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Federal Government Taxes and Economic Growth in Nigeria

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Abstract

The study focused on impact of federal government taxes on Nigeria economic growth. In achieving the objectives of the study, ex-post facto research design was adopted. The source of data for this work is secondary data through the use of CBN statistical bulletin and Federal inland revenue bulletin. Data collected were analyzed using descriptive statistics, unit root and Auto-Regression Distribution Lag (ARDL). The findings revealed that federal government taxes (PPT, CIT, VAT and CED) have no significant impact on change in gross domestic product in Nigeria. Based on the findings, the study recommends Nigeria government should put policies in place that will foster the continual growth in tax revenue from custom and excise duty, personal income tax, company income tax and value added tax which are progressive in nature. This can be achieved through proper implementation of policies that improve the mechanisms (border checks and tracking of goods produced within the country) for generating these tax revenues. If imports are discouraged through lower company income tax and higher custom duties, this will improve local production and increase economic growth through upscale of gross domestic product. Also, Nigeria government should set a custom and excise duty rates that are favourable to investors who are willing to carry out investment that encourages local production. This will go a long way to discourage custom and excise duty evasion, encourage foreign direct investment, increase local production, create employment and consequently lead to increase in the per capita income of Nigeria.

Keywords: *Tax revenue, Petroleum Profit Tax, Company Income Tax, Value Added Tax, Custom and Exercise Duties, Real Gross Domestic Product*

1.0 INTRODUCTION

The economic growth of any nation depends on the amount of resources generated and under its control to finance its infrastructural need and meet its day to day expenditure. The resources needed is believed however to be generated from external and internal- through a structured tax system. Tax as a macro-economic policy tool that determines the level and pace of economic growth in nations of the world (Omojemite and Godwin 2012). A well-structured tax system offer government opportunity to generate needed revenue to meet its ever growing need. Tax is a veritable and sustainable source of revenue for government and a tool for fiscal policy and macro-

economic management. It is a potential tool for economic and social reform as it pervades all aspect of the economy, individual, companies, citizens and foreigners.

The political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that given country. However, one means of generating the amount of revenue for providing the needed infrastructure is through a well structured tax system. According to Azubike (2009), tax is a major player in every society of the world. The tax system is an opportunity for government to collect additional revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an environment conducive to the promotion of economic growth. Nzotta (2007), argues that taxes constitute key sources of revenue to the federation account shared by the federal, state and local governments. This is why Odusola (2006) stated that in Nigeria, the government's fiscal power is divided into three-tiered tax structure between the federal, state and local governments, each of which has different tax jurisdictions. The system is lopsided and dominated by oil revenue. He further argues that over the past two decades oil revenue has accounted for at least 70% of the revenue, thus indicating that traditional tax revenue has never assumed a strong role in the country's management of fiscal policy.

As a macroeconomic tool, Marshal (2012), likens its efficacy to power to destroy. The tax system is lopsided and dominated by oil revenue which poses formidable challenges to the establishment of effective and efficient tax system (Odusola, 2006). Odusola, identifies some of the challenges facing the Nigeria tax system which includes-paucity of data, non-availability of tax statistics, poor administration, multiplicity of tax, structural problem and non-prioritization of tax effort.

Nigeria operates a federal system of government with three arms and three tiers of government; the federal, the state and the local government each receiving monthly allocation from the federation account (pooled revenue) generated mostly from tax. Nigeria tax system comprises of direct and indirect taxes. The tax administration and jurisdiction in Nigeria is structured in line with the government fiscal power. There are tax exclusively for the federal government, some are shared between the federal and state; some taxes are within the jurisdictions of the state while others for the local government.

Consequently, the expectation is to boost revenue generation through appropriate legislations to cover loopholes in the existing tax structure by creating efficient, effective, resilient and responsive fiscal institutions to improve the administration, assessment and collection, making them more accountable, and promote voluntary payment of taxes by tax payers. The more robust the tax reforms, the more efficient the tax system and its structure, and the better the yield from tax revenue generation and its impact on economic growth. Rena (2011) argued that investment and tax reforms are the fundamental for a stronger more productive economy.

A country‘s tax system is a major determinant of other macroeconomic indexes, specifically, for both developed and developing economies; there exists a relationship between tax structure and the level of economic growth and development. Indeed, it has been argued that the level of economic growth has a very strong impact on a country‘s tax base (Kiabel, 2009, and Vincent, 2001), and tax policy objectives vary with the stages of development. Similarly, the economic criteria by which a tax structure is to be judged and the relative importance of each tax source vary over time (Vincent, 2001). For example, during the colonial era and immediately after the Nigeria‘s

political independence in 1960, the sole objective of tax revenue was to raise revenue. Later on, emphasis shifted to the infant industries protection and income redistribution objectives. In his discussion of the relationship between tax structure and economic development, (Vincent, 2001) divided the period of economic development into two, the early period when an economy is relatively underdeveloped and the later period when the economy is developed. During the early period, there is limited scope for the use of direct taxes because the majority of the populace resides in the rural areas and is engaged in subsistence agriculture. Because their incomes are difficult to estimate, tax assessment at this stage is based on presumptions prone to wide margins of error.

Tax revenue is a powerful tool of economic growth and a major player in every economy of the world. It is never static but dynamic and should reflect current realities prevailing in the economy. The tax system is an opportunity for government to collect additional revenue besides other sources of income, which is needed in discharging its pressing obligations. A good system of tax also offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating enabling and conducive environment to the promotion of economic growth and development (Ogbonna, 2010).

The major problem affecting tax revenue is tax evasion and avoidance. Tax evasion is a problem that is facing every tax system, the Nigerian situation seems unique when viewed against the scale of corrupt practices prevalent in Nigeria. Under direct taxation as practiced in Nigeria, the major problem lies in the collection of the taxes especially from the self-employed such as the businessmen, professional practitioners like lawyers, doctors, accountants, architects and traders in shops among others. As observed by Ayua (2009) these persons blatantly refuse to pay tax by reporting losses every year. According to him, many of these professionals live a lifestyle inconsistent with reported income, which is usually unrealistically low for the nature of their businesses. Civil Servants and their salaried workers are the only class of people that actually pay tax in Nigeria.

Over the years, revenue derived from taxes has been very low and no physical development actually took place, hence the impact on the low income earners is not being felt. Inadequate tax personnel, fraudulent activities of tax collectors and lack of understanding of the importance to pay tax by tax payers are some of the problems of this study (Cutt, 2009). This problem of tax evasion and avoidance have affected the growth of the economy negatively. The issues mentioned above will therefore constitute the problem to be addressed in this research work. Hence, the study will examine the impact of federal government taxes on economic growth in Nigeria. The specific objectives are;

(i) To determine the impact of federal government taxes (PPT, CIT, VAT and CED) on gross domestic product in Nigeria

(ii) To examine the impact of federal government taxes (PPT, CIT, VAT and CED) on foreign direct investment in Nigeria

(iii) To evaluate the impact of federal government taxes (PPT, CIT, VAT and CED) on per capita income in Nigeria

2.0 REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL REVIEW

2.1.1 Taxation and tax administration in Nigeria.

According to the black law dictionary (1999), tax is a ratable portion of the produce of the property and labor of the individual citizens, taken by the nation, in the exercise of its sovereign rights, for the support of government, for the administration of the laws, and as the means for continuing in operation the various legitimate functions of the state. The Institute of Chartered Accountants of Nigeria (2006) and the Chartered Institute of Tax revenue of Nigeria (2002) view tax as an enforced contribution of money, enacted pursuant to legislative authority. If there is no valid statute by which it is imposed; a charge is not tax. Tax is assessed in accordance with some reasonable rule of apportionment on persons or property within tax jurisdiction.

Anyanwu (1997) defined tax revenue as the compulsory transfer or payment (or occasionally of goods and services) from private individuals, institutions or groups to the government. Sanni (2007) advocated tax as an instrument of social engineering which can be used to stimulate general or special economic growth. From Onairobi (1994); Taxes are generally either of two types; Direct and Indirect. A direct tax is levied on income or profit while an indirect tax is levied on expenditures. Good examples of Direct Tax include Personal Income Tax, Capital Gain Tax, Profit Tax and Wealth Tax. Examples of Indirect Tax include Excise Taxes, Export Taxes, Import Duties, Expenditure Tax, Sales Tax and Value Added Tax.

Jarkir (2011) iterated that tax is a contribution exacted by the state; it is a non personal but compulsory and unrequited transfer of resources from the private to the public sector, levied on the basis of predetermined criteria. The classical economists were of the view that the only objective of tax revenue was to raise government revenue. But with the changes in circumstances and ideologies, the aim of taxes has also been changed. These days apart from the objective of raising the public revenue, taxes is levied to affect consumption, production and distribution with a view to ensuring the social welfare through the economic development of a country.

According to Nzotta (2007), four key issues must be understood for tax revenue to play its functions in the society. First, a tax is a compulsory contribution made by the citizens to the government and this contribution is for general common use. Secondly, tax imposes a general obligation on the tax payer. Thirdly, there is a presumption that the contribution to the public revenue made by the tax payer may not be equivalent to the benefits received. Finally, a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family. Thus, it is evident that a good tax structure plays a multiple role in the process of economic development of any nation which Nigeria is not an exception (Appah, 2010).

Sen (1999) explained that under current Nigerian law, tax revenue is enforced by the 3 tiers of Government, that is Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies (approved list for Collection) Decree, 1998.

Successive governments have expressed concern about the low level of productivity of the Nigerian tax system. This has been attributed largely to the deficiencies in the tax administration and collection system, complex legislation, and apathy, especially on the part of those outside the

tax net (Ndekwu, 1991: Ariyo, 1997). This is because as a means of meeting their expenditure requirements, many developing countries undertook tax reforms in the 1980s. However, most of these reforms focused on tax structure rather than on tax administration geared towards generating more revenue from existing tax sources. (Osoro, 1991; Ariyo, 1997).

2.1.2 Problems and Major Challenges of Mobilising Tax Revenue in Nigeria

There are several challenges and obstacles militating against the effective operation of the Nigerian tax administration and the capacity of revenue generation. The genesis of this scenario can be rooted to the over dependence on limited sources of revenue, including oil and gas revenue and sales tax. These trade-related taxes are vulnerable to external shocks because prices on those items are mostly determined by the world market while the exporters have no control regarding the volatile nature of the product. This has resulted to inadequate tax revenue mobilisation and continuous existence of fiscal imbalances on both the demand and supply-side of the economy. As identified by many studies in the literature including (Ogbonna & Ebimobowei, 2012), the quality and efficiency of the system has contributed to the poor management and accountability of public revenue. Despite the various tax policy measures adopted in the preceding years to increase revenue mobilisation and ensure macroeconomic stability, a large number of key challenges predominantly exist in the system, among which include the followings: First, lack of efficient and reliable database system (Okoli& Matthew, 2017): The problem of adequate database that will identify and capture the statistics of tax payers has demeaned the enforcement agency on matters related to tax evasion. In a case where proper records of taxpayers are not available with the enforcement agencies, tax evasion becomes easily. The desire to maximise the tax collection system is hindered by the structural menace in the economy. A larger portion of the business activities are categorised under informal sector and represents over 50% of domestic economic activities. Business operations, particularly at the informal sector level, are basically without record keeping, hence making tax assessment difficult, if not impossible. In such cases, tax-collecting officers resort to estimates as the only alternative to collect such taxes, and this paves way for local producers and other micro business engagement to avoid tax through the false declaration of sales information or refuse to register with the relevant tax administrators.

Second, poor administrative and personnel workforce (Adereti, Sanni & Adesina, 2011): Poor institutional capacity and inadequate personnel appeared as another major obstacle in building a solid and productive tax system. The utilisation of unskilled and poorly trained workforce deficient with technical and administrative competence to mobilise revenue is common in major developing countries including Nigeria. Inadequate machinery, poor remuneration and other related incentives are another factors identified, as most negative attitudes of tax collectors towards tax payers are connected to these challenges. Revenue staffs are not also provided with the needed regular training session to be wellinformed with contemporary development on tax related matters, as a result, the problems of unskilled workforce in addition to limited manpower reduces the productivity of revenue generation in Nigeria. Third, the problem of tax multiplication or duplication (Ogbonna&Ebimobowei, 2012): In Nigeria, different taxes are charged by different tiers of government as there are more than 500 taxes and levies imposed on taxpayers. This is contrary to the provision of Taxes and Levies Act of 1998, in which the approved list of tax collection does not contain some of these aforementioned taxes.

2.1.3 Federal Government Collectible Taxes in Nigeria

Buba (2007) accentuate the fact that the development of the private sector which is the main engine for national development growth and wealth creation requires large investment in areas like infrastructure, energy, and power. Investment of this magnitude can only come from government. In order to enhance the level of income of the poorer sections of the society, sufficient investment is also required in sectors like education, health, and others that can generate employment. The government can successfully implement all these projects if only it can raise the required revenue whose major source is tax. According to Olawunmi and Ayinla (2007), policy guidance represents the objective of economic policy. The main fiscal policy instruments are tax revenue and public expenditure. It is with this in mind that some forms of government generated taxes and their function are discussed below:

2.1.3.1 Petroleum Profits Tax

According to Buba (2007), Nigerian law by virtue of the Petroleum Profits Tax Act 1990 requires all companies engaged in the extraction and transportation of petroleum to pay tax. Adigbe (2011) further stated that the taxable income of a petroleum company comprises proceeds from the sale of oil and related substances used by the company in its own refineries plus any other income of the company incidental to and arising from its petroleum operations. Adereti (2011) explained that the taxable income of a petroleum company is subject to tax at 85%, but this percentage is lowered to 65.75% during the first 5 years of operation but where oil companies operate under production sharing contracts they will be liable to tax at a rate of 50%.

This makes the foreign trade sector the major source of revenue in the 1960s. Some structural changes emerged in the revenue profile in the early 1970s whereby indirect taxes gave way to direct taxes with the emergence of the oil boom (Egwakhide, 1988). The fall in non-oil tax revenue due to the neglect of the traditional (agricultural) sources was matched by an increase in import duties until 1973. Further, there was an appreciable increase in revenue from excise duties in the 1970s due to the enhanced performance of the industrial sector (Buba, 2007).

This overall picture has been sustained up till now given the dominant role of the oil sector as major source of government revenue. This scenario appears to conform to Musgrave‘s (1969) theory to the effect that as an economy develops, more reliance may be placed on direct tax revenue. Some caution is advisable in confirming the relevance of Musgrave‘s theory to the Nigerian environment.

Ogbonna and Ebimobowei (2011) conducted a study on the impact of petroleum revenue on the economy of Nigeria for the period 1970 to 2009. The study showed that a strong correlation exists between petroleum revenue and GDP. This was determined from the regression results that showed an R=0.839, R Squared of 0.705, F-value of 90.630 and a corresponding significant value of 0.000 and a t-value of less than 0.05 significant level. They concluded that oil based revenue if invested efficiently in the economy will to a large extent make material difference on GDP. From the result of Ogbonna and Ebimobowei (2011), it can be deduced that PPT has a positive impact on Nigeria‘s economy but it‘ll be good to further investigate the roles other taxes play on the economy‘s GDP both individually and as a lump sum which is one of the objectives this study aims to achieve.

2.1.3.2 Companies Income Tax

Companies Income Tax Act, 1990 is the current enabling law that governs the collection of taxes on profits made by companies operating in Nigeria excluding companies engaged in Petroleum

exploration activities. This Tax is payable for each year of assessment of the profits of any company at a rate of 30% (Adereti 2011).

According to Ola (2006) Companies' income tax administration in Nigeria does not measure up to appropriate standards. If good old tests of equity, certainty, convenience and administrative efficiency are applied, Nigeria will score low considering the following points: Due to inadequate monitoring, persons in the self-employed and unquoted private companies group evade tax. In a study conducted by Festus and Samuel (2007) on company Income Tax and the Nigerian economy, they conclude that Company income tax is a major source of revenue in Nigeria but non-compliance with tax laws and regulations by tax payers is deep in the system because of weak control. There is the need for a general tax reform in the Nigerian company income tax system.

2.1.3.3 Value Added Tax (VAT):

VAT is a consumption tax that is relatively easy to administer and difficult to evade and it has been embraced by many countries world-wide (Federal Inland Revenue Service, 1993). Value-added Tax Act, 1993 is the law that regulates the collection of tax due on ―vatable‖ goods or services. (Adereti 2011). It was introduced to replace the old sales tax. It is a consumption tax levied at each stage of the consumption chain, and is borne by the final consumer. It requires a taxable person upon registering with the Federal Board of Inland Revenue to charge and collect VAT at a flat rate of 5% of all invoiced amounts of taxable goods and services. (Ariyo, 1998).

Adereti (2011) explained that evidence so far supports the view that VAT revenue is already a significant source of revenue in Nigeria. For example, actual VAT revenue for 1994 was N8.189 billion, which is 36.5% higher than the projected N6 billion for the year. Similarly, actual VAT revenue for 1995 was N21 billion compared with the projected N12 billion. In terms of contributions to total federally collected revenue, VAT accounted for about 4.06 % in 1994 and 5.93% in 1995. As much as N404.5 billion was collected on VAT (5.1% of total revenue) in 2008. Every person, whether resident in Nigeria or nonresident in Nigeria, who sells goods or renders services in Nigeria under the VAT Act (as amended) is obligated to register for VAT within six months of its commencement of business in Nigeria. Registration is with the Federal Board of Inland Revenue (FBIR).

Ajakaiye (2000) worked on the impact of VAT on key sectoral and macroeconomic aggregates, using a Computable General Equilibrium (CGE) model considered suitable for Nigeria. The study developed three scenarios. In order to approximate the presumed Nigerian situation, the study assumed that government pursued an active fiscal policy involving the re-injection of the VAT via increases in government final consumption expenditure in combination with a presumed non-cascading treatment of the VAT. Two other simulations considered an active fiscal policy combined with a cascading treatment of VAT and a passive fiscal policy combined with a non-cascading treatment. As it turned out, the scenario of a cascading treatment of VAT with an active fiscal policy not only had the most deleterious effects on the economy, it was also the one that most closely approximated the situation in Nigeria. VAT revenues under this scenario are more than 3% lower than the first scenario, the general price index increases by 12%, and wage and profit incomes fall by 8.54% and 12.27% respectively. Overall, the GDP declines by 11.34%. Such a situation, as observed by the researcher, poses a great threat to the sustainability of VAT.

2.1.3.4 Custom and Excise Duties:

Customs duties in Nigeria are the oldest form of modern tax revenue. Their introduction dates back to 1860 known as import duties, which represents taxes on imports into Nigeria, charged either as a percentage of the value of imports or as a fixed amount of contingent on quantity (Buba, 2007). Customs duty is a major source of revenue for the Federal Government which is payable by importers of specified goods (Buyonge, 2008).

Adegbie (2011), studied the Customs and Excise Duties Contribution towards the development and growth of Nigerian economy. The study reveals that there is a strong relationship between customs and excise duties and economic development of Nigeria. This shows that this is a source of income that Nigeria should develop. Also, the study further shows that fraud and financial malpractices have negative impact on the contribution of customs and excise to Nigerian economic development. Going by the statement of Buba (2007), excise duties were also introduced on several goods to broaden the revenue base in Nigeria in 1962. Customs and excise duties is an important component of the non-oil revenue and has remained an important source of revenue before and after the discovery of oil in Nigeria and over the years contributed significantly to national development. He further stated that the Nigeria Custom Service is saddled with the responsibility of collecting duties, excise, fees, tariffs, and other levies imposed by the Federal Government on imports, exports and statutory rates. It is a crucial facilitation of trade and key instrument of state sovereignty. However, the institution is much criticized for corruption and inefficiency and its upper echelon is often driven with intrigue and in-fighting. All these need to change if Nigeria dream of economic development is to be achieved.

2.1.4 Economic growth

According to Dwivedi (2004), economic growth is a sustained increase in per capita national output or net national product over alongperiod of time. It implies that the rate on increase in total output must be greater than the rate of population growth. Another quantification of economic growth is that national output should be composed of such goods and services which satisfy the maximum want of the maximum number of people. Economic growth can be determined by four important determinants namely, human resources, national resources, capital formation and technological development. The theories of economic growth can be examined under the Harrod-Domar theory of growth, Kaldor model of distribution, Pasinetti model of profit and growth, Joan Robinson's model of capital accumulation, Meade's Neo Classical model of economic growth and the Slow model of long run growth. All this models of economic growth the various views of scholars on the most suitable explanation of growth.

2.1.5 Role of Tax revenue in Economic Growth and Development

A country's tax system is a major determinant of other macroeconomic indexes. Specifically, for both developed and developing economies, there exists a relationship between tax structure and the level of economic growth and development. Indeed, it has been argued that the level of economic development has a very strong impact on a country's tax base and tax policy objectives vary with the stages of development. (Kiabel, 2009).

According to Olopade and Olopade (2010) Growth means an increase in economic activities. Kuznets (Cited in Likita, 1999) defined a country's economic growth as a long-term rise in capacity to supply increasingly diverse economic goods to its population, this growth capacity is based on advancing technology and the institutional and ideological adjustment that it demands.

Economic growth represents the expansion of a country's potential GDP or output. Rostow – Musgrave model (1999) carried out a research on growth of public expenditure where they focused mainly on the utilization of taxes as the major revenue source, concluded that, at the early stages of economic development, the rate of growth of public expenditure will be very high because government provides the basic infrastructural facilities (social overheads) and most of these projects are capital intensive, therefore, the spending of the government will increase steadily. The investment in education, health, roads, electricity, water supply are necessities that can launch the economy from the practitioner stage to the take off stage of economic development, making government to spend an increasing amount with time in order to develop an egalitarian society.

Development in human society is a one-sided process; this in turn remains the goals of every society at all times. The term development until recently meant growth measured by GNP or rise in per capital income. Yet development is not growth. Perhaps it could be growth coupled with social justice, (Kayode, 1993). Development implies changes that lead to improvement or progress; it is believed that an economy that raises its per capita level of real income over time without transforming its social and economic structure is unlikely to be perceived as developing.

2.2 THEORETICAL REVIEW

This work is anchored on Benefit Theory with the support of Cost of Service Theory, ability to pay theory, Expectancy Theory and Harrod-Donmar Model.

2.2.1 Benefit Theory

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. This principle has been subjected to severe criticism on the following grounds:

Firstly, if the state maintains a certain connection between the benefits conferred and the benefits derived. It will be against the basic principle of the tax. A tax, as we know, is compulsory contribution made to the public authorities to meet the expenses of the government and the provisions of general benefit. There is no direct quid pro quo in the case of a tax.

Secondly, most of the expenditure incurred by the slate is for the general benefit of its citizens, it is not possible to estimate the benefit enjoyed by a particular individual every year (Brebler, 2012).

Thirdly, if we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state.

2.2.2 The Cost of Service Theory

Some economists were of the opinion that if the state charges actual cost of the service rendered to the people, it will satisfy the idea of equity or justice in taxation. The cost of service principle can no doubt be applied to some extent in those cases where the services are rendered out of prices and are a bit easy to determine, e.g., postal, railway services, supply of electricity, etc., etc. But most of the expenditure incurred by the state cannot be fixed for each individual because it cannot be exactly determined. For instance, how can we measure the cost of service of the police, armed forces, judiciary, etc., to different individuals? (Dackehag and Hansson, 2012).

2.3 EMPIRICAL REVIEW

Alban and Lekë (2023) analyzes the effects of types of taxes on economic growth in Eurozone countries. Three of the largest types of taxes are taken into analysis, namely personal income tax (PIT), corporate income tax (CIT), and value-added tax (VAT). The data for the independent

variables (types of taxes) and the dependent variable (Gross Domestic Product – GDP) from 2002 (since the creation of the currency union) until 2019 have been taken into consideration. A total of 306 observations are entered into the panel model and analyzed using a fixed effect regression. The purpose of this paper is to highlight which types of taxes can affect growth and the magnitude of their effect. Results reveal that personal income tax, social security contribution, and customs duties and excises have a negative effect on GDP in the Eurozone countries. Whereas corporate income tax and valueadded tax have a positive effect. We also find that as the share of tax income in GDP increases, their impact on economic growth deteriorates. Based on the empirical findings, we recommend that policymakers should focus on Value Added Tax and corporate income tax in order to have an impact on economic growth. Extra care should be taken in personal income tax revenues and customs and excise revenues, revenues that negatively affect economic growth.

Balasoiu, Chifu and Oancea (2023) examined the Impact of Direct Taxation on Economic Growth: Empirical Evidence Based on Panel Data Regression Analysis at the Level of Eu CountriesThe research used panel data from all 27 EU countries covering the period 2008–2020 to investigate the impact of direct taxation on economic growth at the level of two main clusters of countries concerning fiscal efficiency. Therefore, the analysis employed cluster methods to classify the main EU countries in both groups of countries with a high level of fiscal efficiency and those with a rather limited level of fiscal efficiency. The study employs fixed effect models and dynamic GMM methods to investigate the effect of direct taxation components (personal and corporate income taxes) on economic growth. The analysis also considers the informal economy's role in relation to the official economy. The empirical results revealed that corporate income taxes significantly negatively impact economic growth for both clusters of high- and limited fiscal efficiency countries. Additionally, personal income tax was associated with lower economic growth for countries in the limited fiscal efficiency group. Thus, from the perspective of policymakers, lowering direct taxation can increase disposable income, stimulate consumption and economic growth, encourage investment leading to job creation, increase competitiveness, and reduce tax evasion and avoidance, thereby leading to a more efficient tax system.

Nwachukwu, Nwoha, Inyama (2022) examined the effect of taxation on the economic growth in Nigeria. Specifically, the study examines the effect of value added tax on economic growth in Nigeria. Investigate the effect of petroleum profit tax on economic growth in Nigeria. Ascertain the effect of company income tax on economic growth in Nigeria and evaluate the effect of personal income tax on economic growth in Nigeria. The study adopted an ex-post facto research design. The data were analyzed with econometric techniques involving Descriptive Statistics, Augmented Dicker Fuller Tests for Unit Roots and the Ordinary Least Square (OLS). The result of the study indicates that value added tax, petroleum profit tax, personal income tax and company income tax have positive and significant effect on gross domestic product in Nigeria. The study thus concludes that taxation have positive effect on gross domestic product in Nigeria. The implication is that strong taxation policy is required for economic growth and development which will enhance employment generation, poverty alleviation, enhance capacity building for manpower and skills development promote growth and facilitate industrial development in Nigeria. Amongst the recommendations is that tax collection mechanism used by tax officials must be free from corruption and embezzlement. Federal Government, state governments and local

governments should urgently modernize and automate all its tax system, improve tax payer convenience in the assessment and payment process whilst at the same time entrench effective and modern human resource management practices in the tax authorities. Judicious use of tax payer's money should be made and be seen to have been properly utilized. This will encourage tax payers to continue to pay taxes. Effort should be made by the federal state and local government to diversify the main revenue source from oil to other sectors of the economy such as agriculture, extractive industries in order to attract direct and indirect taxes.
Inimino, Abuo and Bosco (2021) examined the impact of tax revenue on economic growth in Nigeria from 1980 to 2015. The data used in the study were sourced from Central Bank of Nigeria (CBN) statistical bulletin. The study used data on real gross domestic product, petroleum profit tax, company income tax and customs and excise duties. The econometrics methods of Cointegration and ECM were employed as the major analytical techniques. The Co-integration result revealed the existence of a long-run relationship among the variables. The Parsimonious Error Correction result revealed that company income tax and customs and excise duties have positive and significant relationship with economic growth in Nigeria. However, petroleum profit tax impacted on economic growth in Nigeria but not significantly. Also, the coefficient of the parsimonious ECM has the appropriate sign (i.e., negative) and statistically significant. This implies that, the short run dynamics adjust to long run equilibrium relationship.

Matthew (2021) focused on the impact of tax revenue on Nigeria economy. Descriptive survey design was adopted and simple random sampling technique was used in the selection of the sample size. 100 copies of questionnaires were administered to workers of the Federal Board of Inland Revenue (FBIR), Lagos, Nigeria. 75 questionnaires were retrieved and found usable for the study hence, giving a 75% response rate. A pilot study was conducted and this gave a reliability value of 0.78 which according to Nunnally (1978) is reliable enough to measure the research construct. Four Hypotheses were formulated and tested using Chi-square statistical tool of analysis. The findings show that tax revenue significantly impact on Federal Government Budget implementation in Nigeria, Tax administrative system significantly affected the revenue generated in Nigeria, Tax evasion significantly affected government revenue in Nigeria, and lack of training on the part of tax officers significantly affected the generation of government revenue in Nigeria.

Ajala, and Afolabi, (2021), focuses on Taxation in the Nigerian economy; we analyzed the postulated hypotheses which dwelt on the relationship that exist between taxation and revenue generated by tax. The main objective of the study is to assess the effect that taxation has towards the development of Nigerian economy and two other specific objectives were stated for this paper. Questionnaires were used to get data from respondents. It was discovered that taxation has a positive relationship with the economy and development in Nigeria. The researcher then recommends a well defined policy for inter governmental collaboration, cooperation and coordination between different tiers and agencies of government, awareness on the tax payers on the role of taxation in the economy and development in Nigeria should be created. Efforts should also be made by the government to ensure they channel revenue from taxation towards economy activities that will benefit the tax payers.

3.0 METHODOLOGY

3.1 RESEARCH DESIGN

In this research, *ex post facto* method of data collection was adopted. This is defined as a "systematic empirical enquiry in which the researcher does not have direct control of independent variables because their manifestations have already occurred. This method measures the impact of events after the events have occurred.

3.2 METHOD OF DATA COLLECTION

The data for this research is secondary data. The secondary data was sourced through Federal inland revenue services (FIRS) bulletin and Central Bank of Nigeria (CBN) statistical bulletin from 1972-2022. Data collected from FIRS includes, petroleum profit tax, company income tax, value added tax and custom and excise duties. However, the data collected from CBN statistical bulletin includes, gross domestic product, foreign direct investment and per capita income.

3.3 METHODS OF DATA ANALYSIS

The hypotheses were tested using Auto-Regression distribution lag (ARDL). |

The ARDL Bounds Co-integration Technique

The ARDL is used when testing macroeconomic time series data. Pesaran et al. (2001) developed the ARDL limits test approach to co-integration employed in this investigation. The ARDL bounds test approach to co-integration has been demonstrated to outperform other traditional co-integration strategies. This is because it offers many advantages over other long-term estimation techniques. When applied to variables that are either I(1), I(0), or a combination of the two, the approach yields unbiased estimates and its t-statistics are still usable, even if some of the regressors are endogenous (Harris & Sollis 2003).

3.4 Model Specification

The study adapted the model of Uzoka, Chinedu and Christain (2018), with modification to suit the present study. The model of Usoka, *et al.* (2018), is stated below.

GDP = f (PPT, CIT, VAT, CED).

In Econometric form;

$$\Delta GDP_t = \alpha 1 + \beta 1 LogPPT_t + \beta 2 LogCT_t + \beta 3 LogVATCED_t + \beta 4 LogCED_t + \mu_t$$

4.0DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION

The data extracted were estimated based on the panel data regression analysis to determine the effect of the variables. Petroleum profit tax (PPT), company income tax (CIT), Value added tax (VAT) and custom and exercise duties (CED) were used as the independent variables while gross domestic product (GDP) was used as the dependent variables. The adjusted R square which is the coefficient of determination and the F statistic was used to ascertain the significance of the overall model. Specifically, the probability of the F-statistic test was used to test the hypotheses of the study to determine the relationship between the variables.

4.2 DATA ANALYSIS

This section analyzes the data presented (Appendix II) with the aid of E-View 9 (Econometric View). The analysis of data is presented in the subsequent sections:

4.3 Regression of the estimated model summary

This section of the chapter presents the results produced by the Error Correction Model summaries for further analysis.

Table 4.6: Auto-regression distribution lag for Model 1

Variable	Coefficient	Probability	Statistic	Value
GDP (-1)	-0.069330	0.8150	**R^2**	0.272732
PPT	-25.10017	0.4195	**R^2 Adjusted**	-0.045447
CIT	-49.46508	0.4538	**Fisher Statistic**	0.857165
VAT	15.09245	0.7737	**F Probability**	0.558791
CED	-4.969223	0.9754	**DW**	1.962173

Source: Extract from Appendix II

To ensure that the set of data was free from serial auto-correlation, the Durbin Watson statistic for the model specified was computed. The Durbin Watson statistics for the model specified is estimated at 1.962173. The Durbin Watson statistics for the series data is below the standard of 2 indicating the absence of auto-correlation. The Durbin Watson statistics ensures that the residuals of the proceeding and succeeding sets of data do not affect each other to cause the problem of auto-correlation. Gujarati and Sangeetha (2007) explained that the value for Durbin Watson should not be above the standard of 2. Thus, this model exhibit low risk of potential autocorrelation problem as the model shows a DW statistics below 2.

For model fitness, the R^2 value is used to establish the level of overall fluctuation the study independent variables (PPT, CIT, VAT and CED) can collectively cause GDP as the dependent variable to change. The R square value of 0.2727 shows that PPT, CIT, VAT and CED cause GDP to fluctuate at approximately 27%; this means that 73% fluctuation of Nigerian GDP is caused by

other factors not considered in this study. The Fisher statistic reveal a value of 0.857165 with a probability value of 0.558791 which prove that the model is statistically insignificant.
Furthermore, a unit change in PPT, CIT, VAT and CED will cause GDP to change at -0.069330.
Ho_1**:** *Federal government taxes (PPT, CIT, VAT and CED) have no significant impact on change in gross domestic product in Nigeria.*
Since the calculated Probability values for *PPT, CIT, VAT and CED* is 0.558791; which is greater than the accepted probability value of 0.05. The null hypothesis is accepted and the alternative rejected. Therefore, federal government taxes (PPT, CIT, VAT and CED) have no significant impact on change in gross domestic product in Nigeria.

5.0 CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

The following are the summary of the major findings of this study arrived at through the test of the research hypotheses earlier formulated in this study.

i. Federal government taxes (PPT, CIT, VAT and CED) have no significant impact on change in gross domestic product in Nigeria.

5.2 CONCLUSIONS

Effective tax revenue mobilization reduces an economy's dependence on external flow of fund which has been found to be highly volatile. Federal government taxes allows governments' greater flexibility in designing and controlling the development agenda; conditions states to improve their domestic economic policy environment, creating a conducive environment for the much needed foreign direct investment and strengthens the bonds of accountability between governments and the citizens In the light of that, this study concludes that

(i) Federal government taxes (PPT, CIT, VAT and CED) have no significant impact on change in gross domestic product in Nigeria.

5.3 RECOMMENDATIONS

Based on this study's findings, the following recommendations become imperative:

i. Nigeria government should put policies in place that will foster the continual growth in tax revenue from custom and excise duty, personal income tax, company income tax and value added tax which are progressive in nature. This can be achieved through proper implementation of policies that improve the mechanisms (border checks and tracking of goods produced within the country) for generating these tax revenues. If imports are discouraged through lower company income tax and higher custom duties, this will improve local production and increase economic growth through upscale of gross domestic product.
ii. Also, Nigeria government should set a custom and excise duty rates that are favourable to investors who are willing to carry out investment that encourages local production. This will go a long way to discourage custom and excise duty evasion, encourage foreign direct

investment, increase local production, create employment and consequently lead to increase in the per capita income of Nigeria.

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