability. Remittance to government is thus considered the difference between output tax and the input tax, but where the difference is negative (unfavourable) or a liability, the buyer who then is considered a seller makes claim of refund.

Value added tax under the accounts based method provides that tax is to be calculated on the value added, hence it measures for difference between revenues and allowable purchases- Value Added Tax (UK) 2004. This justifies the adoption of the use of specific invoice. In Nigeria and most other economies, commonly adopted is the invoice method.

In the presentation of offer-microsoft.com (2013), the timing of collection of value added tax is either accrual or cash based. The cash basis accounting is considered relatively simplier to operate compared to accrual, as it grants that when payment in-respect of sales is made, a deposit is made and the revenue associated with the sales is recorded for the periodic receipt of fund, and cheque is issued when the fund is due to be paid with an acknowledgment of associated cost (expense) involvement in the collection, of the revenue at the date of the cheque. The thrust issues in the cash based accounting system as timing of collection consideration in the value added tax implementation procedure are the amount of cash at the bank and the assurance that all associated bills are settled. Little emphasis is laid on ensuring that ‘revenues’ as earned are matched with the time in period they are earned and that expenses (cost) involvement agree with the period they were earned and that expenses (lists) increments agree with the period they are incurred-Value Added Tax (UK) 2014.

Based on the accrual basis accounting method, revenue are expected to match the period in which they are earned as well, the cost (expense) involvement in the collection with the period they are incurred-Ministry of Finance (2010), Thacker (2008-2009), Citizens Research Council of Michinegun (2011) and Samuelson (2010).The accrual basis accounting method provides more information about the operations of the taxable business and grants the tax assessor the opportunity and enablement to track all receivables as amount due from customers-lessees on credit sales as well as payables as value due to the lessor from the lessess based on credit purchased services.

Authorities in value added tax calculation and collection argue also that the accrual basis method of value added tax collection permits the assessor to match revenues to the expenses incurred in earning the revenue, hence ensures more meaningful financial reporting –Prague (2012), Veroifi (2013), Revenue (2013) BBC News (2010), Ramandoncrae.com (2012) and Birigoviph (2013). Value added tax charges and basis of charge vary across nations of the globe. In Bangladesh; it is considered a replacement of sales tax and other exercise duties. Though its operational basis is characterized with distortions, it generates over 56% of total tax revenue with a standard rate of 15% and varying truncated rates that range from 1.5% to 9% for various services.

In the European Union represented by Belgium and Hungary, numerous states charge value added tax at standard minimum rate of 15% and one or two reduced rates not to be below 5% and a maximum rate of 27% or higher depending on state policies-directive2006/112/EC. Value added tax is both output and input based for customers (output suppliers) and business to business on the supplies received (input suppliers) respectively. In the EU states, businesses receive input value added tax as it is attributed to taxable outputs and charged against output value added

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tax for which the business is required to account for to the government and where unfavourable balance exists; refund is demanded from government-EU VAT Rates (TMF Group) 2010.

For Canada, the value added tax is referred to as goods and services tax. Its rate was reduced for 7% to 5% in 1991. However, various charges (rates) are applicable in difference provinces as harmonized sales tax as a combination of GST and provincial sales tax as both are collected at the Revenue Quebee, Difference exists in the calculation and collection of the tax as is influenced by the time of payment. Value as charge is also influenced by the nature of the industry and types of products (goods or services)-Goods and Services Tax (Canada) and Harmonized Sales Tax.

In the United States unlike most other countries, common form of tax is sales tax, with no form of federal value added tax on goods and services. This sales tax in the state of Michinegun is known as Single Business Tax (SBT)-Citizens Research Council of Michinegun (2011), in Hawaii, the General Excise Tax (GET), is charged at 4% on the gross income of artificial persons as business organizations within the state subject to the shift of the incidence of such tax to customers at sales tax of 4.16%-Lingle and Kawafuchi (2002).

Authorities in tax see the General Excise Tax as less transparent compared to retail sales tax; as the total tax burden is often greater than the agreed charge –wikipedia (2014)-Value Added Tax.

2.3 Value Added Tax and Sales Tax Compared:

The value added tax is tax on the value added at different stages in the production, exchange and transaction processes, applicable in the provision of goods and services; inclusive of lease. The vendor as lessor charges value added tax on the lessee and lessee and the lessee charge value added tax on the consumers of goods and services produced based on the use of lease facilities/services. Thus the lessor as well as lessee pays value added tax proceeds to government. Generally the lessee may not be considered the end user of the result of the leased asset, thus the value of the lease assets as paid to the lessor is considered a cost to the lessee's operations, hence tax as paid for in the purchased lease services is deducted from the tax the lessee charges the consumers (customers) on the output of services of the lessee.

In the lease value added tax transaction, government receives the difference between what the lessee pays and what the consumers of the output of the lessee's productive activities pay. Based on this assertion, value added tax is a gross margin tax on every lease transaction on the lessor, lessee and consumer of lease based productive activity in the transaction and exchange chain. Value added tax is a valuable source of revenue for government based on industrial marketing operation. This is unlike the sales tax that is ultimate consumers oriented, especially for high unemployment and low per capita income based economies. Theoretically, the sales tax and value added tax have almost the same incidence (burden), or implication on the tax payer, and value added tax involves extra accounting treatment (record keeping) for marketing intermediaries which as a disadvantage is managed based on the application of the same tax to the different members of the production chain without regards to the position of the customers or members of the production chain, reducing the effort needed to check and certify marketing intermediaries status. Tax authorities are of the view that high sales tax leads to wide spread tax evasion, but high value added tax may not lead to tax evasion because of the novelty in the method of value added tax collection-Lingle & Kawafuchi (2002), Tinf.vat.com (2012) and tax rates web site (2012), however, value added tax and its collection process is expensive in terms of loss to the government, especially as the collection mechanism is target of specific frauds such as carousel fraud. Value added tax is charged on export commodities, this is not the same with sales tax and sales tax is paid for the full price of imported commodities, while value added tax is expected to be charged only for the value added to the commodities by the vendors as importers or re-sellers.

2.4 Value Added Tax-The Nigeria-Ghana Lease Industry Comparison:

Generally, tax increases the cost of transaction and exchange of all market offers inclusive of those of the lessors, lessees and consumers' of market offers made available based on lease productive goods and services; hence demand may fall or it may cause the supply to decline, depending however on the type of product and nature of the industry. Based on this distortion of lease market situation, lessors, lessees or consumers of lease based market offers are worse off while government as beneficiary of proceeds from lease value added tax is better off. This

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situation presents greater loss challenge to the lease industry compared to the "supposed" gain by government, thus dead weight loss in the lease industry in Nigeria is higher relative to Ghana, hence the tax situation in Nigeria with respect to the lease industry is considered in-efficient, especially as the impact of tax proceeds (revenue) is insignificantly felt as productive spending on macro socio-economic development.

Value added tax in the Nigeria lease industry creates distortions that discourage initiative and incentive to investment; hence the lease market participants save and work less as such productivity is on the decline. To cushion the effect of value added tax on the lease market, the Ghanaian laws have some reservations for leasing-Olusoga (2004). The value added tax exempts financial services, inclusive of finance lease from value added tax. Operating lease rentals are however subject to tax. Tax laws in Ghana (Internal Revenue Act) also grants that the total rentals payable by lessees be considered tax deductible expense, as rebates are awarded to banks that participate in the lease market operation as fund providers. These tax rebates are considered innovative solution to the problem of high cost of funding lease operations in Ghana-Olusoga (2004).

In Nigeria unlike Ghana, lease exchange and transaction activities are subject to value added tax in addition to the withholding tax of between 5% -10%. This situation is considered punitive to lessors, as it is double taxation based. This assertion is based on the fact that value added tax is paid on the leased asset at the time of purchase and at the time the asset is placed on lease. This is contrary to the situation that does not provide for loan principal repayments and interest due to be subject to value added tax. In the assertion of Olusoga (2004), to charge value added tax on lease rental which is an aggregation of the interest and other components of a loan is unfair. Nigeria lessors and lessees in operating lease with rentals as element of depreciation are assessed tax on gross rental when taxes ought to be paid on income only.

The withholding tax as part of Nigeria tax system has the propensity of reducing the real value of the lessors' rental. Nigeria lease products especially as technologies and equipment are imported. Thus are charged value added tax for their full price when they are sold for the first time, but all exported goods are exempted from any form of value added tax payment. Given this, without special measures, goods (especially lease equipment and technologies) are taxed twice if they are exported from one country that adopts value added tax system to another.

Given this incidence of value added tax on lessors, lessees and consumers of market offer based on lease based productive assets, what should be the attitude of the government of Nigeria to value added taxable lease products especially based on the need to spur up economic activities for societal growth and development in the face of paucity in capital formulation resulting from the low level of per capita income in Nigeria?.

3. Analysis:

The analysis base of the research is presented thus given relevant hypotheses

Test 1:
Comparison of the impact of value added tax and sales tax in the marketing and consumption of lease services in Nigeria

Comparison is based on statistics on table 1

Table 1: Impact of value added tax and sales tax

Variables	Value Added Tax	Sales Tax
▪ Fraud rate on value added tax	.45	.20
▪ Loss of tax income for states	.45	.20
▪ Tax evasion	.21	.48
▪ Impact value added tax on end product users	.25	.52
▪ Value added tax Collection challenges	.18	.20

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Based on the t-test statistic for difference of means represented mathematical by notation 1

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S^2_1}{n_1} + \frac{S^2_2}{n_2}}} \qquad (1)$$

Where $\bar{x}_1$ = mean of the first sample
$\bar{x}_2$ = mean of the second sample
n_1 = sample size of the first group
n_2 = sample size of the second group
S^2_1 = variance (S^2_1) or standard deviation (S_1) of the first sample
S^2_2 = variance (S^2_2) or standard deviation (S_2) of the second sample

The projected hypotheses are tested based on value added tax and sales tax assessments presented in table 1

Hypothesis Test 1:

H_0: There is no significant difference between the impacts of value added tax and sales tax in the marketing of lease services in Nigeria.

Table 2: Computation of x_1 and x_2 variables

X	X^2_1	X_2	X^2_2
.45	.20	.20	.04
.45	.20	.20	.04
.21	.04	.48	.23
.25	.06	.52	.27
.18	.03	.20	.04
$\sum x_1 = 1.54$	$\sum x^2_1 = 0.53$	$\sum x_2 = 1.60$	$\sum x^2_2 = 0.61$

Substituting for 't' test formula

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{5^2_1}{n_1} + \frac{5^2_2}{n_2}}}$$

$$= \frac{.31 - 32}{\sqrt{\frac{(24)^2}{5} - \frac{(.15)^2}{5}}}$$

Calculated 't' = 0.21

At 0.05 level of significance and 8 degrees of freedom, the critical value is given as 1.860

Decision Rule:

Accept null hypothesis of computed value of 't' is less than the critical value, otherwise reject the null hypothesis

Decision:

Since the computed value of 't' 0.21 is less than the critical value of 1.860, the null hypothesis is accepted. Hence the conclusion is that there is no significant difference between the impacts of value added tax and

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sales tax on the marketing and consumption of lease services in Nigeria.

Test 2
This test is focused at determining whether or not operational difference exist between Nigeria and Ghana lease market based on the adoption of value added tax.

This comparison is based on figure in table 3.

Table 3: Operational difference between Nigeria and Ghana lease market

Lease size (US $ 000

	Number of Lease									
	Nigeria					**Ghana**				
	2006	**2008**	**2000**	**2012**	**2014**	**2006**	**2008**	**2000**	**2012**	**2014**
Below 50	30	6	8	10	17	397	318	316	340	194
Between 50-99	21	12	10	8	40	58	58	30	51	73
Between 100-250	28	18	20	22	52	40	14	18	36	50
Above 250	23	36	30	38	15	36	16	14	21	45

Source: Afrolease News 2007-2014 and ELAN, Leasing Today 2006-2014
Based on the ‘t’ test statistics for difference of means represented by mathematical notation 1

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S^2_1}{n_1} + \frac{S^2_2}{n_2}}}$$

The operational difference or otherwise between Nigeria and Ghana based on the adoption of value added tax for the period 2006-2014 is examined.

Table 3 is re-structured for more relevance as table 4 as follows

Table 4: value add tax operation in the lease markets of Nigeria and Ghana for the period of 2006-2014

	Size of lease Operation				
	2006	**2008**	**2010**	**2012**	**2014**
Nigeria	72	68	78	92	124
Ghana	399	408	438	531	664

The projected hypothesis built on the differential margin of the operation of the lease market in Nigeria and Ghana based on the adoption of value added tax principle is tested.

Hypothesis Test 2:

$H0_2$: Significant operational difference does not exist between Nigeria and Ghana lease market in the adoption of value added tax principles.

Table 5: Computation of x_1 and x_2 variables:

X_1	X^2_1	X^2	X^2_2
72	5184	399	159,201
68	4624	408	166,464
78	6084	438	191,844

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92	8464	531	281,961
124	15376	664	440,896
$\sum X_1 = 434$	$\sum X^2_1 = 39712$	$\sum X_2 = 2440$	$\sum X22 = 1240{,}36$

$\bar{x}_1 = 86.8$, $\bar{x}_2 = 488$, $S_1 = 97.73$, $S2 = 546.06$ and df = 8

Therefore substituting for mathematical notation 1

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{\frac{S^2_1}{n_1} + \frac{S^2_2}{n_2}}} \qquad (1)$$

$$= -1.61$$

The computed 't' statistic is -1.61 and form the table, the critical value at 0.05 level of significance and 8 degree of freedom is 1.860.

Decision: The null hypothesis is accepted as the computed value of 't' statistic of -1.61 is less than the critical value of 1.860. hence accepted is that significant operational difference does not exist between the Nigeria and Ghana lease market operations based on the adoption of value added tax principles.

Test 3: Measurement of impact on the adoption of value added tax in the marketing of lease service.

To test for this impact, table- is adopted.

Table: - Significant impact variance between expected and actual performance of lease market based on the adoption of value added tax

Index	Standard	Expected	Actual
▪ Sales volume	1	.98	.42
▪ Customer satisfaction	1	.90	.52
▪ Market distortion –demand/supply shifts	1	.92	.30
▪ Consumption and production relationship	1	.80	.35
▪ Consumer advantage	1	.90	.30
▪ Government advantage	1	.60	.40

Based on pearson correlation coefficient 'R' as a measure of relationship (strength) of association between the expected and actual impact of value added tax on lease service marketing and consumption is measured. This is represented by mathematical notation 2

$$r_{xy} = \frac{\sum(x - \bar{x})(y - \bar{y})}{nS_x S_y} \qquad (2)$$

Where: x and y are each values of x and y;
$\bar{x}$ and $\bar{y}$ are mean values of x and y;
S_x and S_y are standard deviations of x and y, and
n is the number of paired values

Test of Hypothesis 3:

H0$_3$: There is no significant difference between the expected and actual impact of the

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implementation of value added tax policies on lease service marketing and consumption in Nigeria.

Table 7: Computation for the calculation of r_{xy}

Expected Impact	Actual Impact	$x - \bar{x}$	$(x - \bar{x})^2$	$y - \bar{y}$	$(y - \bar{y})^2$	$(x - \bar{x})(y - \bar{y})$
.98	.42	0.13	0.017	0.14	0.020	0.018
.90	.52	0.05	0.003	0.24	0.058	0.012
.92	.30	0.07	0.005	0.02	0.000	0.001
.80	.35	0.05	0.003	0.07	0.005	0.004
.90	.30	0.05	0.003	0.58	0.336	0.029
.60	.40	0.025	0.063	0.12	0.014	0.030
$\sum x = S^1_1$ 1.05	`$\sum y = 1.69$		$\sum(x-\bar{x}) = 0.84$		$\sum(y-\bar{y}) = 0.25$	$\sum(x-\bar{x})(y-\bar{y}) = 0.026$

Standard deviation of x and y are 0.1296 and 0.2145 respectively
Substituting for mathematical notation 2

$$r_{xy} = \frac{\sum(x - \bar{x})(y - \bar{y})}{nS_xS_y}$$

$$= 0.155$$

This shows a negative correlationship between the expected and actual impact of the implementation of value added tax on lease service consumption in Nigeria.

To test for the significance of this correlation, the student's 't' test statistic with mathematical notation 3 is adopted

$$t = \frac{r\sqrt{n-2}}{1 - r^2} \qquad (3)$$

Where: 't' is the value of the pearson correlation
n is the number of paired observations

Hence, the formulated hypothesis is adjusted thus:

H_0: $\mu = 0$ (there is linear relationship between the expected and actual impact of the implementation of value added tax on lease service consumption in Nigeria.

H_a: $\mu \neq$ (there is no linear relationship between the expected and actual impact of the implementation of value added tax on lease service consumption in Nigeria

Substituting for mathematical notation 3,

$$t = \frac{r\sqrt{n-2}}{1 - r^2}$$

$$= 0.317$$

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The value of the 't' computed is 0.317 at 0.05 level of significance at 4 degree of freedom, ie (6-2), the critical value of the 't' statistic is given as 2.132. The test is insignificant; hence the null hypothesis that there is no linear correlationship between expected and actual impact of the implementation of value added tax on lease service marketing and consumption in Nigeria is accepted.

Test 4: This involves the determination of the impact of rebate on value added tax and reduction of income tax on lease serviced marketing and consumption in Nigeria as solution to the negative impact of value added tax.

It is based on data on table-

Table 8: impacts of rebate on value added tax and reduction of income tax on lease service consumption.

Index	**Ideal Impact**	**Expected Impact**	**Actual Impacts**
Lease volume	1.0	.98	.90
Lease satisfaction	1.0	.90	.85
Consumption and production relationship	1.0	.80	.76
Consumer advantage	1.0	.60	.20
Market distortion demand/supply shift	1.0	.92	.21

Based on spearman's rank correlation coefficient as a non parametric measure of correlation, represented by mathematical notation-4, the relationship between the expected and actual impact of rebate in value added tax and reduction of income tax in lease service computation is measured as solution to the negative impacts of value added tax.

$$r_s = \frac{1 - 6\sum d^2}{N(N^2-1)}$$

Where: d = the difference between each rank of corresponding values of x and y
N = the number of pairs of values

The data on table- is restructured for table –for percentage impact of the various variables under consideration

Table 9: - Percentage assessment of impact of related variables as expected and actual of rebate on value added tax etc on lease service marketing and consumption in Nigeria.

Table 9: Values and Variables for spearman's rank coefficient calculation

Expected x	**Actual y**	**R_x ranking of x**	**R_y (ranking of y)**	**$R_x - R_y$ = d**	**$(R_x-R_y)^2$ d^2**
.98	.90	1	1	0	0
.90	.85	3	2	1	1
.80	.76	5	4	1	1
.90	.82	3	3	0	0
.60	.20	6	6	0	0
.92	.21	2	5	-3	9
					$\sum d^2 = 11$

Stating the formulated hypothesis:

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H_0: Rebate on value added tax and reduction of income tax are not considered significant solution to the negative impact of value added tax on lease service marketing and consumption in Nigeria.

H_1: Rebate on value added tax and reduction of income tax are considered significant solution to the negative impact of value added tax on lease service marketing and consumption in Nigeria.

Substituting mathematical notation 6

$$r_s = 1 - \frac{6\sum d^2}{N(N^2 - 1)} \quad (4)$$

$$= 1 - \frac{6\sum 11}{6(6^2 - 1)}$$

$$= 0.31$$

The test of significance Qr, for this test statistic is conducting using mathematical equation 5

$$Qr_s = \frac{Z - 1}{\sqrt{n} - 1} \quad (5)$$

$$= \frac{1.96\ (1)}{6 - 1}$$

$$= 0.879$$

Where z is the standard normal deviation which at 0.05 level of significance is given as 1.96. Following these results as computed, the decision is to accept the null hypothesis since r_s is less than the Qr_S. It is therefore concluded that the test is significant at 0.05 level of confidence; hence the alternative hypothesis is rejected.

Test 5: This test is for the determination of the relevance or otherwise of value added tax accounting education for the re-positioning of Nigeria lease market.

Data for this test is based on table 10

Table 10:– value added tax accounting education for lease market repositioning, assessment of lease financers, lessors and lessees

Index of consideration	Lease Financers	Lessors	Lessees
▪ Reacting to competitors' position	17	15	13
▪ Reacting new markets	25	25	41
▪ Catching rising trend	30	30	46
▪ Changing the value offered	8	22	0

To determine the level of value added tax accounting education in Nigeria as influence in lease market and market offer repositioning using data on table10 is based on the decision rule of:

If value calculated is greater than 50 (fifty) percent; the (accepted mean) , accept the projection that the level of value added tax accounting education is high in Nigeria. If otherwise, reject.

Table 11: Assessment of the level of value added tax accounting education in Nigeria.

Index	Lease Financers	Lessors	Lessees

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▪ Reacting to competitors' position	17	15	13
▪ Reacting new markets	25	49	41
▪ Catching rising trends	30	30	46
▪ Changing the value of offer	8	22	0
Total	80	116	80
Mean	20	29	20

Based on the analysis, the lease financers, lessors and lessee assessed the level of value added tax accounting education at 20%, 29% and 20% respectively. These values are below the accepted mean value of 50%. Thus the conclusion is that the level of value added tax accounting education is low in Nigeria.

To test for difference in the mean rating of lease financers, lessors ad lessees on the significance of value added tax accounting education on lease market repositioning, the analysis of variance (ANOVA) statistic represented by mathematical notation 6 is adopted.

$$f = \frac{V_B}{V_w} = \frac{\text{between groups variances}}{\text{within groups variances}} = \frac{S^2_B}{S^2_w} \quad (6)$$

Where: $V_B = \frac{SSB}{df_B}$ and

$$V_w = \frac{SSW}{df_w}$$

This test is based on the re-structured hypothesis

H_0: $= (\mu_1 = \mu_2 = \mu_3)$ there is no significant difference between the rating of value added tax accounting education on the repositioning of the nation's lease market

H_0: $= (\mu_1 \neq \mu_2 \neq \mu_3)$ significant differences exist between the rating of value added tax accounting education on the repositioning of the nation's lease market

Where: μ_1, μ_2 and μ_3 are means of the rating of the difference group of respondents.

Table 12: Computation of f-ratio assessment of the impact of value added tax accounting education on the re-positioning of the Nigeria lease market

Lease financers		**lessors**		**Lessees**	
X_A	X^2_A	X_B	X^2_B	X_C	X^2_C
17	289	15	225	13	169
25	625	49	2401	41	1681
30	900	30	900	26	676
8	64	22	484	0	0
$\sum X_A = 80$ $\bar{x}_A = 20$ n = 4	$\sum X^2_A = 1878$	$\sum X_B = 116$ $\bar{x}_B = 20$ n = 4	$\sum X^2_2$ 4010	$\sum X_C = 80$ $\bar{x}_C = 20$ n = 4	$\sum X^2_C = 2526$

$V_B = 108$
$V_w = 205.56$

Substituting the f ratio formula

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$$f = \frac{V_B}{V_w} = \frac{108}{205.56}$$

$$= 0.53$$

Table 13:– Summary of ANOVA

Source of Variance	df	Sum of Squares (SS)	Mean of Squares (MS)	f cal	Critical value of f	Significance	Decision
Between groups	2	SSB = 216	V_B = 108	0.53	4.26	Not	Reject
Within groups	9	SSW = 1850	V_w =205.56			Significant	H_0
Total	11	2066	313.56				

At 0.05 level of significance, the critical value of 'f' is given as 4.26

Since f < f 0.05 (4.26), the decision is to reject the alternative hypothesis H_0, thus there is no significant difference between the rating of the lease financers, lessors and lessees on the relevance of value added tax accounting education in the repositioning of the Nigeria lease market and market offer.

4. Summary of Findings:

The summary of findings of this work include

Based on the activities of government agencies, that have impacted significantly on the opinion and attitude of lessors and lessees in Nigeria, including consumers of market offers that are produced based

- on lease service inputs; no significant difference exists between the impact of value added tax and sales tax on market acceptance of lease market offer.
- Nigeria is characterized thus. GDP $510 billon (2013estimate), GDP growth 7.1% (2012 estimate) driven by oil and non oil production; GDP sectoral classification: Agriculture 40%, service 30%, manufacturing 15%, and oil 14% (2012 estimate) Nigeria National Bureau of Statistics -2012. It has an estimated labour force of 48.53 millions as at 2011, and main industries spanning all through Agriculture, mining and quarrying, manufacturing, construction, farming and mortgage, insurance, wholesale industrial trading, hospitality and entertainment and other ancillaries, exports is valued at $97.46 billion as at 2012 with highlights on petroleum products 95%, with the remain 5% as cocoa, rubber, machinery, processed foods and entertainment and import value of 70.58 billion as at 2012, inclusive of items of machinery, chemicals, transport equipment, manufactured goods, food and live animals-World Bank (2012), CIA World Facebook (2012) and CIA World Facebook (2012) yet significant operational difference does not exist between this great country- Nigeria and Ghana (a relatively less vibrant economy) in the lease market and marketing activities based on the adoption of the principles of value added tax.
- Negative correlationship exists between the expected and actual impacts of the adoption (implementation) of the principles of value added tax on lease service marketing and consumption in Nigeria.
- Rebate on value added tax and reduction in income tax in Nigeria like in other nations of the globe are considered significant solutions to the negative impact of value added tax on lease service marketing and consumption in Nigeria.
- Value added tax accounting education for cost management efficiency contributes significantly to the repositioning of the Nigeria lease market, hence is capable of spurring macro economic development of the nation.

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5. **Discussion of Findings:**

- The result of the research shows that an insignificant difference exists between the impacts of value added tax in the marketing of lease services in Nigeria. Respondents assessed the fraud rate in value added tax collection as well as the loss on the income for state high, compared to sales tax. However, tax evasion and impact of tax on end users of lease market offer is higher in sales tax compared with value added tax. Challenges are almost the same in the collection of both value added tax and sales tax. This situation is attributed to the high incidence of corruption in the social, economic and political circles in Nigeria given that business activities are not insulated from politics especially at the corporate level.

Given this, activities in the leasing sector ought to be guided by policies at the micro corporate level and by rule, regulations and enactments at the macro level of activities as checks on fraud and mismanagement.

- It is possible to attribute the growth and development in the lease market in Ghana relative to Nigeria to high level of discipline by members (participants) in the Ghana lease market as lessors and lessees, hence operational profits are ploughed back into the business for different lease ticket markets expansion based on market segmentation and specialization operations that generate efficiency.
- Expectedly, Nigeria given its investments in the petroleum sector as well as other sectors of mortgage and finance, construction, manufacturing; agriculture and mining ought to be lease oriented in investment, especially based on the nation's low per capita income level and high incidence of poverty-Nigeria National Bureau of Statistics(2012) but the reverse is the case. Experts in the field of lease marketing in Nigeria attribute the poor performance of this lease market to the impact of bank consolidation exercise of year 2000 and beyond that challenged the existence of most money deposit banks in the country. Other experts in the opposite divide of the argument are of the opinion that the consolidation exercise ought to have favoured lease marketing especially finance lease, as investors sought needed financing during the period of consolidation as this exercise and policy do not negate investment. The non-development of the lease market is attributed to the poor attitude of members of the finance (market) sector in Nigeria to lease related investments, following inadequacies and paucities in the documentation of lease transactions by participants.
- The lease market in Nigeria is assessed to have performed below expectations by market participants based on the indices of sales volume, customer satisfaction, market distribution and response rate to demand and supply shifts, consumption and production of lease service relationships and customer and government advantages respectively. This assessment did not however take into cognizance the place of demand and supply economic model that suggests that any tax, inclusive of value added tax that raises the cost of transactions-(seller and buyer shifts the demand curve to the left or supply curve upwards) will cause demand to fall as both are functionally equivalent. Hence the output of production as lease service purchased with decrease and or the price of the market offer as lease service will increase-
- Participants also do not appreciate the fact that value added tax like most other forms of tax, distorts what would have been the case in the lease market without it, as price of lease service rises and demand decrease, hence lease service consumers are worse off, while government as recipient of proceeds of value added tax is better off. This situation referred to as dead weight loss creates greater income loss to the economy compared with government's income, as value added tax on lease service reduces demand-Wikipedia-value added tax. Thus the relative poor performance of the Nigeria lease market compared to expectations is a reaction to the incidence of the value added tax.
- Value added tax rebates on most products inclusive of lease based market offer as part of export relationships form major trade policies of World Trade Organization-Wikipedia-value added tax. Rebate on value added tax cushions the burden of the tax as shifted to end-consumers of lease based products, thus value added tax on lease is considered regressive, even when tax experts consider it proportional tax, as it compels higher earners to pay more because they consumers more of lease based products. The effective progressiveness or repressiveness of the value added tax system is a function of the classes of product taxed and the varying rates of tax-Wikipedia value added tax.

Rebate on value added tax and reduction in income tax in Nigeria thus, is considered significant contribution to solution to the negative impact of value added tax in lease market offer consumption. To maximize the association benefits, Nigeria like Ghana ought to, based on policies, maintain the progressive nature of total taxes on lessors, lessees and consumers of lease based productive activities as market offers, implement efficiently value added tax reduced income tax on lower income earners as well, direct different institutes concerned with tax matters to implement direct transfer payments of lower income groups for lower tax burden on the poor-Chia-Tern (2004).

- Accounting education for cost management and efficiency in value added tax collection in Nigeria is poor in standard; hence the poor records are kept concerning value added tax proceeds and remittances to government. This if improved on, has the propensity to repositioning the nation's lease market for contributions to positive macro economic development.

Commonly, revenue generated based on value added tax is considered lower compared to those from other forms of tax such as sales tax and personal income tax. This situation is attributed to difficulties and costs associated with the administration and collection of value added tax. Thus in the small and medium scale lease markets, value added tax avoidance rate is high especially as cash transactions are common. Governments at both Federal and State levels encourage the adoption of value added tax and its related policies as it captures reasonably the value added in lease transactions. This is unlike in the sales tax system where only businesses that sale to the end users is required to collect tax and bear the associated accounting cost of tax collection. Manufactures and vendors of leaseable technologies and equipment as well as vendors of leaseable finance are expected to acquire the services of accountants at reasonable costs for the purpose of documenting collections of value added tax. These service costs however, increase lease transaction operational costs, thus create price increase along the lease transaction and exchange channel of the lessor, lessee and consumers of lease based goods and services.

Given this situation, lease transaction and exchange participants as lease financers, lessors and lessees have choice of retaining less profits overall or passing on the additions cost of value added tax collection to consumers of lease based technologies and or services, as increase in rentals-Wikipedia, value added tax.

Following this analysis, the lessee's and lessor's value added tax obligations are x-rayed thus:

- **Lessee in financial lease:**
  Commercial leasing is a taxable service under the value added tax Act; as such lease payment as required of lessees is subject to value added tax. These rentals include value added tax on the cost of the assets, as factored into rental in addition to the interest element. This situation makes it difficult for the lessee to neither off set the input in value added tax incurred on the lease against output value added tax as collection; nor deduct the value added tax incurred on both the leased asset and the rental as a deductible expenses under the Nigeria Company Income Tax Act-CITA. This situation has the overt implication of increasing the cost price of leasable assets-finance as well as the rental cost. Hence lease transactions are considered more expensive for the lessee.
- **Lessor in financial lease:**
  Value added tax as expense made by the lessor at acquisition of leasable asset-finance constitutes an integral of the market price of the asset, especially for the determination of lease rental. Based on this, the lessor is obliged to charge value added tax on the lease rental. This charge is however on the interest element, not on the capital as part of the rental.
- **Tax rate is operating lease:**
  The lessee in operating lease is liable to pay value added tax on lease rental. This value added tax is a disallowable (expense) input tax for value added tax remittance. The lessor is by obligation required to include value added tax in the rentals charged the lessee. This value added tax remittance is the difference between output value added tax and input value added tax. The Nigeria value added tax Act conclusively disallows input value added tax as expense incurred in respect to capital items and assets, thus the lessor by Act does not deduct input value added tax as expenses incurred in the purchase of leasable asset from the output value added tax charged when leasing asset.

Following these rules and their accounting implications to the lessor and lessee, both for finance and operating lease as

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they relate to value added tax, it is obvious that accounting education is necessary for cost management efficiency if the Nigeria lease market must be repositioned for positive contribution to national (macro) economic development.

6. Conclusion:

Lease marketing in Nigeria may not achieve desired and expected impact on macro economic development without well tailored policies that will address the high cost of operation in the face of other low cost competitive alternative sources of funding business operations.

7. Recommendations:

To re-position the Nigeria lease market for positive contribution to national development given the role of value added tax, the following are recommended:

- Value added tax policies should be re-structured with a view to addressing their burdens on end-consumers of lease based products. These policies should aim at value added tax systems that will provide for different rates of tax for different classes of lease products, as their nature assures that total taxes on the lessor, lessee and consumer of lease based products have reduced income tax on lower income –earners. These policies should as well ensure direct transfer payments to lower income groups as means of reducing tax burdens on the low income earners.
- Administrative bottlenecks in value added tax collection make the exercise not only difficult but also costly to administer and collect value added tax. This situation of high cost creates low and unfavourable distortions of value added taxes hence economic inefficiencies are observed. To address this situation of economic in-efficiencies value added tax rebate is advocated for, in Nigeria.
- The Nigeria value added tax policy must address the needs of the different segments of the lease market, large, medium, and small ticket markets, as the different participants as lessees and lessors are appointed and registered as value added tax agents who are responsible to the value added tax authority. This will reduce the rate of value added tax avoidance.
- Policy of e-payment and e-transfers among lease participants as lessors, lessees and lease market offer consumers should be encouraged as strategy for reducing the pre-dominance of cash transaction and checking value added tax remittance related fraud possibilities.
- Based on the complex nature of lease transaction accounting rules and recording value added tax obligations in respect to the finance and operation lease-Ososami (2006), it is important that manufacturers and vendors of leasable equipment and technologies in operation lease and vendors of finance in finance lease employ the services of competent accounting personnel for the handling of additional documentation required for value added tax collections and remittance. This must however take cognizance of the costs implications of hiring these accountants as these explicit costs impact negatively on the market value of lease market offer through price increase. It is therefore vital that the forces of demand and supply be allowed to guide the pricing of these services in the face of available and competing alternative sources of business funding, as decisions are influenced by choice of retaining less profits overall or passing on the additional cost to customers of lease services in the form of increase in price.

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