Analysis of the Impact of Taxation on A Nation's Citizenry: The Implications of Maximizing Tax Revenue Under Nigeria's Extant Paradigm

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Abstract

This article is an anticipation of the 2024 tax reform proposals currently before the National Assembly which according to Vanguard newspaper represent a pivotal moment in Nigeria's fiscal evolution. Given the benefits of taxes, it is notable that analysis of the Nigerian economy revealed that tax revenue had been declining over the recent years. This among other things may have informed why the President Bola Tinubu administration has decided to embark on a new taxation reform policy aimed at maximizing tax revenue in Nigeria in the main. An optimal tax revenue policy that will be consistent with the proposed 2024 tax bill was formulated and solved using linear goal programming. The result of this study will enhance the analytic skills of the National legislators, refocus the Executive and brighten the chances of the accruable benefits to the Nigerian citizens. The impact of such an optimal taxation policy on the Nigerian economy as a whole was determined, in order to analyze the implications and consequences under the existing state of the economy a'la the total differential systems modeling and analysis approach (ecostatometrics). The result indicated that if Nigeria can improve her tax administration and remove all vestiges of corruption from the economy, especially among tax collectors and increase investment by N2.04 trillion, it will be possible to collect an optimal tax revenue of N3.16 trillion per annum and this will impact positively on the Nigerian citizenry but may not provide the desired quantum leap to transform Nigeria's fiscal landscape because the impact on poverty and corruption will be very profound except Government intervenes positively to alleviate poverty especially among the extremely poor in addition to investing and transforming the economic landscape of the country as a whole. Amongst other recommendations, government should ensure that the basic qualities of good taxation, including fairness and transparency, are upheld.

Key Words: *Taxation, Nigerian economy, Nigerian citizenry, Tax Administrators, Corruption, Linear Goal Programming and Total Differential modeling approach.*

INTRODUCTION

According to Vanguard Newspaper (2024), the 2024 tax reform proposals currently before the National Assembly represent a pivotal moment in Nigeria's fiscal evolution. The bills—comprising the Nigeria Tax Bill, the Nigeria Tax Administration Bill, the Nigeria Revenue Service Establishment Bill, and the Joint Revenue Board Establishment Bill—aim to expand the tax base, enhance compliance, and generate sustainable revenue streams for national development.

It must be observed that the history of Taxation in Nigeria dates back to 1917 when Lord Lugard made certain changes to the law which culminated in the Native Revenue Ordinance of 1917. The Ordinance became operative in the western and mid-western Nigeria in 1918 while it started operating in the eastern Nigeria in 1928 (Wikipedia).

According to Raphael (1990), the State has a two-fold function of Safety (ensuring security, law and order) and Development (ensuring socio-economic welfare and justice). Government actualizes the Will of the State in the process of governance. For government to accomplish this task, it obviously needs revenue. Among the sources of such revenue, including outright take-over of resources, money creation, borrowing, imposition of charges, Taxation appears to be the most efficient and equitable, if well formulated and implemented.

It is noteworthy that in any country, the principle of citizenship holds sway. This is the reciprocal relationship between the State and the individual members of the society. It is a direct form of exchange whereby the State ensures the rights of its citizens while the citizens fulfill their obligations, including taxation. This process of taxation should however possess some basic qualities, over and beyond being a spinner of revenue, for it to be deemed a good mode of taxation, including:

i.   Equity – displaying horizontal fairness (among equals) and vertical fairness (among unequals);
ii.   Neutrality – not propelling change of consumer or producer economic behavior; and
iii.   Promoting economic growth and stabilization – being utilized as a tool of fiscal policy positively relevant to inflation and unemployment, amongst others.

Tax is important in Nigeria because it is a source of income for the government; providing revenue for the government which is used in running the cost of governance, infrastructural development and social infrastructure that help to reduce poverty. Indeed, economic literature is of the view that the government of any country can use taxation to improve the economy by using the tax revenue to carry out their traditional functions such as the provision of public goods and services; maintenance of law and order, defense against external aggression and regulation of trade and business to ensure the maintenance of social and economic deliveries and satisfaction (Investopedia).

Given the above benefits of taxes, it is notable that analysis of the Nigerian economy revealed that tax revenue had been declining over the recent years. This among others things may have informed why the President Bola Tinubu administration has decided to embark on a new taxation reform policy aimed at maximizing tax revenue in Nigeria in the main. While the aim of this article is not to do a critique on the proposed bill, it is observed that taxation is part of the civic responsibility

of the inhabitants of a nation, which in turn requires Government to respond to their welfare in turn. In a nut shell, this relationship must be mutual and reciprocal requiring all parties involved to play their parts adequately. The question that crops up is "Is the Nigerian economy well positioned for the citizenry to benefit adequately from the proposed 2024 tax reform bill?"

This study is a pre-policy formulation work in the area of taxation as it relates to the resultant benefits to the citizens of the nation, in this case, Nigeria.

According to Anderson (2003), a public policy is a goal-oriented, legal and authoritative governmental action geared towards positively affecting an identified problem. In a five-step policy process of a nation, Agenda Setting and Formulation stages are the first two, respectively. Agenda Setting identifies a set of issues that stakeholders (government and non-government actors) focus on, requiring some measure of prioritization while Formulation stage entails consideration of alternative options, with a cost-benefit analysis, to solve the identified problem (Anifowose and Enemuo, 2008). This is an essential stage before Adoption, Implementation and periodic Evaluation.

This article, in anticipation of the processing of the bill, attempts to analyze the impact, implications and consequences of an optimum tax revenue collection policy on the Nigerian economy as a whole under the existing state of the economy; noting that the challenges of Taxation in Nigeria include non availability of tax statistics and poor tax administration among others.

The paper therefore proceeds to formulate the objective of maximizing tax revenue as a Linear Programme and analyses it against the developmental aspiration of the Nigerian economy, with a view to determine an optimal tax revenue level on the one hand and then to analyze the impact, implications and consequences of an optimum tax revenue collection policy on the Nigerian citizenry as a whole under the existing state of the economy, on the other hand, *a'la* the total differential systems modeling and analysis approach (ecostatometrics).

OBJECTIVES OF THE STUDY

The objectives of the paper among others, include:

1. To build a comprehensive model of the Nigerian economy in order to determine the level of an optimal tax revenue policy that will be consistent with the proposed 2024 tax bill using linear goal programming;
2. To determine the impact of such an optimal taxation policy on the Nigerian citizenry as a whole, in order to analyze the implications and consequences on the Nigerian economy under the existing state of the economy, *a'la* the total differential systems modeling and analysis approach (ecostatometrics);
3. In particular, to determine the effects on sectoral outputs, aggregate demand and supply, investment, inflation, employment, standard of living, poverty, purchasing power, corruption, among others;
4. To determine the feedback effect of the policy on taxes; and
5. Conclude and make some recommendations.

The article is therefore divided into five parts. Part I is the introduction and states the objectives of the study. Part II is literature review while Part III is methodology. In Part IV, the results of the analyses are presented and discussed and Part V concludes the study and makes some recommendations.

LITERATURE REVIEW

Dr. Kriz David a Futurist and a Public Policy Expert who reviewed the 2024 Tax Reform Bill in his conclusion noted: "Overall, the four bills can be consolidated into a single bill as the "Nigeria Tax and Revenue Administration Bill". The arrangement of chapters, parts and sections of the Nigeria Tax Bill is laborious to read. The bill should be rearranged to enhance readability and coherence. The tax reform should reflect the diversity and uniqueness of the Nigerian State rather than over-centralization or a one-cap-fit-all model, which stifles economic competitiveness and sustainable growth. The central tax policy framework should foster comparability but not necessarily uniformity. The State Governments should have the power to modify certain provisions to address their unique comparable and competitive advantage.

The tax bills, as proposed, would not provide the desired quantum leap to transform Nigeria's fiscal landscape. For the reform to deliver efficiency and sustainable revenue, the key provisions highlighted should be addressed while promoting an inclusive approach that balances a national framework with flexibility for State Governments to leverage their unique economic strength" (Vanguard Newspaper, 2024).

In order not to deviate from our objectives, we shall just go on to present the highlights of economic theory on taxation in this review. Taxation is the imposition of compulsory levies on individuals or entities by governments in almost every country of the world. Taxation is used primarily to raise revenue for government expenditures, though it can serve other purposes as well. In addition taxation (or other compulsory levies) provides the most appropriate instrument for increasing savings for capital formation out of domestic sources.

As a tool for economic development, Tax policies are used by Governments to regulate the economy by encouraging or discouraging certain economic decisions. For example, reduction in taxable personal income by the amount paid as interest on home mortgage loans results in greater construction activity, and generates more jobs.

The role of the government in the management of a modern economy requires good governance in providing the legal and social framework within which the economy operates, maintaining competition in the marketplace, providing public goods and services, ensuring an equitable redistribution of income, correcting for externalities and stabilizing the economy.

In the above connection, government can use taxation to improve the economy and use tax revenue to carry out their traditional functions such as the provision of public goods and services, maintenance of law and order, defense against external aggression and regulation of trade and

business to ensure social and economic maintenance. Unfortunately, in the Nigerian case, since independence in 1960, much emphasis has been given to the Oil sector as constituting the bedrock of the funding base for the country, over and above a more stable source of taxation.

Taxation is important because it is an essential source of income for the government. Taxation is a significant source of revenue for the government which is used in running the cost of governance and infrastructural development. Through the payment of taxes, the government can build social infrastructure that help to reduce poverty. The economic objective of taxation and the primary goal of a national tax system is to generate revenues to pay for the expenditures of government at all levels. Taxes are used for payment of salaries of public servants, procurement of security weapons for the protection of lives and properties, provision of basic and social amenities including roads, power, clean water, effective and affordable health system and provision of quality education.

According to economic theory, production is very crucial to an economy in terms of growth and development. Any increase in production leads to economic growth as measured by GDP. This metric merely represents the total production of all goods and services in an economy. Improved economic growth enhances the standard of living while lowering costs and raising wages. Taxes can have positive effects on Allocation of Resource, by diverting resources to the desired directions, taxation can influence the volume or the size of production as well as the pattern of production in the economy. It may, in the ultimate analysis, produce some beneficial effects on production. Moreover, it has been demonstrated that taxes affect production through inflation. Indeed, a low rate of inflation stimulates economic growth. Rise in price level initially leads to increase in profit ratio, investment, output, employment level and income. However, hyper inflation results in fall in the value of money and decline in purchasing power.

How to boost economic growth is a major concern of any Government. Economic growth often is driven by consumer spending and business investment. Tax cuts and rebates are used to return money to consumers and boost spending in order to promote growth. Economic growth is an increase in the production of goods and services in an economy. Increases in capital goods, technology, and human capital can contribute to economic growth. Tax cuts are generally less effective in spurring economic growth than are increases in government spending.
The aim in this study is to find out how an optimal tax revenue policy will affect the Nigerian citizenry under the extant paradigm.

METHODOLOGY
THE TOTAL DIFFERENTIAL MODELING APPROACH
The approach used in this study is divided into two sections. The first is termed the total differential modeling approach (see Aruofor, 2001, 2017, 2019, and 2020), Aruofor and Okungbowa (2018), Aruofor and Ogbeide (2019), and Aruofor and Ogbeide (2022). It assumes and rightly so, that in the real world situation, every economic variable or subsystem depends on and is depended upon by other variables or subsystems.

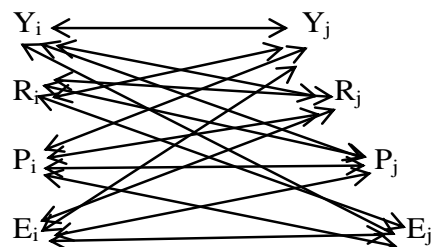A schematic representation of the above theory is presented in Fig. 1.

Fig: 1: The True Socio – Economic Causal Chain

$$Y \quad = \quad \text{Production variables;}$$
$$R \quad = \quad \text{Primary Factors;}$$
$$P \quad = \quad \text{Policy instruments;}$$
$$E \quad = \quad \text{Environmental variables.}$$

This theory was first mooted by Walras as early as 1874 even though it was not developed beyond the conceptual stage. The systems total differential modeling approach (Ecostatometrics), was achieved by Aruofor (2017) and relies on statistically significant multiple simple linear regression coefficients as opposed to multiple linear regression parameters. It is a blend between the traditional Input Output Analysis and Econometrics and assumes the structure of programming models. The theory behind it is that an economy is not truly dynamic but only dynamically static. It is the change that occurs in an economy in the current year(t) that determines where the economy (the endogenous variables) will be at the end of the current year (t) and not in the next year(t+1). This model is a departure from the normal econometric approach, where the structure of the economy is determined by combinations of economic theories. The true structure of an economy is so complex that economic theory will be self defeating (see Duesenberry et al , 1965 and Gordon, 1968). *Indeed, Adeyoju (1975) had rightly noted that "the unstable nature of population and its growth, national income and its distribution, investment capacity, employment opportunities, balance of payments and raw material base often lead to conflicting theories of economic development".* We therefore do not need any additional theories to explain the working of an economy.

If we can estimate all the independent relationships among the variables of the economy taken two at a time, (depending on whether they are statistically significant) and classify the significant coefficients into a matrix **B**, according to whether they are endogenous or exogenous, then we would have in matrix notation,

$$Y = BY + CX + A + U$$
$$\therefore [I - B]Y = CX + A + U$$

$$Y = [I - B]^{-1}CX + [I - B]^{-1}A + [I - B]^{-1}U$$

$$\frac{dY}{dX} = [I - B]^{-1}C$$

$$\therefore dY = [I - B]^{-1}CdX$$

$$\text{i.e } \Delta Y = [I - B]^{-1}C\Delta X$$

$$\therefore Y_t = [I - B]^{-1}CX_t - [I - B]^{-1}CX_{t-1} + Y_{t-1}$$

Where, Y=endogenous and X=exogenous variables. The fact that the relationships are not estimated by multiple linear regressions means that the issue of simultaneous equation bias is by-passed and all the estimation difficulties, including multi-collinearity associated with econometric multiple linear regression, which renders it inconsistent and therefore non-operational, are also by-passed. Moreover, no complicated econometric and economic theories are needed to proceed. It is then possible to view the whole economy at a glance and the structure of the economy is determined automatically.

Thus, given a simple linear regression between two variables, X and Y, we proceed as follows and state the equation as below:

$$Y = a + bX + u$$

Where Y = the dependent variable

X = the independent variable

$a \& b$ = parameters

u = error term.

The estimate of the parameters $a \& b$, is achieved by the application of least squares to the data on the variables, with a view to minimize the sum of squared deviations around the regression line (Koutsoyiannis, 1977, Aruofor, 2001, Aruofor, 2017 and Aruofor, 2020).

The parameters can be estimated by solving the following normal equations:

$$a\sum 1 + b\sum X = \sum Y \qquad (1)$$
$$a\sum X + b\sum X^2 = \sum XY \qquad (2)$$

This was the basic procedure adopted and the coefficients were estimated by means of a computer software, ESM-Lab 4.4, that tested for statistical significance at the 5% level of significance using the asymptotic t-ratios. It was designed jointly by the author and Microcraft Nigeria Limited. The procedure is to determine the important variables required for the solution of the problem, classify them into endogenous and exogenous variables before feeding them to ESM-Lab 4.4. The model is then estimated, and the statistically significant coefficients are automatically classified into a matrix **B** and the structural relationship of the economy is automatically specified. Further analysis can then be performed. (The computer software can be downloaded as esmlab.ng.com from the

internet and ran as administrator). For this study, the data were assembled from the Central Bank Statistical Bulletin (CBN, 2017, 2018, 2019 and 2021) and Aruofor, (2017) and Aruofor and Ogbeide (2019). The time series ranged from 1981 to 2024. The list of variables consists of one hundred and eleven variables, made up of one hundred and nine (111) endogenous variables followed by two (2) exogenous variable (see fig 2).

THE CONSTRUCTION OF THE COMPOSIT MODEL OF NIGERIA ECONOMY.

The Nigeria model consists of the primary sectors comprising of the agricultural sector, the manufacturing sector, industry, construction, transport, services, education and health; and other real sectors including national income, consumption and investment, population, labor and employment, foreign sector, economic indicators and policy instruments. Together, they comprise the endogenous variables of the model, while the exogenous variable consist of investment.

THE POPULATION MODEL AND DERIVATION OF VARIABLES

Extant models of the Nigerian economy lacked data on total active work force, employment, etc. These are major defects and according to Stolper, (1966), the development planner cannot afford to assume his facts; he must find them as best as he can. We therefore proceeded as follows:
The population of Nigeria is growing at approximately 3% per year. Given this fact, we back cast the population at 3% discount rate to 1901 and projected it to 2021 assuming that the population has been adjusted for deaths.

1) Going by international standard, children are those people of ages Sixteen (16) years and below and was derived as:
   Children = Pop_t - Pop_{t-16}

2) Population of people eighty years and below was derived as:
   Pop_t – Pop_{t-80}

3) Estimated potential active work force (EPAWF) = Pop_t – Pop_{t-80} – Children.

4) Population of old people equals the residual.

5) Unemployed work force = EPAWF x Unemployment rate.

6) Employed work force (EMPWF) = EPAWF - Unemployed work force.

7) Employment = $\Delta EMPWF$

8) Average wage rate = $Labor \quad Force \quad Compensation/EMPWF$

9) National Productivity = NGDP/Labor force compensation

10) Labor Productivity = NGDP/ EMPWF

11) Demand for Employment = $\Delta EMPWF_{-1}$

12) Demand Pressure for Employment = ($\Delta EMPWF_{-1}$)/Unemployed Work Force

13) Demand for Health care = $\Delta HGDP_{-1}$

14) Demand Pressure for Health care = $\Delta HGDP_{-1}/Pop$

15) Demand for Education = $\Delta EdGDP_{-1}$

16) Demand Pressure for Education = $\Delta EdGDP_{-1} / Pop$

17) Demand for Imports = $\Delta IMPOTS_{-1}$

18) Penchant for Imports $= \Delta IMPOTS_{-1} / Pop$

19) Import Dependence $= IMPOTS / NGDP$

20) Slavery = EXTDEBT/Pop

Some other variables were derived from existing data as follows:

- $GROWT \quad RATE \quad = \quad ((\Delta GDP)/GDP_t)*100)$
- $DINCOM \qquad = \quad GDP - TAX$
- $COLIVN \qquad = \quad (CONS_{t-1}((1+(INFRT_t/100))))$
- $POOR \qquad = \quad POP/((RGDP/EXCHRT)*\$720)$
- $ABPOOR \qquad = \quad POP/((RGDP/EXCHRT)*\$360)$
- $RICH \qquad = POP \quad - \quad (POOR + ABPOOR)$
- $RPOVRT \qquad = \quad (1-((RGDP/EXCHRT)/RGDP)*100)$
- $DDMONY \qquad = \quad (\Delta MONYSS)_{-1}$
- $DDMOPR \qquad = \quad ((\Delta MONYSS)_{-1}/POP)$
- $IMPDD \qquad = \quad (\Delta IMPORT)_{-1}$
- $IMPDDPR \qquad = \quad ((\Delta IMPORT)_{-1}/POP)$
- $XPOTDD \qquad = \quad (\Delta XPORT)_{-1}$
- $DBTBDN \qquad = \quad (EXDBT/(GDP/EXCHRT))$
- $INVEDU \quad = (INVSTNENT/NGDP)*EDUGDP$
- $INVIND \quad = (INVSTNENT/NGDP)*INDGDP$

However the 2001 and 2006 census of the Nigerian economy by the National Bureau of Statistics was used to adapt the population of male and female, as well as urban and rural populations in Nigeria according to their shares.

Fig 1: LEGEND OF VARIABLES NIGERIA MARKET ECONOMY

S/no.	ACRONYMS	ACTIVITY	UNIT
1	NGDP(t)	GDP at Current Basic Prices	N million
2	AGGDD	Aggregate Demand	
3	AGGSS	Aggregate Supply	
4	INVST(t)	Investment	N million
5	AGRSEC(t)	1. Agriculture	N million
6	INDUST(t)	2. Industry	N million
7	MANUFC(t	(c) Manufacturing	N million
8	OILREFIN	OIL Refining	N million
9	ELECTSS(t)	3. Electricity,Gas,Steam & Air conditioner	N million
10	WATER(t)	4. Water supply, sewage, waste Mang.	N million
11	CONSTN(t)	5. Construction	N million
12	SERVCS(t)	C. SERVICES	N million
13	TRADE(t)	1. Trade	N million
14	ACCOFOO	2. Accomadation and Food Services	N million
15	TRASPOT(t	3. Transportation and Storage	N million
16	TRANSEV(t	e. Transport Services	N million
17	POSTCUR(t	f. Post and Courier Services	N million
18	INFOCOM(	4. Information and Communication	N million
19	TELECOM(	a. Telecommunications and Information Services	N million
20	PUBLSHN(t	b. Publishing,	N million
21	MPIC&SND	c. Motion Pictures, Sound recording and Music production	N million
22	BRODCST(	d. Broadcasting	N million
23	ARTRECRT	5. Arts, Entertainment & Recreation	N million
24	FININSUR(	6. Financial and Insurance	N million
25	FINANCE(t)	a. Financial Institutions	N million
26	INSURANS	b. Insurance	N million
27	REALEST(t)	7. Real Estate	N million
28	PROFSERV	8. Professional, Scientific & Technical Serv.	N million
29	ADMINSUF	9. Administrative and Support Services	N million
30	PUBADMN	10. Public Administration	N million
31	EDUCATN(	11. Education	N million
32	HLT&SOC	12. Human Health & Social Services	N million
33	OTHSERVS	13. Other Services	N million
34	DISPINC(t)	Disposable Income	N million
35	REALINC(t)	Real Income	N million
36	REALGDP(t	Real GDP	N million
37	GROWTRT	Growth rate	%
38	GROWTH(	Growth	N million
39	CONS(t)	Consumption	N million
40	CAPITAL(t)	Capital accumulation	N million
41	FDI(t)	Foreign Direct Investment	N million
42	CPI(t)	Consumer Price Index	
43	INFLTD(t)	Inflation Dummy = 1 when CPI increases, otherwise = 0	
44	INFLATN(t)	Inflation = INFTD X CPI	
45	INFLTRT(t)	Inflation Rate	%
46	UNEMPL(t)	Unemployment Rate	%
47	LABCOMP	Labor Force Compensation	N million
48	MALE	Male Population	Million
49	FEMALE	Female Population	Million
50	URBAN	Urban Population	Million
51	RURAL	Rural Population	Million
52	CHLDRN	Children Population (16 years and below)	Million
53	CHDRNSS	Children Supply	Million
54	EPAWF	Estimated Potencial Active Work Force	Million
55	NADDWF	New Addition to Workforce	
56	POPOLD	Population of Old People (80 years and above)	Million
57	UNEMWF	Unemployed Work Force	Million
58	EMPWF	Employed Work Force	Million
59	EMPLMNT	Employment	Million
60	PRDTIVTY	Productivity	
61	LPROVITY	Labor Productivity	
62	AVWAGE	Average Wage Rate	Naira
63	DDEMENT	Demand for Employment	

Fig 1: LEGEND OF VARIABLES NIGERIA MARKET ECONOMY CONTINUED

S/no.	ACRONYMS	ACTIVITY	UNIT
64	EMDDPR	Employment Demand Pressure	
65	POOR(t)	Poor	Million
66	EXTPOOR(	Extremely (Absolute) Poor	Million
67	POVRT(t)	Poverty Rate	%
68	SLAVERY	Slavery	
69	SAVINGS(t	Savings	N million
70	BOT(t)	Balance of trade	N million
71	BOP(t)	Balance of payments	N million
72	EXTRES(t)	External reserve	N million
73	DBTBDN(t)	Debt burden or Bondage	
74	OILREV(t)	Oil revenue	N million
75	NOILREV(t	Non-oil revenue	N million
76	CORPTD(t)	Corruption Dummy = 1 when DDMOPR increases, otherwise = 0	
77	CORRPTN(	Corruption= CORPTD X DDMOPR.	
78	DDMONY(	Demand for money	N million
79	DDMOPR(t	Demand for money pressure	
80	DEMOCY(t	Dummy Variable 1.0 for New Democracy and 0 elsewhere.	
81	CORDEM(t	Equals DEMOCY x CORRPTN	
82	PWLFARE	Personal Welfare (Per capita income)	Naira
83	STDOLIVN	Standard of Living	
84	PUPWER	Purchasing Power	
85	FODSRITY	Food Security	
86	HLTCARE	Health Care	
87	DDHCARE	Demand for Health Care	
88	HCRDDPR	Health Care Demand Pressure	
89	HRESDEV	Human Resource Development	
90	DDEDUC	Demand for Education	
91	EDUDDPR	Education Demand Pressure	
92	WEALTH	National Wealth	
93	PWEALTH	Personal Wealth	
94	IMPDPEN	Import Dependence	
95	DDIMP	Demand for Imports	
96	PENCIMP	Penchant for Imports	
97	TIME(t)	Time	
98	EXCHRTRP	Exchange rate (Relative poverty)	N million
99	POP(t)	Population	Million
100	IMPORT(t)	Imports	N million
101	XPOTOIL(t	Oil export	N million
102	XPTNOIL(t	Non-oil export	N million
103	DODBT(t)	Domestic debts	N million
104	EXTDBT	External debts	$ million
105	GEXPDN(t)	Government expenditure	N million
106	PRIMELR(t	Primary lending rate	%
107	INTSAV(t)	Interest rate	%
108	MONYSS(t	Money supply	N million
109	TAX(t)	Tax	N million
110	ACGSC	Agricultural Credit Guarantee Scheme	N million
111	DFUELP(t)	Domestic fuel price	N/Litre
		EXOGENOUS VARIABLES	
112	TAX	STATUS QUO	N million
113	OPTIMAL	TAX REVENUE	N million

The second part is a Linear GoalProgramme. The BMAT (Structural relationships) was estimated by the Total Differential Modeling Software, ESMLAB. This matrix of dimension 111 x 111 is what was used to formulate the Linear Goal Programming Model of the Nigeria economy. The Nigerian economy was already battered and in shambles by 2021 so the 2020 state of the economy which was still fare was adopted as the right hand side (RHS) of our model with every negative output converted to positive values.

Our goals are specified as the constraints of the RHS, which required all sectoral outputs to be overachieved (>) by 2024 and all undesirable variables constrained to be underachieved (<) also by 2024. The RHS was duly adjusted to reflect the 2024 minimum wage of N70,000.00 and captured in the average wage equivalent; for the current domestic fuel price of N1200.00/litre, the prevailing exchange rate of N1500.00/US $ and a fully deregulated economy.

The constraint also required that corruption in Nigeria be exactly equal to zero (Corruption Dummy) and more corrupt money be recovered by Government. The details can be inferred from Tables 1a and 1b. The objective function was maximize tax revenue in 2024.

The solution was obtained by solving the problem as a Linear Program using the Six Pap Linear Programming Software. The results are also presented in Tables 1a and 1b.. The derivation and estimation of variables are covered in Aruofor (2017, 2019 and 2020) and Aruofor and Ogbeide (2020, 2022a, 2022b, 2023a, 2023b, 2024a, 2024b and 2024c).

RESULTS AND DISCUSSION

The result of the linear goal programme indicates that if Nigeria can improve her tax administration and remove all vestiges of corruption from the economy, especially among tax collectors, it will be possible to collect an optimal tax revenue of N3.16 trillion per annum. To achieve this, in addition to zero corruption, it is required that the Nigeria economy among other things should grow at an alarming rate of 78.7% per annum and increase investment by N2.04e+06 million. While this prescription may appear alarming, it goes a long way to support the need for Government to put the economy into proper shape while formulating an optimal tax revenue proposal. Government need to transform the economy by investing more in industries, manufacturing, non-oil exports, oil refining, electricity supply, construction and services especially in the rural areas of the country.

Other requirements include to increase aggregate supply by N1.28 trillion, the balance of payments by N3.57e+07 million, the purchasing power by N1,380.00 per capita and increase the interest rate to 13.06% and more importantly reduce corruption to zero level. The details are presented in Tables 1a and 1b. The burden of responsibility on Government at all levels, Federal, State and Local Government inclusive is enormous.

TABLE 1a: LINEAR GOAL PROGRAMMING RESULT OF OPTIMAL TAXPOL 2;   IMPACT OF TAXES ON NIGERIA ECONOMY

S/no	LPGTAX	OBJECTIVE FUNCTION =3.61e+06	CONSTRAINTS		TAXPOLY1	TAXPOLCY2
1	NGDP(t)	x(1) = 0	constraint no. 1 TRUE : 1.15e+08 >= 1.03e+08	NGDP(t)	-13.0475	-4.07901
2	AGGDD	x(2) = 0	constraint no. 2 FALSE: -5.16e+06 >= 9.18e+06	AGGDD	-5.82671	1.352668
3	AGGSS	x(3) = 1.28e+06	constraint no. 3 FALSE: 2.24e+06 >= 2.24e+06	AGGSS	0.674314	0.323521
4	INVST(t)	x(4) = 2.04e+06	constraint no. 4 FALSE: -2.29e+06 >= 1.95e+06	INVST(t)	3.837017	0.415468
5	AGRSEC(t)	x(5) = 0	constraint no. 5 TRUE : 3.84e+07 >= 3.18e+07	AGRSEC(t)	-2.32729	-0.27913
6	INDUST(t)	x(6) = 0	constraint no. 6 FALSE: 2.11e+07 >= 2.11e+07	INDUST(t)	1.927234	0.439265
7	MANUFC(t	x(7) = 0	constraint no. 7 TRUE : 1.56e+07 >= 4.38e+06	MANUFC(t	-1.60667	-0.5628
8	OILREFIN	x(8) = 0	constraint no. 8 TRUE : 1.07e+05 >= 5.79e+04	OILREFIN	-0.0096	-0.00115
9	ELECTSS(t)	x(9) = 0	constraint no. 9 FALSE: 1.09e+05 >= 5.55e+05	ELECTSS(t)	0.079357	0.015306
10	WATER(t)	x(10) = 0	constraint no. 10 FALSE: 1.18e+05 >= 1.41e+05	WATER(t)	0.007982	-0.00174
11	CONSTN(t)	x(11) = 0	constraint no. 11 FALSE: 3.04e+06 >= 3.53e+06	CONSTN(t)	0.204498	0.08586
12	SERVCS(t)	x(12) = 0	constraint no. 12 FALSE: 9.26e+07 >= 9.13e+07	SERVCS(t)	1.125463	-0.82659
13	TRADE(t)	x(13) = 0	constraint no. 13 TRUE : 3.02e+07 >= 3.01e+07	TRADE(t)	1.161776	-0.10673
14	ACCOFOOD	x(14) = 0	constraint no. 14 FALSE: 4.92e+05 >= 7.41e+05	ACCOFOOD	0.027975	0.011638
15	TRASPOT(t	x(15) = 0	constraint no. 15 TRUE : 1.43e+06 >= 1.17e+06	TRASPOT(t	-0.07656	0.022327
16	TRANSEV(t	x(16) = 0	constraint no. 16 FALSE: 2.43e+04 >= 4.80e+04	TRANSEV(t	0.002075	0.001896
17	POSTCUR(t	x(17) = 0	constraint no. 17 FALSE: 4.18e+04 >= 4.33e+04	POSTCUR(t	0.002135	-0.00058
18	INFOCOM(	x(18) = 0	constraint no. 18 TRUE : 1.93e+07 >= 1.61e+07	INFOCOM(	-0.57253	-0.07225
19	TELECOM(t	x(19) = 0	constraint no. 19 TRUE : 1.24e+07 >= 1.15e+07	TELECOM(t	-1.12444	0.00578
20	PUBLSHN(t	x(20) = 0	constraint no. 20 TRUE : 3.10e+04 >= 2.62e+04	PUBLSHN(t	-0.00366	-0.00148
21	MPIC&SND	x(21) = 0	constraint no. 21 TRUE : 1.83e+06 >= 1.49e+06	MPIC&SND	-0.03	-0.01818
22	BRODCST(t	x(22) = 0	constraint no. 22 TRUE : 2.08e+06 >= 1.76e+06	BRODCST(t	-0.29819	-0.06913
23	ARTRECRTI	x(23) = 3.45e+05	constraint no. 23 TRUE : 2.59e+05 >= 2.26e+05	ARTRECRTI	-0.02205	-0.01636
24	FININSUR(t	x(24) = 0	constraint no. 24 FALSE: 5.41e+06 >= 5.65e+06	FININSUR(t	0.243482	-0.01575
25	FINANCE(t)	x(25) = 0	constraint no. 25 FALSE: 4.69e+06 >= 4.89e+06	FINANCE(t)	0.210841	-0.01477
26	INSURANS(	x(26) = 0	constraint no. 26 FALSE: 7.22e+05 >= 7.61e+05	INSURANS(	0.032622	-0.00099
27	REALEST(t)	x(27) = 0	constraint no. 27 FALSE: 1.53e+07 >= 1.59e+07	REALEST(t)	0.779044	0.050124
28	PROFSERV(	x(28) = 0	constraint no. 28 TRUE : 7.18e+06 >= 7.18e+06	PROFSERV(	0.232665	-0.01199
29	ADMINSUF	x(29) = 0	constraint no. 29 FALSE: 4.06e+04 >= 4.27e+04	ADMINSUF	0.001964	-0.00018
30	PUBADMN	x(30) = 0	constraint no. 30 FALSE: 5.57e+06 >= 6.77e+06	PUBADMN	0.064746	-0.19727
31	EDUCATN(	x(31) = 0	constraint no. 31 TRUE : 2.43e+06 >= 1.74e+06	EDUCATN(	-0.05487	-0.03511
32	HLT&SOC	x(32) = 0	constraint no. 32 FALSE: 2.10e+05 >= 4.16e+05	HLT&SOC	0.031378	0.019077
33	OTHSERVS(	x(33) = 0	constraint no. 33 TRUE : 4.40e+06 >= 3.99e+06	OTHSERVS(	-0.58707	-0.24192
34	DISPINC(t)	x(34) = 0	constraint no. 34 TRUE : 1.43e+08 >= 1.42e+08	DISPINC(t)	6.655889	-0.85493
35	REALINC(t)	x(35) = 0	constraint no. 35 TRUE : 8.26e+05 >= 7.92e+05	REALINC(t)	-0.02485	0.008286
36	REALGDP(t	x(36) = 0	constraint no. 36 FALSE: 9.41e+06 >= 1.86e+07	REALGDP(t	-2.58695	-1.79658
37	GROWTRT(	x(37) = 78.7005	constraint no. 37 TRUE : -43.5251 <= 10	GROWTRT(	-1.3E-08	-1.1E-05
38	GROWTH(t	x(38) = 0	constraint no. 38 TRUE : 1.9874 <= 18.8188	GROWTH(t	1.13E-06	1.76E-07
39	CONS(t)	x(39) = 0	constraint no. 39 TRUE : 7.60e+07 >= 7.60e+07	CONS(t)	-7.16889	-3.6222
40	CAPITAL(t)	x(40) = 0	constraint no. 40 TRUE : 3.30e+07 >= 1.22e+07	CAPITAL(t)	-2.89499	-0.95752
41	FDI(t)	x(41) = 0	constraint no. 41 TRUE : 1.48e+06 >= 1.22e+06	FDI(t)	-0.16368	0.04013
42	CPI(t)	x(42) = 0	constraint no. 42 TRUE : 336.5791 <= 336.5791	CPI(t)	2.95E-05	2.04E-06
43	INFLTD(t)	x(43) = 0	constraint no. 43 TRUE : 1.0746 <= 2.0218	INFLTD(t)	-1.6E-07	-7.5E-08
44	INFLATN(t)	x(44) = 0	constraint no. 44 TRUE : 311.6867 <= 335.8167	INFLATN(t)	2.56E-05	-2.4E-06
45	INFLTRT(t)	x(45) = 0	constraint no. 45 TRUE : -86.8152 <= 139.4745	INFLTRT(t)	-8.5E-06	-4.4E-06
46	UNEMPL(t)	x(46) = 0	constraint no. 46 TRUE : 16.035 <= 29.9563	UNEMPL(t)	2.75E-06	-2.2E-07
47	LABCOMP	x(47) = 0	constraint no. 47 TRUE : 4.46e+07 >= 4.16e+07	LABCOMP	-3.8356	0.174521
48	MALE	x(48) = 0	constraint no. 48 FALSE: 93.1258 >= 129.5116	MALE	2.2E-06	-1.7E-07
49	FEMALE	x(49) = 0	constraint no. 49 FALSE: 91.6476 >= 127.4558	FEMALE	2.17E-06	-1.6E-07
50	URBAN	x(50) = 0	constraint no. 50 FALSE: 35.8475 >= 46.2564	URBAN	2.97E-06	1.11E-06
51	RURAL	x(51) = 0	constraint no. 51 FALSE: 62.9541 >= 81.2338	RURAL	5.22E-06	1.95E-06
52	CHLDRN	x(52) = 0	constraint no. 52 FALSE: 47.9099 >= 85.0578	CHLDRN	-5.4E-06	-1.6E-06
53	CHDRNSS	x(53) = 11.8617	constraint no. 53 FALSE: 21.2376 >= 35.8162	CHDRNSS	-6.1E-06	-3.5E-06
54	EPAWF	x(54) = 0	constraint no. 54 FALSE: 100.9688 >= 118.5295	EPAWF	-2E-07	-1.3E-06
55	NADDWF	x(55) = 0	constraint no. 55 FALSE: 2.3543 >= 3.2012	NADDWF	2.34E-07	1.79E-09
56	POPOLD	x(56) = 0	constraint no. 56 FALSE: 17.4685 >= 22.0706	POPOLD	-9.5E-09	-1.8E-07

TABLE 1b: LINEAR GOAL PROGRAMMING RESULT OF OPTIMAL TAXPOL 2; IMPACT OF TAXES ON NIGERIA ECONOMY

S/no	LPGTAX	OBJECTIVE FUNCTION =3.61e+06	CONSTRAINTS		TAXPOLY1	TAXPOLCY2
57	UNEMWF	x(57) = 0	constraint no. 57 TRUE : 11.4647 <= 23.2115	UNEMWF	-2.4E-06	-4.5E-07
58	EMPWF	x(58) = 0	constraint no. 58 TRUE : 72.2015 >= 66.038	EMPWF	-7.6E-07	2.91E-07
59	EMPLMNT	x(59) = 0	constraint no. 59 FALSE: -13.4171 >= 29.7246	EMPLMNT	2.66E-06	2.74E-07
60	PRDTIVTY	x(60) = 0	constraint no. 60 FALSE: -29.2794 >= 9.6743	PRDTIVTY	-1.4E-06	-1.9E-06
61	LPROVITY	x(61) = 0	constraint no. 61 FALSE: 2.05e+06 >= 2.28e+06	LPROVITY	0.027642	-0.05137
62	AVWAGE	x(62) = 0	constraint no. 62 FALSE: 5.02e+05 >= 2,025,100	AVWAGE	-0.01235	0.007104
63	DDEMENT	x(63) = 0	constraint no. 63 TRUE : 8.4417 <= 11.5049	DDEMENT	9.12E-07	1.42E-07
64	EMDDPR	x(64) = 0	constraint no. 64 TRUE : -1.2115 <= 1.8631	EMDDPR	2.24E-07	1.71E-07
65	POOR(t)	x(65) = 36.7575	constraint no. 65 TRUE : 58.0893 <= 58.0893	POOR(t)	1.7E-05	-3.5E-06
66	EXTPOOR(t	x(66) = 0	constraint no. 66 TRUE : 5.416 <= 5.416	EXTPOOR(t	-8.4E-06	5E-06
67	POVRT(t)	x(67) = 1.6365	constraint no. 67 TRUE : 2.8298 <= 3.9142	POVRT(t)	-2.6E-07	-2.2E-07
68	SLAVERY	x(68) = 0	constraint no. 68 TRUE : -3.83e+04 <= 1.22e+05	SLAVERY	0.015101	0.004208
69	SAVINGS(t)	x(69) = 0	constraint no. 69 FALSE: 2.65e+06 >= 3.21e+06	SAVINGS(t)	0.544604	0.21572
70	BOT(t)	x(70) = 0	constraint no. 70 FALSE: 6.99e+06 >= 1.15e+07	BOT(t)	0.887989	-0.07753
71	BOP(t)	x(71) = 3.57e+07	constraint no. 71 TRUE : 1.37e+07 >= 1.10e+07	BOP(t)	-1.18321	-0.30789
72	EXTRES(t)	x(72) = 0	constraint no. 72 FALSE: 6.67e+04 >= 7.23e+04	EXTRES(t)	0.006063	0.000337
73	DBTBDN(t)	x(73) = 1.8226	constraint no. 73 TRUE : -0.2526 <= 0.4807	DBTBDN(t)	-5.6E-10	-1.1E-08
74	OILREV(t)	x(74) = 0	constraint no. 74 TRUE : 3.57e+06 >= 3.32e+06	OILREV(t)	-0.3114	0.04817
75	NOILREV(t)	x(75) = 0	constraint no. 75 TRUE : 4.22e+06 >= 3.92e+06	NOILREV(t)	-0.43588	-0.10196
76	CORPTD(t)	x(76) = 0	constraint no. 76 FALSE: -1.6003 == 0	CORPTD(t)	4.36E-07	7.45E-08
77	CORRPTN(t	x(77) = 0	constraint no. 77 FALSE: -9.16e+03 == 0	CORRPTN(t	-0.00069	-0.00636
78	DDMONY(t	x(78) = 0	constraint no. 78 FALSE: 1.51e+07 >= 1.63e+07	DDMONY(t	-0.54056	-0.4066
79	DDMOPR(t	x(79) = 0	constraint no. 79 TRUE : 8.91e+03 <= 2.99e+04	DDMOPR(t	-0.00675	-0.00119
80	DEMOCY(t)	x(80) = 0	constraint no. 80 FALSE: 0.1288 == 1	DEMOCY(t)	1.43E-07	5.21E-08
81	CORDEM(t	x(81) = 0	constraint no. 81 FALSE: -9.05e+03 == 0	CORDEM(t	-0.00071	-0.00638
82	PWLFARE	x(82) = 0	constraint no. 82 FALSE: 9.29e+05 >= 9.91e+05	PWLFARE	0.041396	-0.00772
83	STDOLIVN	x(83) = 0	constraint no. 83 FALSE: 1.53e+04 >= 2.28e+04	STDOLIVN	0.025608	-0.00046
84	PUPWER	x(84) = 1.38e+03	constraint no. 84 TRUE : 1.62e+03 >= 887.2764	PUPWER	-0.00019	-8.6E-05
85	FODSRITY	x(85) = 0	constraint no. 85 TRUE : 2.32e+05 >= 2.05e+05	FODSRITY	0.01729	0.003542
86	HLTCARE	x(86) = 0	constraint no. 86 TRUE : 5,669.657 >= 4.73e+03	HLTCARE	-8E-05	-5.7E-05
87	DDHCARE	x(87) = 0	constraint no. 87 FALSE: 9.91e+04 >= 1.18e+05	DDHCARE	0.024611	0.005553
88	HCRDDPR	x(88) = 0	constraint no. 88 TRUE : 631.0004 <= 631.0004	HCRDDPR	0.000127	3.43E-05
89	HRESDEV	x(89) = 0	constraint no. 89 TRUE : 1.23e+04 >= 6.97e+03	HRESDEV	-0.00019	-0.00018
90	DDEDUC	x(90) = 1.78e+05	constraint no. 90 FALSE: -2.04e+04 >= 8.04e+04	DDEDUC	0.028644	0.02079
91	EDUDDPR	x(91) = 1.47e+03	constraint no. 91 TRUE : 759.1067 <= 759.1067	EDUDDPR	-0.00032	-1.3E-05
92	WEALTH	x(92) = 0	constraint no. 92 FALSE: -0.0633 >= 0.0719	WEALTH	1.44E-08	1.52E-09
93	PWEALTH	x(93) = 0	constraint no. 93 TRUE : 2.44e+04 >= 2.44e+04	PWEALTH	-0.00217	-0.00116
94	IMPDPEN	x(94) = 0	constraint no. 94 TRUE : 0.2787 <= 0.5299	IMPDPEN	9.18E-09	4.96E-08
95	DDIMP	x(95) = 0	constraint no. 95 TRUE : -5.32e+06 <= 1.71e+07	DDIMP	-1.77434	-1.99638
96	PENCIMP	x(96) = 0	constraint no. 96 TRUE : -2.26e+04 <= 8.80e+04	PENCIMP	-1.3E-05	2.12E-05
97	TIME(t)	x(97) = 0	constraint no. 97 FALSE: 53.7242 >= 55.9097	TIME(t)	1.65E-06	1.42E-07
98	EXCHRTRP	x(98) = 0	constraint no. 98 TRUE : 385.8315 <= 1,500	EXCHRTRP	-1.4E-05	-7.8E-06
99	POP(t)	x(99) = 0	constraint no. 99 FALSE: 184.7733 >= 256.9674	POP(t)	4.37E-06	-3.3E-07
100	IMPORT(t)	x(100) = 0	constraint no. 100 TRUE : 6.89e+06 <= 6.89e+06	IMPORT(t)	-0.26649	0.419328
101	XPOTOIL(t)	x(101) = 0	constraint no. 101 TRUE : 2.00e+07 >= 2.00e+07	XPOTOIL(t)	-0.53296	1.871241
102	XPTNOIL(t)	x(102) = 0	constraint no. 102 FALSE: 1.85e+06 >= 2.27e+06	XPTNOIL(t)	-0.46195	-0.01928
103	DODBT(t)	x(103) = 0	constraint no. 103 TRUE : 8.44e+06 <= 8.44e+06	DODBT(t)	-0.65718	-0.19226
104	EXTDBT	x(104) = 0	constraint no. 104 TRUE : 2.84e+06 <= 2.84e+06	EXTDBT	-0.92581	-0.31155
105	GEXPDN(t)	x(105) = 0	constraint no. 105 FALSE: 8.73e+06 >= 9.52e+06	GEXPDN(t)	0.673806	0.048531
106	PRIMELR(t)	x(106) = 0	constraint no. 106 TRUE : 24.6289 <= 40.1483	PRIMELR(t)	-1.8E-06	-1.4E-06
107	INTSAV(t)	x(107) = 13.0633	constraint no. 107 TRUE : 2.0075 <= 8	INTSAV(t)	1.9E-06	9.55E-07
108	MONYSS(t)	x(108) = 0	constraint no. 108 TRUE : 1.92e+07 >= 1.10e+07	MONYSS(t)	-2.25781	-0.01669
109	TAX(t)	x(109) = 3.61e+06	constraint no. 109 TRUE : 7.75e+06 >= 2.43e+06	TAX(t)	-1.04051	0.665389
110	ACGSC	x(110) = 0	constraint no. 110 FALSE: 9.05e+06 >= 1.81e+07	ACGSC	0.12128	-0.69126
111	DFUELP(t)	x(111) = 0	constraint no. 111 TRUE : 269.8946 <= 1,200	DFUELP(t)	2.71E-06	-7.4E-06

THE IMPACT OF TAXATION ON THE NIGERIA ECONOMY: THE STATUS QUO.

The impact of tax collection under extant practices can be inferred from TAXPOL 1 in Tables 1a and 1b. As can be seen,under the existing paradigm it is evident that taxation impacts positively on the Nigerian economy but the impact is mixed. Taxation causes nominal GDP to fall by – N13.0475 million with a negative feedback of –N1.04051 million on tax collection; implying that for every N1.00 million collected in Nigeria as tax revenue under existing paradigm, N1.04051 million is lost to Government or goes into private pockets as a result of corrupt practices among tax collectors. The growth rate is negative at -1.3e-08% and only an infinitesimal growth of N1.13e-06 million is achieved. Even though aggregate supply and investment increased by N0.674314 million and N3.837017 million respectively, aggregate demand and foreign direct investment fell by –N5.82671 million and –N0.16368 million respectively which does not indicate a balanced growth.

However, under the status quo, the impact of taxation is such that industry increased by N1.927234 million; electricity supply by N0.079357 million; services by N1.125463 million; trade by N1.161776 million and construction by N0.204498 million but manufacturing fell by N1.60667 million, which is not complementary. In addition, taxation also promoted inflation and unemployment by increasing the general price level by 2.56e-05 points and the unemployment rate by 2.75e-06% and caused increase in domestic fuel price. The other details can be inferred from Tables 1a and 1b.

THE IMPACT OF OPTIMUM TAXATION ON THE NIGERIA ECONOMY.

The impact of the optimal taxation revenue policy in contrast is also mixed but the positive impacts have additional coverage, even though not as profound as that of the status quo. As can be inferred from TAXPOLCY 2, in Tables 1a and 1b, the decline in nominal GDP is only -N4.07901 compared to –N13.0475 million of the status quo. However, aggregate demand and supply and investment will increase by N1.352668 million, N0.323521 million and N0.415468 million respectively. In addition, foreign direct investment will increase by N0.04013. The feedback return on taxes is N0.665389 million; indicating that for every N1.0 million collected as tax revenue by tax collectors, only N0.665389 million will be declared and made available to Government as a result of corruption which is profound among tax collectors and is expected to experience a shift of 7.45e-08.

The impact on sectoral output will not be as profound as only industry, electricity supply and construction will be increased by N0.439265 million, N0.015306 million and N0.08586 million respectively. Transport and transport services will be impacted positively by N0.022327 million and N0.001896 million respectively.The impact on inflation rate and unemployment rate will be complementary as they fall by -4.4e-06% and -2.2e-07% respectively. The other details can be inferred from Tables 1a and 1b.

CONCLUSION

 Under extant paradigm of tax collection, whether given the status quo or optimal tax revenue collection, the Government of Nigeria will be short-changed either due to tax evasion or outright corruption among tax collectors. Taxation has some positive impacts on the Nigerian economy as a whole but needs major reforms in its administration as well as Government interventions. If Nigeria can improve her tax administration and remove all vestiges of corruption from the

economy, especially among tax collectors and increase investment by N2.04 trillion, it will be possible to collect an optimal tax revenue of N3.16 trillion per annum and this will impact positively on the Nigerian economy though may not provide the desired quantum leap to transform Nigeria's fiscal landscape because the impact on poverty and corruption will be very profound still; except Government intervenes positively to alleviate poverty especially among the extremely poor in addition to investing and transforming the economic landscape of the country as a whole. Government need to transform the economy by investing more in industries, manufacturing, non-oil exports, oil refining, electricity supply, construction and services especially in the rural areas of the country.

RECOMMENDATIONS

The following recommendations are made that can improve the situation in Nigeria further:

1. Taxes should be made as low as possible to ensure convenience and willingness to pay among Nigerian citizens and entities. This will not give Nigerian tax collectors much room to maneuver in their nefarious activities and will reduce tax evasion and tax avoidance;

2. Government need to transform the economy by investing more in industries, manufacturing, non-oil exports, oil refining, electricity supply, construction and services especially in the rural areas of the country, in order to improve the standard of living of Nigerians and create employment for the unemployed teeming masses of Nigeria and this will also improve the tax base;

3. Tax collection efforts in Nigeria should be co-ordinated to avoid multiple taxation on individuals and entities;

4. Taxation can promote poverty and therefore it is expedient for Government to put in place structures as well as enact policies that will help to alleviate poverty especially among the absolute poor in the country;

5. Government can use taxation to promote production as well as redistribute income equitably in Nigeria and is urged to explore such avenues;

6. Statistics of tax revenues collected by the various organs of Government at all levels should be published annually to ensure transparency. In particular, organs including Customs, Immigration, Ministries, Departments and Parastatals as well as State Agencies and Local Governments should be regularly monitored to avoid abuse of power;

7. In order to maximize taxes in Nigeria, Government must not relent in the fight against corruption in whatever guise it takes, especially among tax and revenue collectors; and

8. Along with evolving an optimum taxation policy for Nigeria, Government should maintain good governance and rise up to the challenge of ensuring the maintenance of the security of life and property in Nigeria.

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