

Government Tax Policies and Economic Performance in Nigeria

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<https://doi.org/10.56201/jbae.vol.12.no9.2026.pg100.113>

Abstract

The study examined government tax policies on economic performance in Nigeria for the period 2007-2025. The study used to use Gross Domestic Product (GDP) as economic indicator and as the dependent variable; while Petroleum Profit Tax (PPT), Company Income Tax (CIT) and Custom and Excise Duty (CED) were used as independent variables to measure the economic performance in Nigeria. Secondary data was collected from the Central Bank of Nigeria statistical bulletin and were analysed using Ordinary Least Square (OLS) regression method. It was revealed that about 58% of the variations in the dependent variable are explained by the independent variables. The study concluded that Government tax policies have a positive significant impact on economic performance in Nigeria. However, the study recommended that the government should embark on the strategic pursuit of broadening the economy to enhance economic growth and development as well as becoming meticulous in the fight against corruption in Nigeria as it is one of the factors that has led to diversion of public fund especially from petroleum profit tax. Also, government agencies should effectively devise procedures for the collection of company income tax as it contributes to economic growth as reported in the findings.

Keywords: Government, Tax Policies, Economic, Performance, Nigeria

Introduction

Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society (Adegboyo, et al, 2022). In addition, taxes are imposed to regulate the production of certain goods and services, protect infant industries, control business, curtail inflation and reduce income inequalities amongst others. Operationally, taxes are the most essential instruments of economic policy. As an instrument of fiscal policy, a study conducted by Tosin and Abizadeh (2023) outlined five possible mechanisms by which taxes can affect economic growth. Firstly, taxes can inhibit investment rate through such taxes as corporate and personal income and capital gain taxes. Secondly, taxes can slow down growth in labour supply by disposing labour.

Thirdly, tax policy can effect productivity growth through its discouraging effect on research and development expenditures. Fourthly, taxes can lead to a flow of resources to other sectors that may have lower productivity. Fifthly, high taxes on labour supply can distort the efficient use of human capital. Nevertheless, an efficient tax system presents an opportunity for the government to collect additional revenue needed to discharge its obligations. Under such a tax system, the nation's economic resources are efficiently mobilized towards the promotion of economic growth and development. A well-structured tax system would boost the generation of the income for a meaningful development of such country (Gunasinghe, et al, 2024)).

Consequently, it is noteworthy that the major objective of taxation is to finance government expenditure and to redistribute wealth which will have a positive causation effect on development of the country (Adudu & Ojonye, 2023). Unfortunately, this important role of taxation is not visible in Nigeria. Jhingan (2012) stated that taxation effectively curtails conspicuous consumption and other wasteful expenditure of the richer classes, but this view is contrary to what is happening in Nigeria. The rich and influential members of the society are acquiring and accumulating properties and paying less or no tax while the poor are getting poorer and paying tax. The redistribution of income through taxation in Nigeria has not been achieved.

Statement of Problem

Tax policies play a major role in a nation's economic growth and development. A higher tax rate can deter saving and development in the side of the tax payers, while a lower tax rate would lead to less revenue to the government. Indeed. Adam Smith mentioned that, equity as one of the characteristics of a good tax system. The challenges of the tax polies come amidst of high corporate tax rates. Consequently, whichever way taxation plays a role in the economy because tax policies, apart from generating revenue for the state, serve several other purposes (Abiolaand & Asiweh, 2022) Most studies such Onoh, et al (2023); Emwionmwusi, et al, (2024) and Chibundu (2024) as dwelt on the impact of economic growth and its impact on tax policies, while other studies such as Uduak (2023) and Udeji (2025) on tax policies focused on its productivity and its performance on the economy. There seems to be little or no attention on the relationship between the corporate/company's tax and its performance. The question that prompted this paper is whether there is a significant impact of tax policies on economic performance in Nigeria. The objective of this study is to determine the significant effect of policies on economic performance. However, this study on the impact of taxation on the performance of the Nigerian economy is unique. Therefore, these conflicting problems create a knowledge gap in this study; and, it is against this background that the study attempts to investigate the impact of government tax policies on economic performance of Nigeria.

Objectives of Study

The main objective of this study is to examine the economic impact of tax policies on economic performance in Nigeria. The specific objectives are to: Evaluate the effect of petroleum profit tax on Gross Domestic Product of Nigeria, Examine the impact of company income tax on Gross Domestic Product of Nigeria., Determine the impact of custom and excise duty on Gross Domestic Product of Nigeria.

Research Questions

The study will answer the following questions:

1. What is the impact of petroleum profit tax on Gross Domestic Product of Nigeria?
2. What is the impact of company income tax on Gross Domestic Product of Nigeria?
3. What is the impact of custom and excise duty on Gross Domestic Product of Nigeria?

Research Hypotheses

H₀₁: Petroleum profit tax does not have significant impact on Gross Domestic Product of Nigeria.

H₀₂: Company income tax does not have significant impact on Gross Domestic Product of Nigeria.

H03: Custom and excise duty does not have significant Gross Domestic Product of Nigeria.

Literature Review

Taxation

Taxation is a fundamental concept in economics and governance that involves the imposition of charges on individuals and entities by a government. It is a primary source of revenue for governments, enabling them to fund public services, infrastructure, and various functions. Taxation is the act of laying a tax. It is the process by which a local, state and central government, through its law-making body, raise revenue to defray the necessary expenses of the government. The work of Adudu and Ojonye (2025) defined taxation as the compulsory transfer or payment (or occasionally of goods and services) from private individuals or groups to the government. The purpose and importance of taxation is to raise funds with which to promote the general welfare and protection of its citizens, and to enable it to finance its multifarious activities and to redistribute wealth and management of the economy. The True Nature of Taxation narrated that nobody likes paying their taxes. However, as the adage about “death and taxes” conveys, there is a sense that taxes are as legitimate and as inevitable as death itself. Tax is a lawful and inevitable levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society.

Taxation Principles

Taxation principles as in line with the work of Eneche and Stephen (2023):

1. **Board Basing:** Taxes should be spread over as wide as a possible section of the population, or sectors of the economy, to minimize the individual tax burden.
2. **Compatibility:** Taxes should be coordinated to ensure tax neutrality and overall good governance.
3. **Convenience:** Taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible. Bhartia (2009) noted that the time of payment, the method of payment, the quality to be paid ought to all be clear and plain to the tax payer and every other person.
4. **Earmarking:** Tax revenue from a specific source should be dedicated to a specific purpose only when there is a direct cost-and-benefit link between the tax source and the expenditure, such as the use of motor fuel tax for road maintenance and also education tax for buying educational materials. However, what we are experiencing today in Nigeria is fiscal indiscipline, corruption and misappropriation of funds.
5. **Efficiency:** Tax collection efforts should not cost an inordinately high percentage of tax revenue. This principle seems to be lacking in Nigerian tax system. World Bank Report says that for every N100 that business has to pay in taxes, they pay about N30 in compliance costs. According to the former minister of finance, Okonjo-Iweala, this is a waste of capital. Appah, (2004); Jhingan (2014) and Bhartia (2009) pointed out that every tax should be economical for the state to collect and the taxpayer to pay. In Nigeria, paying tax and doing business is not cost-effective.
6. **Equity:** Taxes should equally burden all individuals or entities in similar economic circumstance. Equity Principle states that tax payer should pay the tax in proportion to his income (Anyanfo, 1996 cited in Edike & Dorogu, 2024). A study by Aduko (2024) stated that it

is only when a tax is based on the tax payer's ability to pay can it be considered equitable or just. He argued that tax law should be transparent.

7. **Neutrality:** Taxes should not favour any one group or sector over another, and should not be designed to interfere with or influence individual decisions making.

Tax Reforms in Nigeria

Historically, according to Osiegbu and Nnamdi (2023) income tax in Nigeria was first introduced in 1904 by the late Lord Lugard of Britain, when community tax became operative in Northern Nigeria. The Nigeria taxation can be traced back in the northern territory. It was a convenient place to experiment the system of direct taxation because the people of the area were used to paying tax. Under Fulani administration and also because the Muslim religion adhered to by the people approved of taxation as being consistent with the tenants of Islam. The laws passed by the British commissioner include: Land and revenue proclamation of 1904, Native revenue proclamation of 1906, Direct taxation ordinance of 1940, Native revenue ordinance of 1917. This taxation was in operation of northern and western regions in Nigeria. It was later introduced in the eastern Nigeria in 1928. It was the federal system of government taxation 1950; it was at this time that the Raisman Fiscal commission recommended the introduction of uniform basic principle for taxing income in 1958. The role of taxation in every economy cannot be over emphasized, and this is the reason why every nation is working tirelessly to have a good tax law. Ogbonna (2023) highlighted numerous tax laws being enacted in Nigeria. However, this study will only focus on nine (9) bills on tax reforms recommended by study group on the Nigerian.

Dimensions of Tax Policies

Petroleum Profit Tax

Petroleum Profit Tax (PPT) is a type of corporate income tax specifically levied on the profits generated by companies engaged in the exploration and production of petroleum and natural gas. This tax is typically applied to the income derived from upstream activities in the oil and gas sector. The structure and rates of Petroleum Profit Tax can vary between countries, as it is subject to national tax laws and regulations. The Petroleum Profit Tax Act (PPTA) on Nigeria is the tax law responsible for the governing of the taxation of companies engaged in petroleum operations (Adedeji & Oboh, 2024). The Act defines petroleum operations as “the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried by the company engaged in such operations, and all operations incidental there to and sale of or any disposal of chargeable oil by or on behalf of the company”

Company Income Tax

Company Income Tax (CIT) is a tax imposed on the taxable income of companies and corporations. It is a form of direct tax that is levied on the profits earned by businesses during a specific financial period. Company Income Tax is a significant source of revenue for governments and plays a crucial role in funding public services, infrastructure, and various government initiatives (Abiola & Asiweh, 2023). According to Wooldridge (2006) Companies Income Tax (CIT) is tax on the profits of incorporated entities in Nigeria and it includes the tax on the profits of non-resident companies carrying on business in Nigeria. The tax is paid by limited liability companies inclusive of the public limited liability companies. It is therefore

commonly referred to as corporate tax. CIT was created by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and collected by the Federal Inland Revenue Service ('FIRS' or 'the Service').

Gross Domestic Product

Gross Domestic Product (GDP) is a key indicator used to measure the economic performance of a country. It represents the total monetary value of all goods and services produced within a nation's borders over a specific period of time. GDP is a comprehensive measure that provides insights into the overall economic health, size, and growth of an economy. The work of Anidiobu, et al (2023) defines Gross Domestic Product as "an aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

Theoretical Framework

The Benefit Principle theory, also known as the Benefits Received Principle or the Received Theory of Taxation, is a concept in public finance that suggests individuals should pay taxes based on the benefits they receive from government services. According to this principle, the tax burden should be proportional to the advantages or benefits a taxpayer gains from public goods and services. This benefit principle theory, also called vertical equity demands that an individual ought to be taxed according to the benefits he receives from government's provision of goods and services. This in other words, is a benefit-cost approach in which tax is a cost and government amenities are the benefits (Bhartia, 2009). This theory assumes a state of equality between the marginal tax rate (MTR) and marginal benefit received (MBR) to determine the amount of taxes to be paid. However, the benefit principle does not work well for the efficient provision of public (near public) goods, like military defence. Thus, the conditions of equality between taxes-paid and benefits-received, which sound so egalitarian in principle, do not hold well in practice. The Benefit Principle posits that there should be a direct correlation between the taxes paid by individuals or businesses and the benefits they receive from government expenditures. This principle often leads to the idea of user charges or fees. In other words, those who directly use or benefit from a particular government service should contribute to the funding of that service through taxes or fees. Advocates of the Benefit Principle argue that it promotes a sense of fairness in taxation (Abata, 2025).

Empirical Review

Ngwoke (2019) evaluated the effect of taxation on economic growth (2007-2017). The specific objectives were to; evaluate the effect of petroleum profit tax on the real gross domestic product of Nigeria, examine the impact of company income tax on the real gross domestic product of Nigeria and determine the impact of custom and excise duty on the real gross domestic product of Nigeria. The study adopted ex-post facto. The study made use of secondary data obtained from the Central Bank of Nigeria Statistical Bulletins for the relevant years. The hypotheses were tested using unit root test and regression analysis statistical tool. The following findings were made for this study: Petroleum profit tax has significant effect on the gross domestic product of Nigeria. Company income tax has significant effect on the gross domestic product of Nigeria. Agunbiade and Idebi (2024) examined the relationship between tax revenue and

economic growth in Nigeria over 1981-2019 period with special focus on Companies Income Tax, Value Added Tax and Petroleum Profits Tax. The data were sourced from the National Bureau of Statistics (NBS) and the Federal Inland Revenue Service (FIRS). The study employed the Vector Error Correction Model (VECM) to establish the nature and strength of the relationship between taxation and economic growth. The Johansen test of co-integration reveals that there is at least one co-integrating equation in the long-run between the variables. Granger causality test found a causal relationship among Real GDP and the different tax components. The impulse response functions and the variance decomposition analysis uphold the findings that the impact of the shock in the indirect tax (VAT) and direct tax (CIT and PPT) on GDP growth does not die out over the specified period under consideration.

Chugunov, et al (2024) carried out a study that was aimed at enhancing the theoretical and methodological basis of fiscal and monetary policy formation and determine the priority areas for improving their coordination to ensure sustainable economic development. We developed an institutional approach to study the fiscal-monetary mix. It is advisable to create favorable monetary conditions for fiscal measures and form a balanced budget for monetary regulation. The authors proposed the structural-functional model that highlights both fiscal and monetary policies' impact on aggregate demand. The results showed no positive effects of general government expenditures on the GDP per capita growth in 19 emerging economies from 1995 to 2018. The influence of public spending on economic growth depends on institutions' quality, the composition of expenditures, and fiscal architecture.

Gunasinghe, et al (2024) studied the impact of fiscal policy variables on economic growth and income inequality was estimated with data from a balanced panel of 19 high-income OECD countries for 1995–2023. A simultaneous equations model was estimated to test four hypotheses that link economic growth and income inequality to different components of fiscal policy under debt- and tax-financed fiscal strategies. The results do not provide statistically significant evidence for efficiency–equity trade-off. Regardless of the finance method, an increase in redistributive expenditures reduces income inequality but does not affect economic growth.

Uzochukwu, et al (2025) study also examined taxation and Nigeria's economy. An Ex-post-facto research design was used and secondary data were sourced from CBN statistical bulletin and Federal Inland Revenue report. Multiple linear regression was used to check for the effect of taxation on Nigeria while analysis of variance (ANOVA) was used to test the hypotheses. From the result of the analysis, taxation has high significant positive effect on the growth of Nigeria's economy. This could be as a result of the fact that taxpayers see it as a means to grow the economy of the country in other for the government to provide the social needs of its citizens.

Owino, et al (2017) who in their study said there is a strong and almost a perfect association which exist between tax systems adopted and the revenue collection and who also reported that the application of the information communication technology systems explains up to 91.9% variation in revenue collection efficiency that contribute to the growth of the economy positively. Based on this finding the study recommends, that government should make more adequate policies with respect to tax system to enable a high percentage of tax revenue collection which will create more avenues for the government to engage more in the infrastructural development and growth of the country.

Adegboyo, et al (2021) also examined the impact of fiscal, monetary and trade policies on Nigerian economic growth from 1985 to 2020. This study adopts endogenous growth model (AK model) as its theoretical framework. The unit root test results reveal that there is mixed level of stationarity in the variables. The bound test result shows that the variables cointegrate. The

ARDL long-run result shows that fiscal policies stimulate economic growth, while on the contrary, trade policies deter Nigerian economic growth. The short-run result shows that the fiscal policies has an inconsistent impact on Nigerian economic growth and thus differs from the long-run result; while government spending continues to drive economic growth in Nigeria, government revenues have no effect on the growth of the economy. The result of the impact of monetary policies shows that interest rate impels growth of the economy while money supply deters growth of Nigeria's economy; lastly, the trade policies maintain her negative influence on the economy in both the long run and short run. Gurdal, et al (2024) studied the relationship between tax revenue, government expenditure, and economic growth in Canada, France, Germany, Italy, Japan, UK, and the USA-the G7 countries, using annual data from 1980 to 2022. The study used two different panel causality approaches in order to make a comparison. According to the time domain panel causality test results, there are a bidirectional causality between economic growth and government expenditure but unidirectional causality between tax revenue and government expenditure. Moreover, there is no causal relationship between economic growth and tax revenue. On the other hand, frequency domain causality results show that there are a bidirectional short- and long-run causality between economic growth and tax revenue, and long-run causality between economic growth and government expenditure. Adegboyo, et al (2022) examined the impact of fiscal, monetary and trade policies on Nigerian economic growth from 1985 to 2020. This study adopted endogenous growth model (AK model) as its theoretical framework. The unit root test results reveal that there is mixed level of stationarity in the variables. The bound test result shows that the variables co-integrate. The ARDL long-run result shows that fiscal policies stimulate economic growth, while on the contrary, trade policies deter Nigerian economic growth. The short-run result shows that the fiscal policies has an inconsistent impact on Nigerian economic growth and thus differs from the long-run result; while government spending continues to drive economic growth in Nigeria, government revenues have no effect on the growth of the economy. The result of the impact of monetary policies shows that interest rate impels growth of the economy while money supply deters growth of Nigeria's economy; lastly, the trade policies maintain her negative influence on the economy in both the long run and short run.

Michael (2022) also conducted a research to examine the various tax incentives currently available in the different tax laws, evaluates how taxation and tax policies have affected the economy of Nigeria and the effectiveness of taxation as a government strategy tool for the Nigerian economic development, using time series data of taxation and economic development of the period 1990 to 2020. From correlation, time series and multivariable regression analyses of relationships among variables, the research found out that taxation and tax policies make positive contributions to economic development. The Nigerian government is advised to improve the provision of social infrastructures because availability and maintenance of public goods are popular ways tax payers conventionally assess the justification of tax collection by the government. Ocheni (2024) also carried out a study to investigate impact of tax policy on the performance of small and medium scale enterprises in Nigerian economy. Descriptive survey research design was adopted. The population for this study is comprised of sixty-eight (68) SMEs currently operating in Kogi State and Abuja. They have 726 personnel comprised of fifty-six (56) managers and 671 accountants. The sample for the study consisted of two hundred and fiftyeight (258) respondents, (20 managers and 238 accountants from the two states. Yaro Yamani formula for sampling technique was used to select the two hundred and fifty-eight (258) respondents, representing 36% of the population. Out the two hundred and fifty-eight (258)

copies of the questionnaire were printed and distributed, sixty eight were not returned while One hundred and ninety (190) copies of the questionnaire were retrieved, representing a seventy four (74%) per cent return, out of which one hundred and forty six were wrongly filled giving the total of one hundred and forty four (144) copies of the valid questionnaire.

Abata (2025) carried out a study to examine 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 questionnaire 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.

Adefolake and Omodero (2024) assessed the effects of tax revenue on the economic growth of Nigeria utilizing time series data spanning from year 2000 till 2024. The study's specific goal is to evaluate the influence of hydrocarbon tax, corporation income tax and Value Added Tax on Nigeria's economic growth. The study employs secondary form of data which have been sourced from CBN statistical bulletin and published Federal Inland Revenue Statement. Ex-post facto research design is used for this study. The data collected are analyzed and tested for unit root using Augmented Dickey Fuller method. The study variables which comprise GDP, PPT, CIT & VAT are found to be stationary at first difference.

Onoh, et al (2023) carried out a study to analyze the impact of tax policies on economic growth in Nigeria between 1981 and 2019. Data employed for this study were extracted from World Bank Data Base: World Developmental Indicators of 2019 and Federal Inland Revenue quarterly publications. This study employed gross fixed capital formation as proxy for economic development in Nigeria, while company income tax, petroleum profit tax and custom and excise duties were adopted as explanatory variables. This study employed Auto Regressive Distributed Lag (ARDL) Model to analyze data. Inferential results pointed that company income tax and petroleum profit tax had significant positive impact on gross fixed capital formation in Nigeria, while customs and excise duties recorded a negative significant impact on gross fixed capital formation in Nigeria. Eneche and Stephen (2023) examined the relationship between Tax Revenue and Nigeria Economic Growth. In order to achieve this objective, data was gathered through secondary means. Tax Revenue is proxy by Petroleum Profit Tax, Value Added Tax and Companies Income Tax, while Economic Growth is proxy by Gross Domestic Product. Data collected were analyzed with the aid of the Stata computer software. The study revealed that Petroleum Profit Tax (oil tax revenue) has a positive but no significant relationship with Nigeria Economic Growth, while Value Added Tax and Companies Income Tax (non-oil Tax Revenue) have significant relationship with Nigeria Economic Growth.

Methodology

The researcher adopted ex-post facto which relies on existing data, such as archival records, surveys, or other sources of historical information. Researchers analyze these data to explore relationships between variables (Onwumere, 2009). Ex-post facto design will be used because this research relies on secondary data. The research will also employ Descriptive Research Design. This method will be used because it addresses the objective of the study in investigating the relationship between the variables of the study.

Method of Data Collection In this study, secondary data will be used and will be collected from Central Bank of Nigeria Statistical Bulletin, and another relevant website. Data are time series and covered the period of 2007 to 2025.

Model Specifications

The econometric model for this study is designed to capture the relationship between tax polies instruments and economic performance in Nigeria. The model specification in its functional form is as follows: $GDP = f(PPT, CIT, CED)$ (i), Where: GDP = Gross Domestic Product (it is used as a proxy for economic performance) PPT = Petroleum Profit Tax, CIT = Company Income Tax, CED = Custom and excise duties (it is used as a proxy for tax revenue), In a linear regression form, it will become: $GDP = \beta_0 + \beta_1 PPT + \beta_2 CIT + \beta_3 CED + \mu$ (ii), Where β_0 = Constant Term, β_1 = Coefficient of Petroleum Profit Tax, β_2 = Coefficient of Company Income Tax, β_3 = Coefficient of Custom and excise duties, μ = Error Term.

Data Presentation

The study is on the impact of tax polies on economic performance in Nigeria; for the period 2007-2025. Data for this study consist of 20-years annual observation period of (2007-2025). The study used annual data, because quarterly data may not be accessed for some of the variables. The study used using Gross Domestic Product (GDP) as economic performance and as the dependent variable; while Petroleum Profit Tax (PPT), Company Income Tax (CIT) and Custom and Excise Duty (CED) were used as independent variables to measure the economic performance in Nigeria as indicated on Appendix 1.

Descriptive Statistics

Table 1: Descriptive statistics

	GDP	PPT	CIT	CED
Mean	46.57634	53,14746	5608.681	6354767
Median	41.94650	5342780	1755.195	5736480
Maximum	34.73545	3633374	17436.99	4736457
Minimum	23.63628	5473773	143.5200	4657.638
Std. Dev.	54..16905	54,03850	3173.919	56517132
Skewness	3.146739	1.067069	0.667924	0.254676
Kurtosis	14.19450	5.256220	1.859482	2.003657
Jarque-Bera	227.7151	12.74340	0.145396	0.214879
Probability	0.000000	0.001612	168260.4	0.213649
Sum	3173.45	6354.120	5608.681	1486.929
Sum Sq. Dev.	685474.4	907.1700	1755.195	1321.166
Observations	20	20	20	20

Source: Author's computation with the use of E-views 10.1

Table 1 shows that Gross Domestic Product (GDP) for the period under study had a mean value of 46.57634, Petroleum Profit Tax (PPT) had ₦53,1446 and Company Income Tax (CIT) had ₦5608.681, while Custom and Excise Duty (CED) had ₦6354767. The Jarque-Bera statistic

shows that two of the variables, namely Gross Domestic Product and Petroleum Profit Tax were normally distributed while Petroleum Profit Tax and Custom and Excise Duty were highly skewed.

Unit Root Test

This test tries to examine the property of the variables. It is used to check for the presence of a unit root i.e. whether the variables are stationary. It is also used to ascertain the regression technique to adopt for analysis and testing of hypotheses. This test is carried out using the Augmented Dickey Fuller (ADF) test. The ADF is carried out using E-views software package and the results from the test are tabulated below:

Table 2: Unit root test

Variable	ADF	cv@5%	Probability	Inference
PPT	-2.538871	-1.995865	0.0186	I(1)
CIT	-3.164169	-3.017328	0.0351	I(1)
CED	-2.885408	-1.995865	0.0100	I(1)
GDP	-3.124923	-1.995865	0.0065	I(1)

Source: Author's computation from E-views 10

The expectation when using the ADF test is that a variable is stationary when the value of the ADF test statistic is more negative than the critical value at 5%. The computation in Table 2 shows that the petroleum profit tax, custom and excise duties and Gross Domestic Product are stationary at first difference I(1) while company income tax is also stationary at level I(1).

Test for Co-integration

Having found that all the variables are integrated, the next step is to perform Johansen co-integration procedure to ascertain whether aggregate current account balance, aggregate savings account balance and aggregate fixed deposit account balance are co-integrated. The results of the test are presented on **table 3** and the null hypothesis of no co-integration among the variables (that is, $r=0$) is tested against the alternative hypothesis of co integration among the variables (that is $r=1$). The null hypothesis of no co-integration is rejected at the 5 percent significance level. However, the null hypothesis that $r \geq 1$ could not be rejected against the alternative $r=2$, suggesting the presence of a unique co-integrating relationship among variables. Thus, a long run relationship exists among the variables as indicated by the Eigen values that are greater than the critical values both at 1 percent and 5 percent level of significance on table 3.

Table 3: Co-integration Test Results

H ₀	H _A	Eigen value	Trace (stat)	Critical value (0.5)	Prob.
R=0	r=1	0.959295	152.5567	76.28	0.0000
R≤1	r=2	0.820452	91.7298	54.0790	0.0000
R< 2	r=3	0.75742	59.1009	35.1926	0.0000
R<3	r=4	0.680531	32.1886	20.2618	0.0007

Source: E-view Econometrics 10.1. Note: Trace test indicates 4 co-integrating equation(s) at the 0.05 level

* Denote rejection of the hypothesis at the 0.05 level ** MacKinnon-Haug-Michelis (1999) P-value.

Table 4: Ordinary Least Square (OLS) Estimation Results

Dependent Variable: D(GDP)

Method: Least Squares

Date: 14/08/26 Time: 08:45

Sample (adjusted): 2007 2025

Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	553.7705	391.0916	1.415961	0.1687
D(PPT)	3.556090	0.771019	4.612194	0.0001
D(CIT)	-1.451952	0.476040	3.050062	0.0052
D(CED)	-0.100306	0.042438	-2.363616	0.0259
R-squared	0.582590	Mean dependent var		5411.967
Adjusted R-squared	0.554181	S.D. dependent var		5433.145
S.E. of regression	1489.791	Akaike info criterion		17.57423
Sum squared resid	57706442	Schwarz criterion		17.76105
Log likelihood	-259.6134	Hannan-Quinn criter.		17.63399
F-statistic	119.9000	Durbin-Watson stat		1.604544
Prob(F-statistic)	0.000000			

Source: Author's computation with the use of E-view 10.1

From Table 4 the coefficient of determination ($R^2 = 0.582590$) indicates that about 58% of the variations in economic performance can be explain by changes in government tax policies variables (PPT, CIT, CED) in Nigeria. This implies that a significant portion of economic performance is explains by government tax policies variables. The F-Statistics of (119.9000) which is significant at 5% confirms the impact of government tax policies on economic performance in Nigeria; for the period 2007-2025. The influence of the explanatory variables on the dependent variable is statistically significant and this is also confirmed by the F-probability which is statistically zero.

Test of Hypotheses

H₀₁: There is no significant impact of Petroleum Profit Tax (PPT) on Gross Domestic Product in Nigeria. Decision Criteria, Level of significance (α): 0.05 (5%), Decision Rule, Reject H₀: If p-value < 0.05 and accept H₀ if p-value > 0.05, The results on table 4 show that Petroleum Profit Tax has a t-statistic of 4.612194 with a probability of 0.0001 which is lower than the level of significance of 0.05, which means, its impact is statistically significant. The null hypothesis is, therefore, rejected. Thus, Petroleum Profit Tax has a positive significant impact on Gross Domestic Product in Nigeria.

H₀₂: Company Income Tax (CIT) has no significant impact on Gross Domestic Product in Nigeria. Decision Rule- Reject H₀: If p-value < 0.05 and accept H₀ if p-value > 0.05

The results on Table 4 shows that Company Income Tax has a t-statistic of 3.050062 with a probability 0.0052 which is lower than the level of significance of 0.05, which means, hence, its impact is statistically significant. The null hypothesis is, therefore, rejected. Thus, there is a positive significant impact of Company Income Tax on Gross Domestic Product in Nigeria.

H₀₃: Custom and Excise Duty (CED) has no significant impact on Gross Domestic Product i in Nigeria. Decision Rule- Reject H₀: If p- value < 0.05 and accept H₀ if p- value > 0.05, The results on table 4 shows that Custom and Excise Duty (CED) has a t-statistic of -2.363616 with a probability of 0.0259 which is lower than the level of significance of 0.05, which means, hence, its impact is statistically negative significant. The null hypothesis is, therefore, rejected. There is a negative significant impact of Custom and Excise Duty (CED) on Gross Domestic Product i in Nigeria.

Conclusion and Recommendations

The study concluded that Government tax policies have a positive significant impact on economic performance in Nigeria; this is evident in the empirical investigation on table 4. This is also consistent with the work of Uzochukwu, et al (2025) which states that taxation has a positive significant impact on the Nigerian economy. Thus, the study recommends that government should embark on the strategic pursuit of broadening the economy to enhance economic growth and development as well as becoming meticulous in the fight against corruption in Nigeria as it is one of the factors that has led to diversion of public fund especially from petroleum profit tax. Government agencies should effectively devise procedures for the collection of company income tax as it contributes to economic growth as reported in the findings. Government agencies should as well ensure timely payment of custom and excise duties as it also contributed positively to economic growth as reported in the findings of the study.

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Appendix.1:

Government Tax Polies and Economic Performance in Nigeria (2007-2025)

YEAR	GDP	PPT	CIT	CED
2007	20,657.32	11.63514	12.28857	16.25009
2008	24,296.33	11.85154	12.35793	16.56348
2009	24,794.24	12.40861	12.08785	16.73677
2010	54,204.80	12.52562	12.39421	16.96314
2011	63,258.58	12.94944	12.54718	17.05124
2012	71,186.53	13.29413	12.60317	17.04378
2013	80,222.13	13.39757	12.64174	17.35631
2014	83,193.463	13.40456	12.99066	17.45354
2015	87,576.474	13.65005	12.99066	17.50727
2016	94,144.960	14.12523	13.23442	17.82368
2017	101,144.49	14.23423	13.23452	17.85421
2018	103,364.46	14.68732	13.32375	17.89965
2019	142,734.73	15.22312	13.67424	17.99234
2020	143,536.74	13.66232	13.11245	17.11234
2021	144,456.76	16.32342	14.12532	18.11435
2022	144,634.87	17.38745	14.32435	18.34523
2023	182,953.65	17.35635	14.42312	18.56734
2024	185,632.45	13.66232	13.11245	17.11234
2025	187,253.32	16.32342	14.12532	18.11435

Source: Central Bank of Nigeria Statistical Bulletin, 2025.