TOPIC:

THE IMPACT OF VALUE ADDED TAX ON GOVERNMENT REVENUE IN SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) FROM 1989 TO 2013.

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ABSTRACT

Value added tax (VAT) is considered as the reform tax system of the 21st century, which has been implemented popularly in more than 135 countries in the world. The basic objective of the study is to establish the impact of VAT on government revenues of SADC countries. Secondly the study investigates the effects of the interaction term, corruption and VAT to total revenue. It is first shown that the introduction of VAT boost government revenues of SADC countries and corruption negatively affects value added tax revenues. Panel data of SADC countries from 1989 to 2013 on various macroeconomic factors are obtained to determine the impact of VAT on government revenue. The data was obtained on the World Development Indicators (WDI). The methodology used in this study is a multiple linear regression function following the general equation of revenue ratio specified by Keen and Lockwood, (2009). The result proves that VAT is a vital instrument to collect tax and to enhance tax revenues. Estimates show that countries that have adopted VAT have gained a more effective tax instrument to upgrade their total revenue. Thus recommendations are made to countries which do not have VAT, not only in SADC region but also around the world to improve their revenues.