

## **Value Added Tax and Economic Development in Nigeria: Examining the Link**

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**Abstract.** This paper examines the cointegration and causal relationships between Value Added Tax (VAT) and economic development in Nigeria using the Autoregressive Distributed Lagged (ARDL)-bounds testing approach. It also investigates the impact of Value Added Tax on economic development. Evidence from the study supports the existence of a long-run cointegration relationship between Value Added Tax and economic development. It also reveals that Value Added Tax has positive and significant impact on economic development both in the long-run and in the short-run. It finds a unidirectional causal relationship from Valued Added Tax to economic development. The economic implication of these findings is that government can accelerate economic development by increasing Value Added Tax revenue. This paper recommends that government should embark on policies and programmes that will enhance the income level of the citizens as well as aggregate consumption which are capable of increasing Value Added Tax revenue. Efforts should also be made to minimize the impediments confronting the tax system with a view to promoting tax revenue and economic development.

**JEL Classification Codes:** H24, O11, H20

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