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6 **Abstract**

7 The contribution of taxation to any economy globally is so much in terms of quantification
8 and cannot be therefore be ignored as unimportant. It is a source of revenue or income to the
9 government be it the Central, State or Local government in achieving their macro-economic
10 objectives in the areas of fiscal and monetary policies. For Nigerian government to effectively
11 carry out its primary function and other subsidiary functions, she requires adequate funding.
12 Government responsibilities has continued to increase over time especially in developing
13 countries like Nigeria due to the increasing nature and size of her population, and
14 infrastructural deterioration. This study was therefore poised to empirically examine the tax
15 revenue and economic growth in Nigeria from 1980 to 2015 by employing Gross Domestic
16 Product (GDP) as the dependent variable and Petroleum Profit Tax (PPT), Company Income
17 Tax (CIT), and Customs and Excise Duties (CED) as the independent variables. The analysis
18 of the study was carried out using the method of Multiple Regression Analysis. The Ordinary
19 Least Square (OLS) method of econometrics was the main analytical technique that was
20 employed using Econometric software (E-Views 9.0). Our broad objectives were to examine the
21 relationship that exists between Petroleum Profit Tax, Company Income Tax, Customs and
22 Excise Duties; and Economic Growth in Nigeria. The Cointegration results revealed that there
23 was a long-run relationship among the variables. The short run regression result also revealed
24 that Petroleum Profit Tax and Company Income Tax has no significant relationship with
25 economic growth in Nigeria. Custom and Excise Duties was found to have a significant
26 relationship with Economic Growth in Nigeria during the period under study. The study
27 therefore concluded that government should ensure that tax revenue is used judiciously to
28 make expenditures on Education, Housing, Ttransportation, Aagriculture, Health, Power,
29 Road construction, Natio

30

31 *Index terms*— responsibility to protect, military intervention, sovereignty, member-states.32 **1 Introduction**

33 Volume XVIII Issue III Version I or Nigerian government to effectively carry out its primary function and other
34 subsidiary functions, she requires adequate funding. Government responsibilities has continued to increase over
35 time especially in developing countries like Nigeria due to the increasing size of the population, and infrastructural
36 decay. But quite unfortunately the revenue of the government has not been growing above her expenditure to
37 enable capital formation possible.

38 Taxation is seen as an essential part of a country's investment and growth pattern. Tax is a compulsory levy
39 imposed on a subject or upon his property by the government to provide security, social amenities and create
40 conditions for the economic wellbeing of the society (Appah, 2004; Appah and Oyandonghan, 2011). The funds
41 provided by tax are used by the states to support certain state obligations such as education systems, health care
42 systems, and pensions for the elderly, unemployment benefits, and public transportation.

2 A) STATEMENT OF THE PROBLEM

43 Tax is a major player in every society of the world (Azubike, 2009). The tax system is an avenue for government
44 to use in collecting additional revenue needed in discharging its pressing obligations. A tax system is one of
45 the most effective means of mobilizing a nation's internal resources and it lends itself to creating an enabling
46 environment to promote economic growth. Towing this line of argument, Nzotta (2007), also argued that taxes
47 constitute key sources of revenue to the federation account shared by the federal, state and local governments.
48 Hence, a tax policy represents key resource allocator between the public and private sectors in a country. Anyanfo
49 (1996) and , stated that taxes are imposed to regulate the production of certain goods and services, protection
50 of infant industries, control business and curb inflation, reduce income inequalities etc. Similarly, Tosun and
51 Abizadeh (2005), submitted that taxes are used as proxy for fiscal policy (negatively or positively). They outlined
52 five possible mechanisms by which taxes can affect economic growth. First, taxes can inhibit investment rate F
53 through such taxes as corporate and personal income, capital gain taxes. Second, taxes can slow down growth
54 in labour supply by disposing labour leisure choice in favour of leisure. Third, tax policy can affect productivity
55 growth through its discouraging effect on research and development expenditures. Fourth, taxes can lead to a
56 flow of resources to other sectors that may have lower productivity. Finally, high taxes on labour supply can
57 distort the efficient use of human capital high tax burdens even though they have high social productivity. The
58 economic growth is a gradual and steady change in the long-run which comes about by a general increase in the
59 rate of savings and population ??Jhingan, 2005). It has also been described as a positive change in the level
60 of production of goods and services by a country over a certain period of time. However, economic growth is
61 measured by the increase in the amount of goods and services produced in a country. An economy is said to
62 be growing when it increases its productive capacity which later yield more in production of more goods and
63 services ??Jhingan, 2003). Economic growth is usually brought about by technological innovation and positive
64 external forces. It is the yardstick for raising the standard of living of the people. It also implies reduction of
65 inequalities of income distribution. Taxation therefore, plays a crucial role in promoting economic activity and
66 growth. Through taxation, government ensures that resources are channeled towards important projects in the
67 society, while giving succour to the weak. The role of taxation in promoting economic activity and growth is not
68 felt primarily because of its poor administration (Festus and Samuel, 2007). Ojo (2008), asserted that, taxation
69 is a concept and science of imposing tax on citizens. According to him, tax is itself a compulsory levy which
70 is required to be paid by every citizen. It is generally considered as a civic duty. The imposition of taxation
71 is expected to yield income which should be utilized in the provision of amenities, both social and security as
72 well as create conditions for the economic wellbeing of the society. Okpe (1998) asserted that the existence of
73 government is a necessity that cannot continue without financial means to pay for its expenses as there are certain
74 services which the government must provide to its citizens because of their essential nature. Government does
75 this to ensure that the supply of such goods and services are evenly distributed in any given society so that the
76 rich and poor may benefit. Towards this end, One is prone to ask, howdid government get such huge amount of
77 money to finance and provide such essential goods and services to her citizenry. Is It true that government uses
78 her minted money to provide for the essential goods and services or there are other important economic means
79 available that should be considered as sources of revenue to the government so that excessive money is not in
80 circulation in any economic situation. Thus, Olashore (1999) noted that for an economic and social balance to be
81 maintained in an economy, government has found ways of financing her activities and one of such finance apart
82 from loans and grants is taxation.

83 Taxation plays a crucial role in promoting economic and social activities and growth. Through taxation,
84 government ensures that resources are channeled towards important projects in the society while giving support
85 to the weak. In support of ??lashore, Orjih (2001), stated that taxation is useful in raising revenue, controlling the
86 consumption of certain commodities, controlling monopoly, reducing income inequalities, improving the balance
87 of payments as well as protecting infant industries.

88 Abomaye-Nimenibo(2017) is of the view that tax is a compulsory contributions made by animate and inanimate
89 beings to government being a higher authority either directly or indirectly to fund its various activities and any
90 refusal is meted with appropriate punishment. He went on to say that Tax is an involuntary payment made by
91 a resident of a state in obeisance to levy imposed by a constituted authority of a sovereign state at a particular
92 period of time; and that Taxation is the process put in place by government (which ever tier) to exercise authority
93 on and over the imposition and collection of taxes based on enacted tax laws with which projects are financed.
94 Taxation is therefore seen as the transfer of resources as income from the private sector to the public sector for its
95 utilization to achieve some if not all the nation's economic and social goals such as provision of basic amenities,
96 social services, educational facilities, public health, transportation, capital formation etc.

97 In essence, taxation is a core pillar of a country's regulatory framework for investment and growth. Hence, this
98 study looks at econometric consequences of taxes for both GDP per capita levels and their transitional growth
99 rates, with a large part of the empirical analysis devoted to assessing the effects of different forms of petroleum
100 profit tax, company income tax and custom & excise duties on productivity and growth of the Nigerian economy.
101 Therefore, the aim of this research work is to evaluate empirically the impact of taxation on economic growth in
102 Nigeria from 1980 to 2015.

2 a) Statement of the Problem

Nigeria and other African Countries are today facing series of challenges when it comes to optimizing taxation revenue for economic and social growth while aiming to reach development targets. The most glaring difficult challenge is how to find the optimal balance between a tax regime that is business and investment friendly while at the same time leveraging enough revenue for public service delivery which in turn makes the economy more attractive to investors.

We see the taxation system in Nigeria as not being fully tapped and maximized and its role in promoting economic and social activities and growth is not felt because of its poor administration. In this direction, Olashore (1999) submitted that the economy has remained in deep slumber or shamble as all macroeconomic indicators show that the economy is in urgent need of changes, balancing and indeed radical reform.

In addition, the attitude of Nigerians towards taxation is worrisome as many prefer not to pay tax. As a result of the unwillingness to pay tax as well as evading tax, the economy therefore continues to lose huge amount of revenue. If this lost revenue is employed back into the economy and well utilized, can change the fortune of the nation. In developing countries like Nigeria, this problem has been lingering for so long which requires urgent attention and solution. The cost of collecting tax in Nigeria is too high to the extent that if left unchecked the cost may soon outweigh the benefit or value derived from such operation and that will not be appropriate for the system as this unwholesome act is against the canon of administrative efficiency. Administrative Efficiency being the process of levying and collecting taxes in an administratively efficient, transparent manner and must not cause economic distortion. Collection should be done in such way that the system brings in sufficient revenue to the government at less cost. Economy of administration is an important quality of a good Tax, whereby assessment and collection of taxes require personnel and equipment at minimal cost. This means that the cost of collecting a tax should not be more than the revenue to be derived from the tax itself but this is not so in Nigeria.

Identifying the impact of taxation on economic growth in Nigeria empirically is a research work carried out at the right time as there is an urgent need to examine more deeply and to look into the relationship between petroleum profit tax, company income tax, custom & excise duties and economic growth in Nigeria. This study will not only guarantee improved revenue base for the country but also position the country properly to take full advantage offered by the new millennium global tax reform system. Therefore, this research work examines the impact of tax revenue on economic growth in Nigeria by analyzing the tax gap in the system over the years and so revealing the critical challenges that needs to be bud. Hence, the need for further study of the current tax performance and its effect on the Nigerian economy.

3 b) Objectives of the Study

The broad objective of this study is to examine empirically the impact of tax revenue on economic growth in Nigeria from 1980 to 2015. The specific objectives of the study are to: i. Examine the relationship between petroleum profit tax and economic growth in Nigeria; ii. Examine the relationship between company income tax and economic growth in Nigeria; and iii. Examine the relationship between custom and excise duties and economic growth in Nigeria;

4 c) Research Hypotheses

The research work is guided by the following null and alternative hypotheses; i. H_0 : There is no significant relationship between petroleum profit tax and economic growth in Nigeria.

There is a significant relationship between petroleum profit tax and economic growth in Nigeria.

ii. H_0 : There is no significant relationship between company income tax and economic growth in Nigeria.

H_1 : There is a significant relationship between company income tax and economic growth in Nigeria. iii. H_0 : There is no significant relationship between custom & excise duties and economic growth in Nigeria.

H_1 : There is a significant relationship between custom & excise duties and economic growth in Nigeria.

5 II.

6 Literature Review and Theoretical Framework

The study examines the ideas or views of various authors who took keen interest in the subject matter. Basically, the review was done on the following sub-headings of historical background, conceptual framework, theoretical framework, empirical literature and summary of the literature reviewed.

7 a) Historical Background of Taxation

Taxation is said to have come into existence "from time immemorial" without a specific mention of when exactly it evolved. However, the origin of tax levies can be traced to the ancient cities of Greece and Rome in modern literature; but from the Bible account, it has been as old as the world. In these so called cities of Greece and Rome, taxes were levied on consumption, saving, investment and properties (Abomaye- Nimenibo, 2017). From the account of St. Mark's gospel (chapter 12:14-16), a disciple of Jesus Christ precisely St. Peter was reported in the Holy Bible was confronted by the tax authorities and he met Jesus Christ who commanded him to get

11 B) DIRECT TAX

160 money with which Peter paid for himself and the Lord Jesus Christ. St. Mathewgospel chapter 17:24-27 of
161 the Holy Bible, stated that our Lord Jesus Christ Himself paid tax. Furthermore, in Matthew 19:21 we see tax
162 money having its functions to perform in the society which enables government authorities to use in providing
163 social services that will be enjoyed by all the citizens of a country. Such social services include the provision of
164 health and education, maintenance of law and order, provision of basic amenities and infrastructures etc. Tax
165 payment is therefore part of the price to be paid by sound members of an organized and orderly society.

166 8 i. Conceptual Framework

167 9 ii. The Concept of Taxation

168 Anyanwu (1993) stated that, tax is more or less compulsory, non-returnable contribution of money used
169 occasionally for goods and services and flows from private individuals, institutions or groups to the government.
170 It may be levied upon wealth or income of a person or body corporate or in form of surcharge on prices.

171 Okpe (1998), Taxation is regarded as a Compulsory charge imposed by the public authority (Federal, State
172 and Local Government) for the general purposes of Government. It is also defined as the act of laying a tax or
173 imposing taxes on the subjects of a state by government or on the members of a Corporation or Company by
174 the proper Authority. It is levied regularly imposed and regarded as contribution to the general pool from which
175 government expenditure are made. Gyani (1990), went on to say that tax is a compulsory contribution imposed
176 by the government on citizens in accordance with legislative provisions and paid by them through agents to defray
177 the cost of administration. Famoyin (1990), justified tax as a compulsory contribution imposed upon persons
178 for the general purpose of the government. Once levied, every taxable person must pay tax. He also added that
179 taxes are benefits, but for providing the government with funds necessary for the general administration of the
180 country.

181 Taxation in summary is the transfer of income or resources from the private sector to the public sector in order
182 to enable the public sector to carry out some, if not all of the Nation's economic and social goals. The goals may
183 be in the form of provision of Government basic services regularly and particularly in the educational, public
184 health, transportation sectors, amenities and capital formation. Taxes may be levied upon wealth or income or
185 in the form of surcharge on prices.

186 10 iii. Types of Taxes (Classification of Taxes)

187 There are two types of taxes and they are direct and indirect taxes which differs only in terms of the taxpayers'
188 awareness or in awareness of the incidence of a particular tax. The burden of the tax is distributed among the
189 taxpayers who bears the tax payment knowingly or unknowingly. The tax burden is incidentally collected from
190 the tax payers proportionally, progressively and/or regressively and they differ from one another on the bases
191 of the relationship between tax base and tax rate. The tax base is the object that is being taxed or that is to be
192 taxed such as the income tax while tax rate refers to the percentage of the net value of the tax base or may be
193 of a flat rate say 10%.

194 11 b) Direct Tax

195 This is a tax that is levied directly on a person or company and such a person or company is expected to pay
196 the tax, as the taxpayer has been advised by notification, called assessment notice. Any tax authority personnel
197 so empowered to collect tax and who did not comply with the above is a quack and an impostor. The taxpayer
198 must be notified of the incidence of such tax (Abomaye-Nimenibo, 2017). Herefore, Direct tax is a tax levied
199 directly on the income and property of individuals and Companies which includes the following: i. Petroleum
200 Profit Tax (PPT)

201 Petroleum Profit Tax was first introduced in 1957 by the Colonial Masters but it became effective and
202 operational in 1958 when Nigeria commenced exportation of crude oil to the world market.

203 The Petroleum Profit Tax is a type of pre-paid tax which annual tax return forms are prepared and submitted
204 to JP Morgan Chase Bank, within five months of the end of each assessment year of operation.

205 Usually, payment is done mainly in 2 segments of 12-13 phases. The first segment is the estimated annual
206 return paid not later than February of each year. The tax due is then paid in 12 months instalments throughout
207 the year. However, in the case of accumulated actual tax which exceeds the tax paid, a 13th month payment can
208 be made as provided by law and if the opposite occurs, the company gets the refund. Adereti (2011), explained
209 that the taxable income of a petroleum company is subjected to 85%, but this percentage is lowered to 65.75%
210 during the first 5 years of operation but where oil companies operate under production sharing contracts then
211 they will be liable to tax at a rate of 50%.

212 In order to facilitate the collection of petroleum tax, the Petroleum Profit Tax law of 1959 was enacted as the
213 principal Act which has undergone several reforms or amendments as follows: Petroleum Profit Tax (Amendment)
214 Act No 65, 1966 Finally, Petroleum Profit Tax Act, Cap P.13 LFN 2004 was enacted which is being superseded
215 by the Petroleum Industry Bill that is being instituted to be signed into law.

216 **12 ii. Value Added Tax (VAT)**

217 Value Added Tax (VAT) was introduced in Nigeria in 1993 through VAT Decree 102 of 1993 which came into
218 effect from 1 st December, 1993; while real invoicing took effect from 1 st January, 1994. This Decree abruptly
219 repealed the states administered Sales Tax Decree No. 7 of 1986. By this decree, States ceases to collect Sales
220 Tax which metamorphoses to VAT and its collection falls into the hands of the Federal Government through
221 FIRS.

222 Value Added Tax (VAT) as a tax is imposed on any person or individual, corporate sole, and organizations
223 that consumes or buys any taxable product or service in Nigeria. This tax is not paid by the user directly but it
224 is rather collected by the seller when any taxable item or service is sold. The seller then nets off the VAT and
225 submits it to FIRS through a designated bank. The bank immediately issues an e-ticket as evidence of payment
226 and when this e-ticket is presented to the Integrated Tax Office (ITO) an e-receipt is issued accordingly.

227 **13 iii. Withholding Tax (WHT)**

228 The Withholding Tax does not stand distinctively of its own. It is rather, a mechanism to collect some other
229 taxes.

230 Various persons or companies have subjected to this Withholding Tax deductions to balance their tax liabilities
231 for different types of taxes. WHT deductions are regarded as advance payments (or payments on account) of the
232 relevant tax liability that will arise from the tax returns of the period concerned. When a person benefits from
233 any payment and the income is taxable, the Withholding Tax is withheld by the payer. It is then directly remitted
234 to FIRS through a designated Bank. The amount may be refunded to the payer on successful presentation of
235 evidence of tax payment based on the evidence of payment certificate.

236 **14 iv. Educational Tax (EDT)**

237 All the companies registered in Nigeria that are subject to Companies Income Tax (CIT) are also made liable
238 to contribute to Educational Tax (EDT). The Educational Tax Decree No 7 of 1993 was promulgated to be
239 used exclusively to upgrade the nation's educational infrastructures. This tax is considered not good enough but
240 not repealed. Ogundele (1999) advance the following reasons why educational sectorial taxes are considered not
241 good enough for any tax system: These arguments may not necessarily hold water, if the proceeds of the tax are
242 judiciously spent for the purpose for which the tax was raised that is, the development of the educational sector.

243 Educational Tax is also prepared and submitted with annual self-assessment of Companies Income Tax to
244 designated Bank.

245 **15 v. Stamp Duties (STD)**

246 Items or persons subject to Stamp Duties tax are reckoned in written documents relating things between
247 individuals or companies or group of soles. Stamp Duties may include instruments such as financial transaction,
248 article of association between companies, statements, deals, bonds, etc. However, estate or property stamp duty
249 payments in the states of the federation are paid to the State Board of Internal Revenue.

250 Companies or persons related with the stamp duties must submit all the instruments to the Stamp Duties
251 Office for stamping. The duty is paid directly to FIRS through designated bank.

252 **16 vi. Capital Gains Tax (CGT)**

253 This type of tax is for all the companies registered in Nigeria which earn capital gains or gains realised on the
254 disposal of any form of assets whether it is in Nigeria or not are liable to Capital Gains Tax.

255 Capital Gains Tax Act (CGTA) was first introduced in 1967 while Capital Transfer Tax Act (CITA) came into
256 existence in 1979. Both Acts witnessed various amendments over the years. The first amendment was reducing
257 the rate of Capital Gain Tax from 20% to 10% with effect from 1st January 1996 and this was to stimulate
258 the activities in the capital market, encourage capital formation through investment and to ensure prompt and
259 efficient management of the tax administration in the face of rising mergers, acquisition and take over desirables
260 of companies. The Capital Transfer Tax was amended by abrogation through the 1996 budget, to make the tax
261 workable as it was hitherto un-implementable throughout the federation.

262 **17 vii. National Information Technology Development 263 Fund(NITDF) Levy**

264 The National Information Technology Development Fund was established under the National Information
265 Technology Development Agency Act, 2007, Act No. 28 as a tax or in the form of a levy that is to be paid
266 by all the companies in Nigeria, who are operating as: i. GSM Services Providers and all Telecommunication
267 companies. ii. Cyber Companies and internet providers iii. Pensions managers and pension related companies
268 iv. Banks and other Financial Institutions v. Insurance Companies etc. that have an annual turnover of
269 N100,000,000.00 and above. They are liable to pay 1% of the profit before tax as NITDF Levy.

270 Therefore, Companies chargeable are to pay this levy alongside with their Companies Income Tax. The
271 companies have to compute 1% of their profit and pay it through the designated bank. The levy shall be tax

20 I. CUSTOMS AND EXCISE DUTIES

272 deductible. Companies Income Tax Act, 1990 is the enabling law that governs the collection of taxes on profits
273 made by companies operating in Nigeria, excluding companies engaged in Petroleum exploration activities. This
274 Tax is payable for each year of assessment of the profits of any company at a rate of 30% (Adereti, Sanni and
275 Adesina, 2011). Festus and Samuel, (2007) in their study of company Income Tax and the Nigerian economy,
276 concluded that Company income tax is a major source of revenue in Nigeria but non-compliance with tax laws
277 and regulations by tax payers is deep in the system because of weak control. There is therefore, the need for a
278 general tax reform in the Nigerian company income tax system.

279 18 Dead

280 Capital Transfer tax: This is the tax levied on the value of all properties or wealth received by a person from
281 another person who may be dead or alive.

282 Property tax: A tax imposed upon particular type(s) of property owned such as land and building, usually
283 yearly. It may be referred to as ground rent.

284 Poll tax: This is a flat rate tax levied on every individual living in a particular country and it is usually
285 levied on people whose income is low or whose income cannot be correctly assessed because of notangeable work
286 engaged in by the payer.

287 Personal Income tax: This is the tax levied on the income of an individual after all allowances have been
288 deducted from the gross emolument and is deducted at source.

289 19 c) Indirect Tax

290 These are taxes levied on persons or groups who are not intended to bear the burden or incidence but who will
291 shift them to other people. They are normally levied on commodities or services which incidence does not fall
292 directly on the the producer or first payer but on the final payers and consumers. They include;

293 20 i. Customs and Excise Duties

294 Customs duty is a major source of revenue for the Federal Government which is payable by importers of specified
295 goods ??Buyonge, 2008). Adegbe (2011), in his study of the Customs and Excise Duties Contribution towards
296 the development and growth of the Nigerian economy stated that there is a strong relationship between customs
297 and excise duties and economic development of Nigeria; meaning that this is a source of income that Nigeria
298 should rely on and develop. The study further shows that fraud and financial malpractices have negative impact
299 on the contribution of customs and excise duties to Nigerian economic development. Customs and excise duty
300 is an important component of the non-oil revenue and has remained an important source of revenue before and
301 after the discovery of oil in Nigeria and have over the years, contributed significantly to national development.
302 The Nigeria Custom Services is saddled with the responsibility of collecting custom duties, excise, fees, tariffs,
303 and other levies so imposed by the Federal Government on imports, exports and statutory rates. However, the
304 institution is much criticized for corruption and inefficiency, where its upper echelon is often driven with intrigue
305 and in-fighting. All these need to change if the dream of economic development in Nigeria is to be achieved.

306 Therefore, Custom Duties is the totality of Import and Export duties collected by the Customs and Exercise
307 Department.

308 Excise Taxes are charges imposed by government on specific commodities produced in a country at differing
309 rates. These charges are being imposed on domestic products produced locally as distinct from imported goods
310 and are mainly imposed for revenue generating purposes. Commodities such as tobacco, alcohol, petrol and
311 manufactures are subject are subject to excise taxes in some countries while in others the components for
312 taxation differ. Excise taxes are either selective or general according to the tax base. They are selective or
313 general depending on whether the tax is restricted to a certain class of transaction, and specific or ad valorem
314 depending on whether the tax rate is a specific amount of money. a. Export Duties are taxes imposed on goods
315 exported to other countries and are easy to collect as payment is done locally with local currency and is a source
316 of income to the government. This tax may be in the form of discouraging exportation of certain goods. b. Import
317 Duties are taxes levied on imported goods for obvious reasons such as tariff to discourage importation and the
318 duty is collected from the importer at the point the goods enter the country. it is a source of government revenue
319 particularly in Less Developed Countries (LDCs).

320 Purchase or Sales Tax: Is a tax imposed on the sale of a commodity and varies according to the amount of
321 a commodity sold. Simply, it that tax imposed on some selected commodities but applied only at one stage of
322 the business cycle or activity. It is a consumption tax which is imposed at the retail level directly from market
323 transactions. In some cases, it is collected either at the Volume XVIII Issue III Version I15 (F)

324 wholesale level or at the retail level. Sellers charge the sales tax on their sales and deposit the proceeds with
325 the authorities. In some countries, food and medical purchases are included while in others they are exempted.
326 These goods so taxed are basically durable goods. It could be narrow-based or broad-based.

21 Value-Added Tax (VAT):

VAT is the acronym for valued added tax. This tax which is in other words called consumption tax and is being defined as the amount charged by the government for every goods or services purchased from time to time. This means it can only be paid when there is consumption of goods or services.

VAT is an indirect tax, which is imposed on goods and services at each stage of production, starting from raw materials to final product. VAT is levied on the value additions at different stages of production. It forms part of the price paid for the good or service so consumed. It was introduced in Nigeria in 1993 by the General Ibrahim Babangida administration to replace sales tax which hitherto generated revenue for the state governments.

VAT was designed broadly to be a levy on imported goods, as well as on locally manufactured goods, hotel service, bank transaction etc. It was to be federally-collected and a uniform rate of 5 per cent was fixed on all affected items while VAT proceeds are shared among the three tiers of government at an agreed proportion.

VAT was first adopted by France in 1954 to replace the turnover tax (i.e. a tax imposed on the gross monetary value of a product at each stage of the product process. Since 1967, members of European Economic Council (EEC) have also adopted the VAT as a kind of tax that generates revenue. VAT is a type of multi-stage broad-based sales tax.

VAT is adopted in virtually all countries of the world including Nigeria. It is a tax imposed on the value of a product as an additional charge hence valueadded.

It is also a tax levied on a measure of the contribution to the production of a good or service by a particular producer, and the income that is derived from that contribution. It is a tax on spending that is borne by the final consumer because it is included in the price of the relevant good or service.

22 d) Objectives of Taxation and Economic Policy

Taxes are not just imposed on citizens of the State by Governments not just for the sake of taxing. Taxation is a tool in the hands of government (federal, state or local) to achieve stated economic and social goals. It is a veritable tool to raise enough fundfor its numerous projects even though she is wealthier. The primary purpose of taxation is mainly to generate revenue for certain governmental expenditure, more so the provision of social amenity as well as providing for the welfare of her populace.

Taxation is used as an instrument to regulate the economy, by discouraging or encouraging the consumption of certain social goods and services. The following major objectives forms the tax policy:

23 ii. Stabilization Function

Taxes are used by government to stabilize the economy. Stabilization is the use of tax policies to reduce inflation, and also to stimulate the economy for growth. The government uses tax rate by increasingit to reduce inflation. This is so because, increased tax will reduce disposable income, which will in turn reduce aggregate demand. Once, aggregate demand for goods and services falls, all things being equal prices will follow suite to fall. On the other hand, if the purpose of government is to stimulate economic growth then,she reduces tax rate thereby increasing the disposable income in the hands of the consumers who have the propensity to increase aggregate demand. Once aggregate demand increases, productivity activities will also increase, which will eventually bring about growth to the economy (Abomaye- Nimenibo, 2008 ??imenibo, , 2017a)).

24 iii. Regulation Function

Taxes can be used to regulate the economy by regulating the consumption and production of certain goods in any nation. Where the government wishes to discourage consumption of certain goods, she could raise the taxes on such goods (e.g., cigarette). On the other hand if government want encourage the production of certain goods in the economy, she will lower taxes on these goods especially in terms of excise duties, hence reducing the cost of production and consequently, makes the selling price to fall. As prices fall demand will increase and the subsequent increase in the consumption of that particular good will increase, which will stimulate aggregate consumption and production of that good will call forth increase in aggregate supply. It could be reversed if the opposite is the desired goal of the economy.

25 iv. Income Re-Distribution Function

In order to correct inequality or imbalance in the economy, taxation is a tool commonly used by monetary 16 (F) This is the major reason for imposition of tax i.e.the ability of government to raise fundto use in carrying out her statutory functions (i.e. provision of services such as defense, education, health) etc.Without funds it will not be possible for government(s) to provide the needed services and infrastructural facilities for her citizenry; especially, goods that may not be provided by the private sector.

authorities to cause incom redistribution. This income redistribution function by taxes creates equality and unbiased administration of taxation upon the rich or wealthy class.

26 v. Allocation Function

Taxation is a device used by Government to improved Gross Domestic Product (GDP) by means of encouraging some sectors of the economy that are not doing well through granting of tax reliefs and incentives to the citizenry (Abomaye -Nimenibo, 2017).

27 e) Characteristics of a Good Tax System

A good tax system in modern day governance is said to be very crucial. Taxation is one of the easiest and most convenient means of meeting the everincreasing public expenditures is the derived revenue from tax. Revenue from taxation is an easy and commonest means of generating fund or revenue for the governments of the three tiers we have in Nigeria. It is a common experience that a number of persons detest payment of tax and government by such act loses revenue and she is bent on its implementation. It is a common phenomenon existing in the literature about the detestation of tax payments everywhere since a reasonable number or percentages of the people are not willing to pay taxes. For instance, the introduction of taxes had led to riots and loss of lives in so many places. A good number of persons numbering about 85 lost their lives when VAT was first introduced in Ghana. Also, the "Ijemo" massacre of 1914 was as a result of revolt against Egba United Government over her planned imposition of taxation. The Aba Women riot of 1929 is also an offshoot of tax detestation. All these are just to mention but a few. We need to sensitize the populace to see reasons and dividends of tax payments as revenue to the government to provide certain projects for the people as well as run the government expenditures.

It is therefore, imperative that every government should put in place an efficient, effective, equitable and just tax system, so as have a good taxation system. Adam smith (1776) has postulated the following characteristics, often called cannons of taxation which a good tax system should have.

28 The Foundation or Cannons of Taxation

The cannons of taxation simply mean the foundational structure upon which taxation is built upon. It also connotes the fundamental principles upon which taxation is hinged on. Therefore, a good tax system should meet the cannons of taxation.

29 Cannon of equity:

This cannon state that taxes should be equitable to every person who should be taxed according to his/her ability. The rich and poor should not be taxed equally but that the rich should pay more while the poor to pay less meaning progressive tax be adopted. It also means that as the income of an individual increases, his taxation should also increase proportionately.

Equity in the terms of taxation means "fairness" in tax burden distribution to all persons concerned hence the adage which says that, equals should be treated equally and that unequal should be treated unequally. The statement saying that equals should be treated equally is referred to as horizontal equity, and on the other hand, the unequal should be treated unequally is referred to as vertical equity. These equity conceptions hold that individuals with the same taxpaying ability should bear the same tax burden, and those with different tax-paying abilities should also bear different tax burdens.

A good tax system should be based on the cannon of certainty whereby the time of tax payment, the manner in which tax is to be paid, the amount to be paid should of a surety be certain and clear to the tax payer and to every other person. The taxpayer should not be arbitrarily left to the whims and caprices of tax officials to use their sledge hammer on him/her. The tax which an individual pays has to be certain and not arbitrarily imposed. The time of payment, the manner of payment and the amount to be paid should be clear and plain to the taxpayer. This quality is meant to protect the taxpayers from harassment by the Tax officials.

The tax system should satisfy the cannon of convenience i.e. payment of tax should be convenient to the taxpayer. Social, political and economic standing of the tax payer must be taken into consideration when imposing tax on him/her. Secondly, the time of payment, and the mode of payment should not inconvenience the taxpayer in any way and that the tax should not be a heavy burden to the payer. Administrative Efficiency: This is the process of levying and collecting taxes in an administratively efficient, transparent manner and must not cause economic distortion. Collection should be done in such way that the system brings in sufficient revenue to the government at less cost. Economy of administration is an important quality of a good Tax, whereby assessment and collection of taxes require personnel and equipment at minimal cost. This means that the cost of collecting a tax should not be more than the revenue to be derived from the tax itself. Neutrality: Tax is said to be good and desirable if it is neutral in its effects meaning that the imposition of a tax for whatever purpose (revenue stabilization) must be unbiased and does not result in any change in either consumer or producer economic behaviour, in the private sector of the economy.

Meaning also that, neutrality in taxation holds that a tax, when imposed, should neither offer the utility-maximization behaviour of consumers nor the profit-maximization behaviour of producers in the private sector of the economy. Tax must favour both sides of imposer and payer.

Stabilization -Inducing: Taxation as a tool of fiscal policy play a major role for achieving economic stability by boosting, the economy during periods of unemployment and reducing economic activity during periods of inflation. A tax is good and desirable when it can play this role well. For example, during periods of unemployment, taxes

440 that have minimum restrictive effects on aggregate spending (consumption and investment) would be the ideal
441 ones to use while on the other hand during periods of inflation, taxes need to maximize anti-inflationary effect.

442 In total agreement with Adam Smith's cannon of taxation, Ayua, (1999), elaborated on these cannons to
443 include: a. Incentives and Economic Efficiency: Which demonstrates how tax system can have important effects
444 on incentives and opportunity to work, to save, to invest in capital development, to use resources efficiently and
445 to allocate them to uses which best serve the needs of the community. b. Distributional Effects: In a good tax
446 system there should be no discrimination at the same level of income within the same system. It must also be
447 capable of being use for vertical re-distribution that is, redistribution from those who are better off to those who
448 are worse off in such a way as not to discourage those who are well off. c. Simplicity, Cost of Administration
449 and Compliance: For a tax system to be embraced willingly by the public, it must be simple. But simplicity for
450 tax system must be balanced with its objective. A tax system designed to deal with a complex or complicated
451 situation will inevitably be complicated. Ease of understanding of tax details and simplicity of administration
452 will help in reducing the cost of administration. Compliance cost must not be too high otherwise there will be
453 high incidence of tax evasion and avoidance. d. Flexibility and Stability: In a democratic setting where changes
454 in government are part of in built mechanism for governance, tax system must be flexible enough for any political
455 party in power to pursue the fulfilment of its campaign promises. However, flexibility objective must balance
456 with the need to have a stable tax system. This balancing can only be achieved through virile, versatile, efficient
457 and effective well-trained administrative machinery for assessing and collection as well as general administration
458 of the tax system irrespective of the government in power. e. Economic Growth and Efficiency: The Nigerian
459 tax system should not be an impediment on the productive capacity of the economy, at any given time. In order
460 to minimize the negative impact of taxes on economic efficiency, the tax system must be aligned to the National
461 Socio-economic developmental goals, through ensuring that the marginal tax rates do not distort the marginal
462 propensity to save and investment, and not pose competitive disadvantage to local firms. f. Transparency and
463 Accountability: Tax administration in Nigeria should be seen to be transparent and accountable to all the tax
464 payers irrespective of class and gender. Tax payers should be aware of existing taxes or new taxes imposed on
465 them, and the proper utilization of the tax revenue.

466 f) The Nigeria Tax Structure and Tax System

467 In 1928, the Native Revenue Ordinance was also introduced into the Eastern Region and in 1929, a flat rate of
468 2% total earned income and of corporate profit was levied. In 1939, an ordinance was passed into a bill known as
469 company's income tax ordinance (CITO) which was to guide companies in the payment of tax. In 1940, another
470 tax law, (Nigerian Income Tax Ordinance) was introduced though discriminatory in its application. This took
471 care of corporate and non-corporate residency in Nigeria especially "natives" in Nigeria elsewhere than in the
472 Lagos Township and the first commissioner of taxes was appointed. From thence on Nigeria started having tax
473 laws.

474 Income tax was first introduced in Great Britain in 1911 by Patt with the intention that it would be a
475 temporary levy. However, it was discounted in 1915, but resurfaced in 1942 and till date it is still in subsistence.
476 Furthermore, the highly organised administration of the Emirs having firm control over their territorial villages,
477 impose on them taxes. In the southern areas, because of the small size at the kingdom and difficulties of
478 communication, toll was levied on trade between kingdom and between towns. Tributes of presents were often
479 extracted by kings over the annexed territories, but the main source of wealth is the indirect taxation.

480 30 (F)

481 In the year 1904, a first form of tax was levied by Lord Lugard in Northern Nigeria known as community tax.
482 A first tax law was introduced in Nigeria called the "Native Revenue Ordinance" in 1917. In 1918, the Native
483 Revenue Ordinance was extended to the south and was only applicable in Benin and Abeokuta in the then
484 Mid-Western State of Nigeria.

485 Direct taxation was first practiced in the Northern parts of Nigeria before the advent of the British while
486 indirect taxation through custom duties and tolls attained a high level of development in Yoruba kingdom of
487 the South-West while the South-East and South-South also practice it. The North practices direct tax because
488 Islam charged it's devout to give a portion of their income for charitable or religious purposes, and so provided
489 a religious basis for taxation which was followed to the letter.

490 In earnest, the tax system was highly developed in the North in the pre-1900 era called "The zakka", being a
491 tax paid on crops while the livestock tax has its origin in the "korari"; while the "kurdankasa" was a tax similar
492 to that of capital tax paid by farmers, and a plantation tax called the "shikka-shukka" was paid and extended
493 to all crops which are not subject to zakka and Jangali or cattle tax was levied on livestock. Smiths, weavers,
494 dyers, leather workers, freemen, gamblers, prostitutes, salt makers, canoe men, hunters, fishermen were all liable
495 to a special tax.

496 Similarly, special taxes were levied on a special product like date-palm, beehives as well as on certain luxury
497 crops like onions, tobacco and sugar-cane. When the British came in 1830s and even much earlier in their
498 expedition to the Riverine Communities in the present day Rivers State of Nigeria and other parts of the country
499 at later dates, there was a formalised system of taxation even in the Southern Protectorate comparable to that in
500 the North and the West. In the 12th Century and the period of 1500 when the Dutch visited Ogu, Okrika, Bonny,
501 Opobo, Brass all of Rivers State (Riverine communities) and other areas of the South-South Nigeria, there are

502 Political administrations in place which have both direct and indirect taxation until the Colonial Masters came
503 and were faced with resistance when they tried to usurp political authority hence, the then wars and deportations
504 of our Kings like King Ibanichuka of Okrika, King Jaja of Opobo just to mention but a few. Similarly, the Ijebu
505 and Ondo kings relied on tributes, tolls and various levies form their revenues, while in Ibadan, Oyo and Ife,
506 there was a system of annual levies, special contributions at special festivals, fees, presents and tribes unusual
507 land rent, payment for personal services and contributions of food. The main revenue came from tolls, fines,
508 death duties, presents and licenses, and customary taxes.

509 In the Igbo areas of the east, the tradition of direct taxation to a central authority was non-existence rather,
510 the community pay taxes in kinds by rendering free services such as marking out a track road, clearing the bush,
511 digging pit toilets and wells, and so on for the progress of the community.

512 The British colonial government only enacted the national revenue proclamation Law No.4 of 1904, under Lord
513 Lugard who sort to simplify the complex array of northern taxes, by ensuring equity and social justice in the
514 system of taxation thereby enhancing efficiency in the fiscal administration of the protectorate. The system of
515 taxation was centred on the annual value of land to produce crops thereon, profit of traders and manufacturers,
516 on the flocks and herds of pastures; and other listed sources of incomes.

517 In 1918, based on the H.R Paulines findings and consequent authorization by London, Lord Frederick Lugard
518 introduced taxation in Yoruba areas of Egba land and Ibadan. In Benin the son of exiled king Overami, accepted
519 the imposition of direct taxation in 1917. The imposition of direct taxation in the west involved computation
520 of many tributes and exaction. Ilesha division voluntarily asked to be included in the tax payment system but
521 in Abeokuta, direct taxation was resisted with much resistance in which lives were lost and a lot of property
522 destroyed culminating in Maxwell commission of 1918. In Ibadan, Ife, Oyo, tax exemption was unbroken by
523 Oba's and in Egba land by the Ogbonies. By 1920, the Native Revenue Ordinance has been extended to the
524 entire west.

525 In the east, direct taxation was inconsistent. Direct taxation had been introduced in the south eastern region
526 in 1926 but it was quickly withdrawn for lack of support. It was not until 1927 that Lord Frederick Lugard
527 succeeded in extending the Native Revenue Ordinance to the area east of the Niger. However, the resistance was
528 stiff and opposition was really prevalent. The Aba women riot of 1929 was sparked off as a result of rumours
529 carried about that, women were about to be taxed, showing a strong indication of the strength of the people's
530 feelings in the east against tax payment.

531 However, the east was the first to introduce a comprehensive regional finance law called, The Finance Law
532 No.1 of 1956, wherefore people above 16 years of age are to pay tax. The Western Region followed sooth with
533 the Income Tax Law No. 26 As the nation was about to have a republic, there is need to incorporate the tax
534 laws into the constitution and therefore, there arose the need to have a commission to look into the existing tax
535 laws and their inadequacies hence, the Sir Jeremy Raisman Fiscal Commission. The recommendations of the Sir
536 Jeremy Raisman Fiscal Commission were accordingly, embodied in the Nigerian constitution order in council of
537 1960 which formed the basis of the income tax management Act 1961.

538 This Commission was set up in 1957 with the following main term of reference, to examine the jurisdiction and
539 powers of the various tiers of government and to determine which arm of government should handle which tax law.
540 It was decided that the Federal government should retained control over the taxation of individuals in the federal
541 territories and companies throughout Nigeria, while the regional governments exercise control over income taxes
542 of all persons within their regions whether Native or expatriates. It was furthermore determined that custom
543 duties and sales tax were to be collected by the Federal Government, while the Regional Governments retained
544 export tax on motor vehicles, fuel revenues, and exercise and custom duties on tobacco (Abomaye-Nimenibo,
545 2017b). Adegbe (2011), stated that tax is a legal system approved by the government to have the charge, to have
546 the direction, to manage and to provide policies; laws and regulations for the tax system to ensure all applicable
547 taxes are collected and remitted to the appropriate authorities. ??la (2006),has stated that tax administration
548 in Nigeria does not measure up to appropriate standards because tax is inequitable. Many of the supposed tax
549 payers know nothing of the rules under which they are to pay tax or the range of deductible expenses and the
550 allowance available to them; and that they cannot be at ease to disclose their taxable income. ??la (2006) went
551 forward to say that the assurance of tax convenience in Nigeria is the ability of a taxpayer to go to the tax
552 office, say what he is ready to pay, be assessed accordingly, and he pays and obtain a tax clearance certificate.
553 From the above we can deduce that these has led to administrative inefficiency. This is as a result of the low
554 literacy level in Nigeria and poor record keeping culture. Also, there are not enough tax officials to cover the
555 field as most of them are not well trained, ill equipped, badly remunerated and corrupt (Ogbonna, 2011). He
556 added that the failure of tax administration to recognize the importance of communication and dialogue between
557 government and the citizen in matters relating to tax revenue is a key problem; and that there is a wide gap
558 in tax administration in Nigeria when compared to countries like USA, United Kingdom, and Canada where
559 tax system is computerized and every tax payer i.e organizations are well captured at source through integrated
560 computer system. This to a large extend is being put in place by the Nigerian Federal Inland Revenue Service
561 (FIRS) and until the system is well computerized, there is bound to be problem.

562 According to Olasatiyan and Samkey (2011), defined tax as a compulsory charge imposed by a public authority
563 on the income of individuals and companies as stipulated by the government decrees, acts or cases, laws
564 irrespective of the exact amount of services rendered to the payer in return. Taxes therefore, constitute the

565 principal source of government revenue and the beauty of any government is for its citizenry to voluntarily
566 execute their tax obligations without much coercion and harassment. The menace of tax leakages in the form of
567 tax evasion and tax avoidance is the major problem facing the Nigerian tax system. Similarly, tax evasion being
568 the willful and deliberate violation of the tax laws with the intent to escape tax obligation as opined by Kiabel
569 and Ogu (1999). The twin monster is tax avoidance, whereby taxpayers seek to reduce, or remove altogether their
570 tax liability within the provision of the tax laws as also observed by Ola (2001). Omoruyi (1983), also stated
571 that tax evasion is one of the crimes of Nigerians, which they have so popularized that it makes armed robbery
572 of minority interest. Government has made so much effort to curb these monsters yet, the problem of tax evasion
573 and avoidance still persists (Alli, 2009).

574 **31 g) The challenges of the Nigerian Tax System**

575 Nigeria has undergone a lot of tax reforms of which we have a peculiar one introduced as "Tax identification
576 number (TIN)" that is unique tax payer's. While the Joint Tax Board was established in 1961 to offer advice and
577 coordinate various aspects of tax revenue and also to promote uniformity both in the application of the personal
578 income tax Act 1993, and in the incidence of tax on individual throughout Nigeria; the Federal Board of Inland
579 Revenue was established in 1990 with the power to administer company income tax. This body has the Federal
580 Inland Revenue Service (FIRS) which was established in 1993 as its main operator having the responsibility of
581 income tax assessment, collection, accounting and administration.

582 The Nigerian tax system according to Ogbonna et al, (2009) has undergone series of reforms since 1904 to date
583 as follows:

584 Festus and Samuel (2007), Reynold and Wilbur (1990), have suggested ways in which tax being a principal
585 source of government revenue should be closely monitored so as to achieve maximum compliance as various tax
586 leakages and mismanagement of tax revenue continue to exist. identification number which became effective from
587 February 2008; the E-payment system which enhances smooth payment procedure and reduced the incidence of
588 tax touts, Enforcement Scheme having special purpose tax officers i.e. a special tax officers scheme that is in
589 collaboration with other security agencies to ensure strict compliance in payment of taxes and the automated
590 tax system that facilitates tracking of tax positions and issues by individual tax payer. The integrated tax offices
591 and authority now have autonomy to assess, collect and record taxes in line with section 8Q of FIR Establishment
592 Act 2007 which has led to an improved tax administration in Nigeria.

593 The Nigerian tax system has undergone some significant modifications in recent times as tax laws are
594 consistently being reviewed with the aim of repealing obsolete laws and simplifying the ones that need to be.
595 Nigerian tax law empowers taxation to be enforced by the 3 tiers of government being the federal, state and local
596 governments, each having its sphere of authority clearly spelt out in the Taxes and Levies Decree 1998. In spite
597 of these modifications, there are still a good number of contentious issues that requires urgent attention such as
598 the issue of appropriate tax authority to administer conflicting taxes.

599 However, Nigeria still faces some issue such as the multiple taxation by all the three tiers of governments which
600 often times, poses some impediment in tax administration and bring about welfare cost. In addition, the issue
601 of paucity of data base contributes to tax avoidance in the country.

602 The issue of corruption in Nigeria is still a perennial problem which reduces the confidence and trust of the tax
603 payer in discharging his civil duty. Another issue is that of inadequate infrastructural development. In Nigeria,
604 infrastructural facilities are in a deplorable state such as the epileptic and erratic electricity and water supply;
605 making the populace to privately sources. Thus leading to tax avoidance and evasion.

606 Furthermore, Nigeria has the problem of codified tax language that is legally codified language that makes
607 it difficult for an average Nigerian to be conversant with these tax laws. Tax evasion and avoidance is being
608 practiced by individuals and corporate bodies.

609 **32 h) Challenges of Tax Administration in Nigeria**

610 Every System or nation opts for an efficient and effective system of tax Administration, free from all encumbrances,
611 yet challenges militating against the creation and maintenance of such an efficient system cannot be ruled out.
612 Tax administration challenges could be found in the Nigeria system of tax administration which cuts across the
613 three tiers of government. These issues will be discussed hereunder.

614 **33 i) Role of Tax Revenue in Economic Growth and Development**

615
616 It is often said that a country's tax system is one of the major determinants of its macroeconomic indexes. It
617 has also been argued that the level of economic development has a very strong impact on a country's tax base
618 and tax policy objectives which vary with the stages of development ?? Vincent, 2001).

619 Hence, Olopade and Olopade (2010) that growth is an increase in economic activities which represents the
620 expansion of a country's GDP or output. Development until recently meant growth measured by GNP or a rise
621 in per capital income. This definition of development is not tenable as it is not indistinguishable with growth.
622 Kayode(1993) stated that development perhaps could be said to be growth coupled with justice. Development

623 therefore, implies changes that would lead to improvement or progress; and it is believed that an economy that
624 raises its per capita level of real income over time without transforming its social and economic structure is
625 unlikely to be perceived as developing.

626 The main purpose of tax is To raise revenue to meet government expenditure and to redistribute wealth and
627 manage the economy is the main purpose of government according to Ola (2001), Jhingan (2004),and Bhartia
628 (2009); while Jarkir (2011), outlined tax as an important tool for economic growth of a country in the following
629 methods:

630 Optimum Allocation of Available Resources: Taxation is the most important means and source of public
631 revenue to finance government expenditures. The imposition of tax leads to diversion of resources from the taxed
632 to the non-taxed sector. The revenue got is then allocated to various productive sectors of the economy of a
633 nation with a view to increasing the overall growth of the country. Tax revenues may be used in developmental
634 activities in the less developed areas of the country where real investors are not willing to invest.

635 In our contemporary society, public finance is not simply to raise sufficient financial resources for meeting
636 administrative expense, for maintenance of law and order only but to also protect the country from foreign
637 aggression. Now the main object is to ensure the social welfare of the economy. The increase in the collection of
638 tax increases government revenue. It is safer for the government to avoid borrowings from any other source and
639 concentrate on increasing tax revenue. Encouraging Savings and Investment: Since developing countries operate
640 mixed economy, care has to be taken to promote capital formation and investment both in the private and public
641 sectors. Tax revenue policy is to be directed to raising the ratio of savings to national income.

642 34 Reduction of Inequalities in Income and

643 Wealth: Through reducing inequalities in income and wealth redistribution, government usean effective and
644 efficient tax system, to encourage people to save and invest in productive sectors of the economy. Acceleration
645 of Economic Growth and Price Stability: Tax policy may be used to handle critical economic situations like
646 depression and inflation. In times of depression, taxation is minimized to increase consumption and reduce
647 savings thereby increasing aggregate demand and vice versa Abomaye- Nimenibo (2008Nimenibo (, 2017)).
648 Tax policy could be used to strengthen incentives to in savings and investments. Tax policy is further used in
649 developing countries, to maintain price stability and growth of the economy. Control Mechanism: Tax policy
650 is also a tool widely used as a control mechanism in checkmating inflation, consumption of certain goods such
651 as liquor and luxury goods as well as to protect the local industries from the uneven rivalry and competition.
652 Therefore, tax revenue is the only effective weapon by which private consumption can be curbed and thus excess
653 resources transferred to the state leading to sustainable economic development and eventual growth.

654 According to Appah (2010), economic growth is largely linked to labour and capital as factors of production
655 and that, tax revenue is considered as an instrument of fiscal policy being an important variable which may
656 determine changes in national income in developing countries like Nigeria. Increased tax revenue on imported
657 goods and services have affected the level of such goods and services that industrialist within our country are
658 encouraged to produce such goods and services locally. This curb high import duty on dairy products, textiles,
659 materials, food, beverages, drinks etc. Nigeria's economic potential are encouraged through industrial investment
660 locally and the multiplier effect on employment and national growth. Also, high tax rate imposed on imported
661 components of oil industrial inputs has encouraged the use of local content in the oil industry geared towards
662 increasing economic growth in Nigeria (Kiabel and Nwokah, 2009). Bonu and Pedro (2009),were of the opinion
663 that tax policy does affect economic growth. To themthere is enough evidence linking tax revenue and output
664 to growth. Countries that are able to mobilize tax resources through broad based tax structures with efficient
665 administration and enforcement will likely be in a position to enjoy faster growth rates than countries with lower
666 overall tax collections assessed inefficiently. Therefore, the design of the tax system is likely to exert a modest, but
667 cumulatively important influence on longterm growth rates. Akinola (2001), explained how tax revenue plays a
668 crucial role in promoting economic activity and growth. Through tax revenue, government ensures that resources
669 are channeled towards important projects in the society, while giving succor to the weak. However, the role of
670 tax revenue in promoting economic activity and growth is not felt primarily because of its poor administration.

671 Tax revenue is very important to the growth and development of any country as tax proceeds helps in rural
672 and urban development as well as the provision of infrasturatural development in the form of road constructions,
673 provision of power supply, and portable drinking water, the building of hospitals, schools and provision of other
674 social amenities.

675 35 j) Tax Revenue in Nigeria

676 Tax and tax administration are fundamental components of any attempt to nation building, and this is
677 particularly the case of any developing or transitional nation like Nigeria. Bariyima, Kiabel, and Nwoka(2009),
678 has noted that taxes underwrite the capacity of states to carry out their goals; forms an integral areas for the
679 conduct of state-society relations, and they shape the balance between accumulation and redistribution of wealth
680 that gives states their social characteristics. Taxes build capacity, legitimacy and consent. Nigeria which was
681 colonized by the British gained her independence by an act of the British Parliament on 1st October, 1960 and

682 became a republic within the commonwealth in 1963 (Odusola, 2006). She therefore, qualified to impose tax and
683 collect revenue thereby.

684 However, the tax system of Nigeria actually dates back to 1904 when the personal income tax Ordinance was
685 introduced in the northern part of the country before the unification of the country by the colonial masters. It
686 was later implemented through the Native Revenue Ordinance in the western and eastern regions in 1917 and
687 1928 respectively. Coupled with other amendment in the 1930s, it was later incorporated into Direct Tax Revenue
688 Ordinance No.4 of 1940. Since then, different governments have continued on the improvement of the tax system
689 in Nigeria (Abomaye-Nimenibo, 2017b).

690 Although the Nigerian tax system has undergone several reforms geared toward enhancing tax collection and
691 administration with minimal enforcement cost, there is still non-voluntary compliance of the taxpayers due to
692 the act of lethargy on the part of the system leading to an extensive practice of tax evasion and avoidance; which
693 is a major impediment to economic growth, where tax evasion and avoidance are now prevalent . One of the
694 major tax reforms put in place by the government in addressing the problems of tax administration in Nigeria is
695 the introduction of Taxpayers Identification Number (TIN) which became effective in February, 2008.

696 **36 k) Theoretical Framework**

697 According to Bhartia (2009), a tax revenue theory may be derived on the assumption that there need not be any
698 relationship between tax paid and benefits received from state activities. We shall accordingly lookatsomeof such
699 theories as discussed below.

700 i. Socio-Political Theory This theory of tax revenue states that social and political objectives should be
701 the major factors in selecting taxes. The theory advocated that a tax system should not be designed to serve
702 individuals, but should be used to cure the ills of society as a whole.

703 **37 ii. Benefit Received Theory**

704 This theory is based on the assumption that there is basically an exchange relationship between taxpayers and
705 the state because the state provides certain goods and services to the members of the society, therefore, members
706 of the society should contribute to the cost of these supplies in proportion to the benefits received (Bhartia,
707 2009). Anyafo (1996), supports this postulation by saying that taxes should be allocated on the basis of benefits
708 received from government expenditure.

709 **38 iii. Faculty Theory**

710 According to Anyafo (1996), this theory states that one should be taxed according to the ability to pay. It is
711 simply an attempt to maximize an explicit value judgment about the distributive effects of taxes. Bhartia (2009),
712 shares this same view by argueingthat a citizen is to pay tax just because he can, and his relative share in the
713 total tax burden is to be determined by his relative paying capacity.

714 **39 iv. Expediency Theory**

715 This theory asserts that every tax proposal must pass the test of practicality. It must be the only consideration
716 weighted by the authorities in choosing a tax proposal. Economic and social objectives of the state and the effects
717 of a tax system should be treated as irrelevant ??Bhartia,2009). Anyafo (1996) and Bhartia (2009) explained
718 that the expediency theory is based on a link between tax liability and state activities. It assumes that the state
719 should charge the members of the society for the services provided by it. This reasoning justifies imposition of
720 taxes for financing state activities by inferences, which provides a basis, for apportioning the tax burden between
721 members of the society. This proposition has a reality embedded in it, since it is useless to have a tax which
722 cannot be levied and collected efficiently.

723 Pressures from economic, social and political groups abounds in every economy. Every single group tries to
724 protect and promote its own interests and by extension, authorities are often forced to reshape tax structure to
725 accommodate these pressures. In totality, the administrative set up may not be efficient enough to collect taxes
726 at a reasonable cost of collection. Tax revenue therefore, provides a powerful set of policy tools to the authorities
727 and should be effectively used for remedying economic and social ills of the society such as income inequalities,
728 regional disparities, unemployment, and cyclical fluctuations and so on.

729 Adolph Wagner advocated that social and political objectives should be the deciding factors in choosing taxes.
730 Wagner did not believe in individualist approach to a problem. He stated that each economic problem be looked
731 at in its social and political context and an appropriate solution found thereof. Accordingly, a tax system should
732 not be designed to serve individual members of the society, but should be used to cure the ills of society as
733 a whole. This theory relates to a normal development process and represents a benchmark against which,a
734 country's specific empirical evidence may be compared. the Nigerian tax system conforms to this scenario where
735 the link between tax liability and economic activities are linked. Where applicable, such a characterization
736 will enhance accurate tax revenue projection and targeting of specific tax revenue sources given an ascertained
737 profile of economic development. It will also assist in estimating a sustainable revenue profile thereby facilitating
738 effective management of a country's fiscal policy, among others. This is because the expediency theory focuses
739 on the fact that taxes are collected to achieve economic objectives which enhances the growth and development

740 of a society in all its spheres. The socio-political, benefit and faculty theory are relevant also but they lay more
741 emphasis on political relationship and ability to be objectives.

742 40 v. Empirical Literature

743 In an attempt to evaluate tax revenue and economic growth in Nigeria, we are prone to utilizing regression
744 analysis for the period of 1980 -2015. It will therefore be worthwhile to look at the empirical literature.

745 Chibu and Njoku (2015), investigated the impact of taxation on the Nigerian economy for the period 1994 -2012.
746 The variables used in the model were subjected to Augmented Dickey Fuller Unit Root test, which revealed that
747 the variables were stationary. The co-integration test also revealed that the variables are co-integrated and that
748 long run relationship existed between the variables. The results of the statistical analysis revealed that positive
749 relationship also existed between the explanatory variables (Custom and Excise Duties, Company Income Tax,
750 and Petroleum Profit Tax) and the dependent Variables (Gross Domestic Product, and Unemployment). The
751 study therefore, recommended total restructuring of the tax system in the country and the provision of basic
752 amenities (good roads, steady power supply, internal security, etc) which will encourage individuals and corporate
753 organizations to honor their tax obligations in Nigeria.

754 Babalola and Aminu (2011), also investigated the impact of taxation on economic growth in Nigeria over the
755 period 1977-2009. They examined the Unit roots of the series using the Augmented Dickey -Fuller technique
756 after which the co-integration test was conducted using the Engle -Granger Approach. Error correction models
757 were estimated to take care of shortrun dynamics. The overall results indicated that productive expenditure did
758 positively impacted on economic growth during the period of coverage and a long-run relationship exists between
759 them as confirmed by the co-integration test.

760 Ogbonna and Ebimobowei (2011), conducted a study on the impact of petroleum revenue on the economy
761 of Nigeria for the period 1970 to 2009. The study showed that a strong correlation existed between petroleum
762 revenue and GDP. This was determined from the regression results that showed an $R=0.839$, R^2 of 0.705, F-
763 value of 90.630 and a corresponding significant value of 0.000 and a t-value of less than 0.05 significant level.
764 They concluded that oil based revenue if invested efficiently in the economy will to a large extent make material
765 difference on GDP. From the findings of Ogbonna and Ebimobowei (2011), it can be deduced that PPT has a
766 positive impact on Nigeria's economy but it'll be good to further investigate the roles other taxes play on the
767 economy's GDP both individually and as a lump sum which is one of the objectives this study aims to achieve.

768 Brian (2007), analyzed the effects of tax revenue on economic growth in Uganda's experience for the period
769 1987 to 2005. From the study, tax revenue was found to have had an impact on the economic growth level of the
770 country, with direct taxes having a positive effect while indirect taxes had a negative impact. However, he stated
771 that due to time, financial and data constraints, not all essential issues could be analyzed. The issue arising
772 from this work is the fact that indirect taxes are not easily evaded when it comes to payment because they are
773 paid either at the time of consumption of the very good or service and at source and so one expects that they
774 should have a positive impact on a country's' economic growth not negative as reported. Engen and Skinner
775 (1996),also carried out a study of taxation and economic growth of U.S. economy, using large sample of countries
776 and evidences from micro level studies of labour supply, investment demand, and productivity growth. Their
777 findings revealed modest effects on the order of 0.2 to 0.3 percentage and pointed differences in growth rates in
778 response to a major reform. They stated that such small effects can have a large cumulative impact on living
779 standards. Tosun and Abizadeh (2005), in their study of economic growth of tax changes in OECD countries
780 from 1980 to 1999 revealed that economic growth measured by GDP per capita has a significant effect on the
781 tax mix of GDP per capita. It is shown that while the shares of personal and property taxes have responded
782 positively on economic growth, shares of the payroll (payee tax), goods and services taxes have shown a relative
783 decline. Philips (1997), critically analyzed the Nigerian fiscal policy between 1960 and 1997 with a view to
784 suggesting workable ways for the effective implementation of vision 2010. He observed that budget deficit has
785 been an abiding feature in Nigeria for decades. He noted that except for the period 1971 to 1974, and 1979, there
786 has been an overall deficit in the federal government budgets since 1960 to 1997. The chronic budget deficits and
787 their financing largely from borrowings, have resulted in excessive money supply, worsened inflationary pressures,
788 and complicated macroeconomic instability. The result showed negative impact on external balance, investment,
789 employment and growth. Ikem (2011), investigated the interaction between tax structure and economic growth
790 in Nigeria during the period 1961-2011. He made his analysis using two different econometric models: the
791 neoclassical growth framework and Granger causality test in examining the level of impact and direction of
792 causality respectively. The growth model was decomposed during the analysis into long run static equation and
793 short run dynamic error correction model. The results revealed that income and CIT is statistically significant
794 in promoting economic growth in Nigeria.

795 The analysis so far have revealed that taxation has significant impact on Nigeria's economic growth. Although
796 some studies do not find a positive linkage between economic growth and taxation, but was quick to point out
797 some of the flaws to include their statistical methodology and the data used in the analysis. This research
798 therefore adopted some econometric tools to check for the presence or absence of spuriousity in the regression
799 results as such validates their relevance in policy making.

800 **41 III.**

801 **42 Method of Study**

802 The method employed in this study, involves discussion of data collection analysis techniques. We adopted a
803 quasi-experimental research which is purely analytical

804 **43 a) Model Specification**

805 The model was cast in line with the theoretical and empirical literature reviewed that captures the contribution
806 of petroleum profit tax, company income tax, and customs and excise duties. Thus, both linear and log-linear
807 specifications were set for the model as follows:

808 Linear Specification $GDP = f(PPT, CIT, CED)$ According to ??Gujarati, 2003) "a priori involves a deductive
809 reasoning from a general economic principle to a necessary effect" based on hypothesis or theory rather than
810 experiment. In this study, different economic and social factors, facts and principles were used in defining the
811 theoretical expectation of the sign or the magnitude of the parameters of the specified model.

812 **44 i. Explanation of Variables in the Model**

813 The variables included in the model are classified as dependent and independent variables. Dependent Variable
814 Gross Domestic Product (GDP): The total monetary value of all finished goods and services produced within a
815 country's boarder in a specified fiscal year. GDP is expected to be positively influenced by export, exchange rate
816 and trade or economic openness.

817 **45 Independent Variables Petroleum Profit Tax (PPT):**

818 The Petroleum Profit Tax (PPT) is for any resident company or person in charge of a non-resident company who
819 are exploring for petroleum or producing it in Nigeria.

820 Company Income Tax (CIT): Being a tax paid by resident or non-resident company incorporated in Nigeria.

821 **46 Customs and Excise Duties (CED):**

822 These are taxes payable by importers of specified goods as well as those imposed on goods produced locally.

823 **47 b) Data Required**

824 This study employed secondary data relating to the dependent and independent variables which was obtained
825 from the Central Bank of Nigeria Statistical Bulletin. The method of Data Analysis was econometric method
826 of Ordinary Least Square (OLS), Co-Integration and Granger Causality test. It is important to note that time
827 series data are prone to error due to fluctuations in business activities from which most of our data are derived.
828 Hence, the following analysis were tested accordingly:

829 **48 Gross Domestic**

830 Test for the co-efficient of determination (R^2) was used to test and know the power-strength of the explanatory
831 variables in the models to see the goodness of fit of the variables. In other words, it measures the The impact of
832 tax revenue on economic growth has been examined severally by different researchers. The empirical studies of ,
833 Engen and Skinner, (1996), Tosun and Abizadeh, (2005) and Arnold (2011), were used as the basis for different
834 explanations of taxes on economic These a priori expectations are determined by the principles of economic
835 theories guiding the economic and social relationships among the variables under consideration.

836 Note: RGDP, PPT, CED and CIT as earlier defined percentage variation in the dependent variable that is
837 explained by the independent variables.

838 Test of significance (T-test) of each of the parameter estimates was carried out. In other words, it is a
839 statistical test that is used to verify whether each of the parameters at 5 percent confidence level is significant
840 or not. Test: This test was carried out to see the overall significance of the explanatory variables in the model.
841 Durbin Watson test for autocorrelation: The Durbin-Watson (DW) statistical test was used to carry out the test
842 for autocorrelation. "Autocorrelation or serial dependence of the error term is considered when the successive
843 values of the error term are serially correlated or dependent. That is, the value, which U assumes in any one
844 period, depends on the value, which it assumed in the previous period".

845 **49 d) The Co-Integration Technique**

846 In this study we adopted the Co-Integration estimation technique in analyzing our data. Co-Integration is an
847 econometric technique used for testing the correlation between non-stationary time series data. Usually, time
848 series data are non-stationary due to fluctuations that do characterize such information.

849 Two variables are said to be Co-Integrated if they have a long run or equilibrium relationship between them
850 (Gujarati, 2007).

851 Granger Causality: Granger Causality test shows the direction of effect between two times series. Such effect
852 could be bilateral, bidirectional, unidirectional and independence causality.

853 IV.

854 **50 Data Presentation and Analysis**

855 Our estimated results are presented and analyzed according to the specified econometric methods. We analyzed
 856 our data collected for this study by using the tools already discussed in sub-heading three. The researchers
 857 estimated the models and reported the results accordingly. Thus, this section begins with the data presentation
 858 and thereafter talks about analysis of the results. The data for the estimation are presented in table 4.1 below.

859 **51 a) Data Presentation**

860 The main objective of this study was to examine the impact of tax revenue on economic growth in Nigeria from
 861 1980-2015. In order to achieve this objective, the study utilized data on gross domestic product (GDP) as the
 862 dependent variable while petroleum profit tax (PPT), company income tax (CIT) and customs and excise duties
 863 (CED) are the independent variables. The data used for the study is basically time series data from 1980-2015
 864 which relates to both the dependent and explanatory variables. Thus, the data was sourced from the yearly
 865 reports of the Central Bank of Nigeria as presented in appendix I

866 **52 Variables**867 **53 Variables**

868 The correlation matrix presented in table 4.2 indicates a strong positive correlation of 79% between gross domestic
 869 product (GDP) and petroleum profit tax (PPT). A strong positive relationship of 97% exists between gross
 870 domestic product (GDP) and custom and excise duties (CED). Also, a strong positive relationship of 66% exists
 871 between gross domestic product (RGDP) and company income tax (CIT).

872 **54 c) Unit Root Test (Test for Stationarity)**

873 To avoid spurious regressions which may arise as a result of carrying out regressions on time series data, by
 874 subjecting the data to stationarity test, using the Augmented Dickey Fuller (ADF) tests. The stationarity test
 875 result presented in Table 4.3 shows that at various levels of significance (1%, 5% and 10%), the variables were
 876 stationary. Although the variables were not stationary at level 1, the variables were thus differentiated. Thus,
 877 all the variables became stationary at first difference (integrated of order one). Hence, the entire variables in this
 878 study are stationary. Therefore, there is need to determine the long run relationship with the aid of the Johansen
 879 Co-integration test. See table 4.5 for co-integration result.

880 **55 d) Test for Co-integration**

881 Co-integration is conducted based on the test proposed by Johansen. According to Iyoha and Ekanem (2002),
 882 co-integration deals with the methodology of modeling non-stationary time series variables as per table 4.5 below.

883 **56 Table 4.4: Johansen Test for Co-integration**884 **57 Source: Computed Result Using (E-Views 8)**

885 The Table 4.4 indicates that there are two cointegrating equations because three of the Trace Statistic(s) are
 886 larger than critical value at 5%. Therefore, there is a long-run relationship among GDP, PPT, CED and CIT.
 887 The result shows that the coefficient of the intercept parameter appears with a positive value; 9.978123. This
 888 simply means that if the independent variables are held constant, GDP will increase by 9.978123 percent.

889 **58 e) Short Run Regression Result**

890 Furthermore, the coefficient of petroleum profit tax (PPT) appears with the right sign (i.e., positive). This
 891 conforms to the apriori expectation. This means that a percentage increase in petroleum profit tax (PPT) will
 892 increase economic growth by 0.072217 percent. Moreover, the absolute value of the t-statistic for the slope
 893 coefficient is not significant. This is because the t-calculated of 1.108482 < the t-table of 2.032. Thus, the study
 894 accepts the null hypothesis which states that "there is no significant relationship between petroleum profit tax
 895 and economic growth in Nigeria". The implication of this result is that PPT impact on economic growth but
 896 not significantly. Meaning that, PPT revenue alone without revenue from other sources cannot help Nigeria to
 897 achieve sustainable economic growth and development.

898 The coefficient of company income tax (CIT) appears with a positive sign (0.052075) implying a positive
 899 relationship between company income tax (CIT) and economic growth. This conforms to the apriori expectation.
 900 This means that a percentage increase in company income tax (CIT) will lead to 0.052075 increases in economic
 901 growth. However, the absolute value of the t-statistic for the slope coefficient is not significant. This is because
 902 the t-calculated of 0.976035 < the t-table of 2.032. Thus, the study accepts the null hypothesis which states that
 903 "there is no significant relationship between company income tax (CIT) and economic growth in Nigeria".

904 At the same time, the coefficient of custom and excise duties (CED) appeared with a positive sign (0.132786)
905 which implies that a positive relationship between custom and excise duties (CED) and economic growth exist.
906 This conforms to the apriori expectation meaning that a percentage increase in custom and excise duties (CED)
907 will lead to 0.132786 increases in economic growth. In addition, the absolute value of the t-statistic for the slope
908 coefficient is not significant. This is as a result of the t-calculated value of 1.744326 < the t-table value of 2.032.
909 Thus, the study accepts the null hypothesis which states that "there is no significant relationship between custom
910 and excise duties (CED) and economic growth in Nigeria".

911 The insignificant relationship between tax revenue (i.e., revenue generated from PPT, CIT and CED), indicates
912 that income generated from taxes are not efficiently and effectively utilized to provide infrastructural facilities
913 and social amenities that will help the various sectors of the economy to grow and function effectively. The reason
914 could be adduced from the mismanagement, corruption and embezzlement syndrome in the country.

915 The entire regression model is significant given the f-value of 39.21975 with the probability (F-stat=0.000000).
916 The Durbin Watson value of 1.124619 portrays the presence of serial autocorrelation. The result of Table 4.6
917 shows that there is unidirectional causality between PPT & GDP as well as CED & GDP. But, there exist an
918 independence causality between CIT & GDP. Therefore, Policy makers should put in place those policies that
919 will favour increase in GDP.

920 **59 f) Pairwise Granger Causality Test**

921 V.

922 **60 Summary of Findings**

923 The study examines tax revenue and economic growth in Nigeria from 1980 to 2015. The theoretical literature
924 upon which this work hinged on included, socio-political theory, expediency theory, faculty theory and benefit
925 received theory. Therefore, to achieve our objectives, data were collected on gross domestic product (GDP)
926 petroleum profit tax (PPT), company income tax (CIT) and Custom and Excise Duties (CED) from CBN
927 Statistical bulletin. The study adopted the Ordinary Least Square (OLS), Co-integration and Granger Causality
928 methods of econometrics to analyze the data and showcased the relationship that exists among the variables.

929 **61 The regression result shows that:**

930 a. There is no significant relationship between petroleum profit tax and economic growth in Nigeria;

931 b. There is no significant relationship between company income tax and economic growth in Nigeria; and c.

932 There is no significant relationship between custom and excise duties and economic growth in Nigeria.

933 VI.

934 **62 Conclusion**

935 Using the Ordinary Least Square (OLS), Cointegration and Granger Causality tests in analyzing the data collected
936 on gross domestic product (GDP), petroleum profit tax (PPT), Company Income tax (CIT) and custom and excise
937 duties (CED) through secondary source specifically, CBN Statistical Bulletin, our result shows that petroleum
938 profit tax, company income tax and custom and excise duties has no significant relationship in explaining the
939 economic growth in Nigeria. However, tax has the ability to impact on the economy positively if properly and
940 systematically integrated. The positive signs of the petroleum profit tax, company income tax and custom and
941 excise duties tax is an indicator that Nigeria at large is benefitting from tax revenue; since revenue from tax are
942 used by government to finance its major economic projects. The results further revealed that there is no significant
943 relationship between petroleum profit tax, company income tax and Nigeria economic growth. The implication
944 is that tax revenue has not contributed much to the growth of Nigeria's economy as one considers the fact that
945 most of the revenue generated from taxes are squandered by the government officials and tax administrators.
946 One of the main purposes of tax revenue is to raise revenue that the government can use to provide adequate
947 amenities and infrastructure as well as enhance growth and development but the case seems to be different in
948 Nigeria as the physical evidences does not show that funds generated from tax revenue are used for this purpose.

949 **63 VII. Recommendations**

950 a. Government should use the revenue generated from tax especially that of petroleum profit tax to develop
951 the domestic sector of the economy especially the Agro allied industry and the manufacturing sector qualitative
952 development. b. Government should sensitize the citizenry through awareness campaign and enlightenment on
953 the need to pay tax and not to evade it. c. Training on Total Quality Tax Management, technological development
954 in tax policies and also acquire tax assessment packages, etc. d. Government to encourage and also insist on taxes
955 remittance to Government account via the epayment system This will go a long way in curbing the emanance of
956 fraudsters as well as being a means of supporting the cashless economy. e. Nigeria's tax regulatory body needed
957 to implement policies that will reduce the loop holes in tax laws which tax payers capitalize on to evade tax. f.
958 Enact a act prohibiting tax avoidance and tax evasion a punishable offence with serious sanctions imposed.

959 If economic growth and development has to be achieved in Nigeria, then the Federal Government as a matter
960 of urgency, restructure the tax system in Nigeria. Revenue from tax should also be properly and judiciously be
961 expended to provide basic amenities to the taxpaying citizens of Nigeria.

962 The following recommendations are put forward:

963 Government should ensure that taxation is properly managed in a manner that will accelerate economic growth,
964 reduce inflation rate and generate employment in the country. The Nigeria government should restructure the
965 tax system from what it is so as to meet the demands of the 21st century.

966 Government should ensure that tax revenue is judiciously used in the provision of basic Education, Housing
967 Schemes, Transportation (mass transit), Agriculture development, Primary Health Care, adequate Power Supply,
968 Construction of Roads and Bridges, good National Defense, among others that will help the various sectors of
969 the economy to grow and function very well thereby enhancing the growth and development of the economy.

970 64 Gdp

- a. Introduction of income tax in Nigeria between 1904 and 1926
- b. Grant of autonomy to the Nigerian Inland Revenue in 1945
- c. The Raisman Fiscal Commission of 1957
- d. Formation of the Inland Revenue Board in 1958
- e. The promulgation of the Petroleum Profit Tax Ordinance No. 15 of 1959
- f. The promulgation of Income Tax Management Act 1961
- g. Establishment of the Lagos State Inland Revenue Department
- h. The promulgation of the Companies Income Tax Act (CITA) 1979
- i. Establishment of the Federal Board of Inland Revenue under CITA 1979
- j. Establishment of the Federal Inland Revenue Service Between 1991 and 1992 and
- k. Tax policy and administration reforms amendment 2001 and 2004.

Figure 1:

971 1 2

¹Year 2018 © 2018 Global Journals An Empirical Analysis of Tax Revenue and Economic Growth in Nigeria from 1980 to 2015

²An Empirical Analysis of Tax Revenue and Economic Growth in Nigeria from 1980 to 2015

From the above function, we derived the statistical model as follows:

$$GDP = \beta_0 + \beta_1 PPT_t + \beta_2 CIT_t + \beta_3 CED_t + \epsilon_t \quad (2)$$

By transforming the linear function into their log form, we have;

$$GDP = \beta_0 + \beta_1 LPPT + \beta_2 LCIT + \beta_3 LCED + \epsilon \quad (3)$$

Where;

GDP: Gross Domestic Product

PPT: Petroleum Profit Tax

CIT: Company Income Tax

CED:

Figure 2:

41

	GDP	PPT	CIT	CED
Mean	428600.54326858.		551804.2	134157.2
Maximum	969969.132010000		8270667.	438300.0
Minimum	31546.083746.900		403.0000	1616.0000
Std. Dev.	263763.29730301.		1594041.	153376.3
Observations	36	36	36	36

Note: RGDP, VAT, PPT, CED and CIT as ear

Source: Compu

From table 4.1, Gross Domestic Product (GDP) had a mean of 428600.5 million from the year 1980 to 2015. With a maximum and minimum of 969969.1 million and 31546.08 million respectively; the standard deviation from the mean for gross domestic product (GDP) between 1980 and 2015 was 263763.2 million.

Moreover, Petroleum Profit Tax (PPT) from the year 1980 to 2015 had a mean of 4326858 million with a maximum and minimum of 32010000 million and 3746.900 million respectively and a standard deviation of 9730301 million. In addition, Company Income Tax (CIT) had a

mean of 551804.2 million from the year 1980 to 2015. With a maximum and minimum of 8270667 million and 403.0000 million respectively; the standard deviation from the mean for Company income tax (CIT) between 1980 and 2015 was 1594041 million.

Custom and Ex

134157.2 million from the year 1980 to 2015; a maximum and minimum of 438300.0 million and 1616.0000 million respectively; the standard deviation from the mean for Custom and Excise duties (CED) between 1994 and 2015 was 153376.3 million.

b) Correlation Matrix

Table 4.2: Correlation Matrix for all Variables

	GDP	PPT	CED	CIT
GDP	1.000000	0.789940	0.974300	0.659909
PPT	0.789940	1.000000	0.804091	0.662635
CED	0.974300	0.804091	1.000000	0.601649
CIT	0.659909	0.662635	0.601649	1.000000

Figure 3: Table 4 . 1 :

43

Note: RGDP, PPT, CED and CIT as earlier defined.
Source: Computed Result Using (E-Views 8)

Figure 4: Table 4 . 3 :

45

Variable	Coefficient	t-Statistic	Prob.
C	9.978123	31.22215	0.0000
LLOG(PPT)	0.072217	1.108482	0.2759
LOG(CIT)	0.052075	0.976035	0.3364
LOG(CED)	0.132786	1.744326	0.0907

R 2 = 0.786181, F-Statistic= 39.21975 , DW= 1.124619, Prob.(F-stat=0.000000)

Source: Authors' Computed Result from (E-view 8)

Figure 5: Table 4 : 5 :

4

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Figure 6: Table 4 .

46

Null Hypothesis:	ObsF-Statistic	Prob.
LOG(PPT) does not Granger Cause LOG(GDP)	34 0.35346	0.7052
LOG(GDP) does not Granger Cause LOG(PPT)	3.30785	0.0508
LOG(CIT) does not Granger Cause LOG(GDP)	34 0.12910	0.8794
LOG(GDP) does not Granger Cause LOG(CIT)	2.14165	0.1357
LOG(CED) does not Granger Cause LOG(GDP)	34 2.97664	0.0667
LOG(GDP) does not Granger Cause LOG(CED)	0.16787	0.8463

Note: GDP, PPT, CED and CIT as earlier defined.

Source: Computed Result Using (E-Views 8)

Figure 7: Table 4 . 6 :

PPT @ 1 ST DIFF D(PPT)

- -

8.838502031

Null Hypothesis: D(GDP) has a unit root Exogenous: Constant Lag Length: 0 (Automatic -based on SIC

Augmented Dickey-Fuller test statistic Augmented Dickey-Fuller test statistic LOG(CIT) does not Grang

Test critical values: Test critical values: 3 Cointegrating Equation(s): 1% level 1% level Log likelihood

5% level 5% level Normalized cointegrating coefficients (standard error in parentheses) -2.954021 -2.95112
GDP CIT

level

10%

level

PPT

*MacKinnon (1996) one-sided p-values. Augmented Dickey-Fuller Test Equation Dependent Variable: D(

34 D(GDP(-1)) Variable

- 0.119215 Std. Error (0.00060)

40

0.759988

Co-

ef-

fi-

cient

(0.07286)

(C R-squared Adjusted R-squared S.E. of regression Sum squared resid Log likelihood F-statistic Prob(F-s

F

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F

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