

REVENUE GENERATION AND TAX REFORMS IN NIGERIA

BY:

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF
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CITY.**

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CERTIFICATION

This is to certify that this research work was carried out by **SOLEYE ALEXANDER AKINROGUN** with Matriculation Number **MGS1709561** of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Edo State, Nigeria, for the award of Bachelor of Science (B.Sc.) Degree in Accounting.

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DECLARATION

I declare that:

- This project is based on a study undertaken by me and in the Department of Accounting, University of Benin, under the supervision of **Mrs D. Ken Otokiti**
- To the best of my knowledge, this work is unique and hasn't been published anywhere else for the granting of any degree.
- All ideas, opinions, views and conceptualization are products of my personal research, however, the views and contributions of other works and authorities that were used have been duly acknowledged.
- Any responsibility deriving thereon from this research is completely mine and not that of the supervisor.

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ABSTRACT

This study investigated the effect of tax reforms on revenue generation in Nigeria using time series data from 2012 to 2022. In order to determine the effect of tax reforms on revenue performance in Nigeria, tax reforms were measured by reform in Petroleum Profit Tax (PPT), reform in Company Income Tax (CIT), reform in Value Added Tax (VAT) and reform in Personal Income Tax (PIT) while revenue performance on the other hand was represented by total federal collection revenue. Four hypotheses were formulated to guide the investigation and the statistical test of parameter estimates was conducted using descriptive statistics and multiple regression model analysis operated with E-view 8. Ex-post facto research design was adopted and data for the study were obtained from the National Bureau of Statistics, Central Bank of Nigeria (CBN) statistical Bulletin and Federal Inland Revenue Service (FIRS). The regression result showed that the value added tax (VAT) coefficient is found to have a negative relationship with total tax revenue (TTR), the reform customs and excise duties (CED) coefficient is found to be positive with total tax revenue, the reform petroleum profit tax (PPT) coefficient had a positive relationship with total tax revenue in Nigeria, but it is statistically insignificant at 5%, the reform company income tax (CIT) coefficient is found to have a positive relationship with total tax revenue in Nigeria, and it is statistically significant at the 5%.

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Revenue Generation and Tax Reforms in Nigeria

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Revenue generation through appropriate legislations, covering loopholes in the existing tax structure by creating efficient, effective, resilient and responsive fiscal institutions to improve the administration, assessment, collection and promotion of voluntary payment of taxes by tax payers is of utmost importance to governments all around the globe. Revenue from taxation provides governments with the funds needed to invest in development, relieve poverty, deliver public services; and improve the physical and social infrastructure required to enhance long-term growth and taxes create the core source of generating revenue in both developed and developing countries (Yves Leterme 2014). Tax reform is generally undertaken to improve the efficiency of tax administration and to maximize the economic and social benefits that can be achieved through the tax system Oriakhi and Ahuru (2014).

Tax reform according to Azubike (2009) is an ongoing process which tax policymakers and tax administrators in consonance with the economic and socio-political realities continued to adopt so as to restructure the tax system for efficient revenue generation in the country. Tax reform is a practice of changing the way taxes are generated or managed by the government in order to increase tax yields revenue (Ebieri & Ekwueme, 2016).

Nigeria has gone through different tax reforms and these reforms include "the introduction of Value Added Tax (VAT) in 1992, attributable to the Study group led by Dr. Sylvester Ugoh on "indirect taxation, commencement of VAT rate increase from 5% to 7.5% (2020), amendment of the first schedule of VAT act (2021), imposition of 10% and 2.5% levy on bank's excess profits and on building and construction companies respectively", establishment of Federal Inland Revenue Service (FIRS) in 1992 through the Finance (Miscellaneous Taxation Provisions) Act No. 3 and Decree No.104. The following significant tax administration reforms were initiated as part of the macroeconomic transformation: Company Income Tax Act (CITA) 2004; Personal Income Tax Act (PITA) 2004; Petroleum Profit Tax Act (PPTA) 2004; Capital Gain Tax Act (CGTA) 2004.

No matter how robust the reform and its capacity to enhance revenue generation, tax reforms would not by itself influence economic growth, It is the efficient application of the tax revenue generated through appropriate tax reforms that would result in the achievement of economic growth and other macroeconomic variables. Tax reforms that are well articulated but poorly implemented will rather stagnate or retard economic activities. Tax reforms is capable of eliminating or reducing taxation loopholes to a bearable limit (Jones, Ebieri and Ekwueme 2016).

At the core of every reform is the objective to generate higher revenue for government without endangering economic activities undertaken by the private sector and to attain targeted macroeconomic objectives. Tax reforms therefore are expected to improve the fiscal institutions so as to generate increase in revenue and have influence on the economic growth of countries (Jones, Ebieri and Ekwueme 2016).

Over the years, it has been observed that the Nigerian tax system has inherent problems in its structure, despite the numerous sources of revenue in the country, Nigeria still depends greatly on petroleum which contributes significant percentage of her annual revenue (Obasesam Okoi 2019). As a matter of fact petroleum, unfortunately, remains the main stay of the Nigerian economy. With this information, it would not be out of place to describe Nigeria as a mono-product economy because the oil and gas industry alone contributes over 83% of her annual income. There is no doubt therefore, that our nation Nigeria may not be able to survive without the oil and gas revenue (Ogbonna, 2009). This is to say that Nigeria's revenue earning potential is determined by unstable oil prices which in turn are fixed and regulated by the forces of demand and supply in the world market. Thus, the tax system lacks the potential of diversifying the revenue portfolio for the country to safeguard against the instability of crude oil prices and to promote fiscal sustainability and economic viability and one means of generating the needed finance for the provision of public goods and services is through a well-structured tax system.

1.2. Statement of the Research Problem

The aim of most tax reforms is to make revenue levels more progressive and sustainable, promote independence from natural resource revenues and foreign handouts (in the case of developing countries), elevate the role of taxation in nation building and create a greater understanding of its impacts on growth and development. Despite the various reforms aimed at improving tax revenue, Nigeria has continued to experience unmitigated failures at achieving that. Ordu and Anele (2015) maintained that tax revenue mobilization as a source of financing developmental activities in less developed economies has been a difficult issue primarily because

of various forms of resistance, such as evasion and corrupt practices attending to it. There are also concerns that the challenges that confront the Ministry of Finance and revenue authorities with regard to revenue generation today are not much different from the challenges that faced these revenue authorities before the reforms, so its more like the tax reforms had little or no effect at all. Longitudinal assessment of tax reforms and national income in Nigeria using time series data from 1971 to 2014 carried out by Nwaorgu et al (2016) shows that growth rate of Personal Income Tax (PIT) has a positive significant effect on the national income and economic growth, Ogbonna and Appah (2012) study concluded that tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure. On the contrary, reforms in custom and excise duties were found to yield negative and statistically non-significant effect on national income; they also found that reform in Value Added Tax (VAT) has a negative significant effect on growth of national income.

1.3. Research Questions

The study aims to provide answers to the following research questions:

What is the relationship between Personal Income Tax (PIT) and revenue generation in Nigeria?

What is the relationship between Value Added Tax (VAT) and revenue generation in Nigeria?

What is the relationship between customs and excise duties and revenue generation in Nigeria?

What is the relationship between Petroleum Profit Tax (PPT) and revenue generation in Nigeria?

1.4 Objectives of the study

The main objective of the study is to determine the effect tax reforms have on revenue generation in Nigeria and to determine this, specific objectives are to be achieved first and they are:

to investigate the relationship between Petroleum Profit Tax (PPT) and revenue generation in Nigeria.

to examine the relationship between customs and excise duties and revenue generation in Nigeria.

to examine the relationship between Value Added Tax (VAT) and revenue generation in Nigeria.

to investigate the relationship between Personal Income Tax (PIT) and revenue generation in Nigeria.

1.5 Research Hypotheses

The following research hypotheses are formulated and stated in the null form:

There is no relationship between Personal Income Tax (PIT) and revenue generation in Nigeria.

There is no relationship between Value Added Tax (VAT) and revenue generation in Nigeria.

There is no relationship between customs and excise duties and revenue generation in Nigeria.

There is no relationship between Petroleum Profit Tax (PPT) and revenue generation in Nigeria.

1.6 Scope of the study

The study is focused on tax reforms in Nigeria and its impact on revenue generation and the data for this research are gotten from the data collated within the period 2011-2021 due to its ease of

access through data collated from the work and study of previous scholars in this field of study. Data would be sourced from the annual reports and statistical bulletins of the Central Bank of Nigeria and reports of various tax offices would be considered also in this study.

1.7 Significance of the Study

This study would serve as a means of enlightenment to academicians, researchers, scholars and even the general public as a whole. It would help to open their mind in regards to tax reform failures and help provide possible solutions to tax reform problems.

The results generated from this research will be of utmost importance to tax administratives and regulators in Nigeria and can refine or add to their knowledge in tax reform related issues. This study will also help to identify and point out the problem relating to tax reform and revenue generation in Nigeria and also direct the Nigerian tax regulators focus to certain variables which have direct or indirect effect on tax reforms and revenue generation in Nigeria.

Finally this study would serve as contribution to existing work of scholars in this field and would also immensely assist future researchers with research similar to this field of study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter provides a detailed review of relevant literature on revenue generation and tax reforms in Nigeria. For this to be achieved, the concept of revenue generation, the concept of tax reforms, Personal Income Tax, custom and excise duties, Petroleum Profit Tax, Value Added Tax must be discussed and prior review of literature and theoretical review must be clarified.

2.1 Concept of Revenue Generation

Revenue according to Ahmed (2010) is defined as all amounts of money received by a government from external sources, for example those originating from ‘outside the government’ net of refunds, sale of investment, proceeds from issuance of debt, agency or private trust transaction and intra-governmental transfers. (Obiechina 2010) posited that financial earnings of government, include bulk of its revenue and this is related to monies mobilized or generated in the economy. (Ilyas and Siddiqi 2010) stated that public revenue consists of taxes and revenue from administrative activities which include fines, fees, gifts and grants. These can be classified into two, namely; tax and non-tax. (Ihendinihu, Ebieriand Ibanichuka 2014) submitted that government revenue are of two types; oil and non-oil. Oil is the main source of revenue accrued to the federation account, this include revenue from crude oil and gas exports, receipt from petroleum profit tax and royalties, and revenue from domestic crude oil sales. Non-oil revenue are revenue which are not associated with oil. According to (Chaudhry and Munir 2010) these

includes custom and excise duties, company tax, capital gain tax, value added tax., fines and penalties, surplus from public enterprises, levy, grants, gifts and deficit financing.

The essence of revenue generation is to advance the welfare of citizens of a country with focus on promoting economic growth and development through the provision of development activities (Ogbeifun Isaac 2019). The rationale for revenue generation in markets economy such as Nigeria stems from the government responsibilities, which include but are not restricted to stabilization of the economy, redistribution of income and provision of services in the form of public goods. According to Worlu and Emeka (2012) to meet these responsibilities, government needs to harness all sources of revenue available to it nationally and internationally. Revenues generated from these various sources must be utilized efficiently in promoting through the provision of basic amenities for improved public services.

Revenue generation as source for financing developmental activities has been a difficult issue in Nigeria primarily because of various forms of resistance, such as corrupt practices, evasion and avoidance. These activities are considered as sabotaging the economy and are readily presented as reasons for the underdevelopment of the country (Adegbie and Fakile 2011).

2.2 Concept of Tax Reforms

Tax reform is a two-way process that necessitates changing the way taxes are collected and managed by government with a view to improving national income and gross domestic product (GDP), and providing economic and social benefits to the citizenry (Wilson E. Herbert 2018).

Tax reforms represent a fundamental strategy in improving the effectiveness of a country's tax administration (Innocent Augustine Nwarogu 2018).

Tax reforms are warranted for the following reasons: (a) when there is a need to modernize tax administration as part of a broad fiscal reform strategy in response to observed deficiency, inefficiency and ineffectiveness in the tax system; (b) as a response to the demands of a growing economy, in which an expansion of the tax net is necessary to incorporate hitherto uncaptured tax payers, and (c) when the imperatives of modern information and communications technology (ICT) and applications as well as changes in macroeconomic policies and legislation compel fiscal reforms, for example, to complement economic, trade and investment policies (Silvani and Baer 1997). The common thread in most countries' tax reform strategies is to enhance tax administration by addressing observed lapses in the tax collection system. This involves simplifying the tax collection/payment process, promoting voluntary taxpayer compliance, and adopting a logical sequence of procedures for efficiently identifying and managing noncompliance (Pellechio & Tanzi, 1995). This process should broaden the tax net to ensure that people and businesses outside the existing tax net are brought in, especially those operating in the informal sector of the economy

Tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return, and not imposed as penalty for any legal offence (Hugh Dalton 2010). Tax is a system of raising money from individual person or corporate body for the purposes of government developmental programmes. It is rather a compulsory contribution imposed by the government on tax payers in return to identifiable benefit of living in a relatively educated, healthy and safe society. Though tax are imposed to regulate the production of certain goods and services, protection of infant or certain key industries as well as means of curbing inflation and meeting up the operational costs of governance. Taxes in Nigeria are imposed to regulate certain economic activities such as to influence economic activities in the

country, bridge the inequality gap between the rich and the poor, to curtail consumption of undesirable goods and services, to correct a country's balance of payment and tax is used to attract investors. Tax is a compulsory payment made by individuals and organizations to the government in accordance with predetermined criteria for which no direct or specific benefit is received by the tax payer (Bassey 2013).

Bhartia (2009) argues that a "tax is a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite and direct quid pro quo from the government". Appah (2004) defined tax as a "compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society". Chartered Institute of Taxation of Nigeria (2002) defined "tax as an enforced contribution of money to government pursuant to a defined authorized legislation".

Nzotta (2007) "identified four key issues which must be understood for tax to play its functions in any society.

Firstly, a tax is a compulsory contribution made by the citizens to the government and this contribution is for general common use".

Secondly, a tax imposes a general obligation on the tax payer.

Thirdly, there is a presumption that the contribution to the public revenue made by the tax payer may not be equivalent to the benefits received.

Finally, a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family.

“Taxes can be categorized into direct and indirect. Indirect tax includes; the personal income tax, petroleum profit tax”, companies’ income tax, educational tax (Appah, 2010). The different prominent components of indirect taxation in Nigeria include, Value Added Tax and Custom and Excise Duty (Umoru & Anyiwe, 2013). “The main purpose of a tax is to enable public sector finance its activities so as to achieve some nation’s economic and social goals. It can also be for the purpose of redistribution of wealth to ensure social justice” (Ola, 2011). Therefore, taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria.

Recall Oriakhi and Ahuru (2014) opined that “tax reform is simply the series of action taken by Nigeria’s government to promote the tax system”. It is not novel as Nigeria has embarked on series of tax reforms. The several tax reforms were designed to broaden the tax base, reduce the tax burden on tax payers, restore the confidence of the tax payer on the tax system, and promote voluntary compliance on the part of the tax payer. Tax reform can be seen as a process in which tax policymakers and tax administrators in consonance with the economic and socio-political realities continued to adopt so as to restructure the tax system for efficiency revenue generation in the country (Azubike, 2009).). Ogbonna et al (2012) revealed that “tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis”. Tax reform is generally undertaken to improve the efficiency of tax administration and to maximize the economic and social benefits that can be achieved through the tax system.

The reasons for tax reforms may range from the need for additional revenue to economic growth. Tax reforms can lead to a new tax, a new rate, a new legal clause, a new assessment system such as the self-assessment system introduced in 1991 or a new collection system of 2004. Somorin (2010) noted that “tax reforms are embarked upon to correct the weaknesses in the existing tax system and enhance its efficiency”. Tax reform became imperative in Nigeria because of the nature of its tax structure, which according to Anyanwu (1997) was complex, inelastic, inefficient, inequitable and unfair. The Nigeria’s tax base was very narrow while the tax rate was very high. Nwaorgu, Wilson and Onyilo (2016) noted that in 2004, “the government embarked upon the latest tax reform process by instituting study group on the Nigerian tax system, consisting of individuals from business, academia, and the government to study the present tax laws and recommend the appropriate reform in general and their impact to the overall economy”. The tax reform of 2004 was the outcome of recommendations made by the study group (2002) and the working group (2003) which reviewed the work of the former. As a result of the reform, nine (9) bills on tax reforms were approved by the Federal Executive Council (FEC) for the consideration of the National Assembly and subsequently passed as Act. The reasons for tax reforms may range from the need for additional revenue to economic growth. Tax reforms can lead to a new tax, a new rate, a new legal clause, a new assessment system such as the self assessment system introduced in 1991 or a new collection system of 2004. Tax reforms can be either progressive or retrogressive and dysfunctional. A progressive tax system is one that “is growth-oriented; aggressively seeks to minimize the distortions of market signals by the tax system, and promotes convergent expectations, serving in this way to attenuate uncertainties and obstacles to investment, innovation, entrepreneurship and other drivers of economic growth (Ogbonna et al, 2012).

The objectives of tax reforms in Nigeria as enumerated by Alli (2009) include: “to bridge the gap between the national development needs and the funding of the needs; to ensure taxation, as a fiscal policy instrument, to achieving improved service delivery to the public; to improve on the level of tax derivable from non-oil activities, vis-a-vis revenue from oil activities; efforts at constantly reviewing the tax laws to reduce/ manage tax evasion and avoidance; and to improve the tax administration to make it more responsive, reliable, skillful, taxpayers friendly and to achieve other fiscal objectives”.

2.3 Revenue Generation and Tax Reforms

Tax reforms in developing countries is a fiscal instrument to diminish reliance on foreign sources by raising satisfactory tax revenues to finance government expenditures with a view to achieving sustainable economic growth over the long run. Despite the major tax reforms embarked upon in Nigeria, there have been criticisms over their inability to attain the objective of revenue mobilization (ADUBI, AKINDELE OLUBUKOLA 2017).

The single most important index to measure the performance and the outcome of the recent tax reform is the improvement in revenue generation ,particularly non-oil tax revenue. Revenue generation serves as the baselines for assessing the impact of the recent tax reform and the re-structuring of the federal Inland Revenue Service (FIRS). Since the reform in 2004, tax revenue has been increasing on an average of 26percent per annum. Today, the ratio of tax revenue to the GDP stood at 7percnet. This however is dismal when compare with what is obtainable in emerging economies wherethe ratio lies between 15 and 20percent (Okonjo Iweala, 2012).

Tax Reforms in Nigeria Tax reform became relevant in Nigeria due to the nature of its tax structure, which according to Anyanwu (2007) was complex, inelastic, insufficient, unreliable and unfair. Furthermore, the country depended on import and export duties, while there were no opportunities to generate revenue through consumption-based tax such as Value – Added Tax (VAT). The dependency of the country on taxes relating to foreign trade activities had made the revenue base of the country to be very unstable. In addition, the Nigeria tax base was very narrow while the tax rate was very high. It is against this back drop that the federal government of Nigeria decided to reform the tax system. “The main objective behind the tax reform was to create an efficient tax system based on taxes that are politically feasible and administratively practicable, thereby generating more revenue at the same time reducing the tendency for economic distortion (Oriakhi & Ahuru, 2014)”.

2.3.1 Personal Income Tax and Tax Reforms

The recent reform of Personal Income Taxation in Nigeria entails generous tax reliefs and allowances granted to tax payers. The reform aims at increasing the disposable income of workers so that they can adjust for the impact of inflation and the rising cost of living. Other objectives of the reform include alleviation of poverty, redistribution of income and promotion of economic development (J.O Osakwe 1999). The direction of Government policy with regard to Personal (Individual) Income Tax in the past four years has been to give generous tax reliefs and allowances to individual tax payers; reduce their marginal rates of tax as well as raise taxable limit on earned income (J.O Osakwe 1999). The present administration has a strong belief that a low tax regime would increase disposable income of workers sufficiently enough to enable them combat the continued rising high cost of living. Increased disposable income could, in turn, be an

important step forward towards reflating an economy that has long been in depression. For example, by increasing the purchasing power of workers, a low tax regime could generate increase in demand for manufactured goods which could, in turn, lead to increase in capacity utilization, manufacturing output and employment opportunities (J.O Osakwe 1999). The low income tax policy could also be regarded as an important fiscal tool for promoting economic development, redistributing income and alleviating poverty (J.O Osakwe 1999).

On the other extreme, state governments which are the beneficiaries of the revenue from the individual income tax do not feel comfortable with the low tax regime as they feel that their continued loss of revenue as a result of generous tax reliefs is counter productive to their revenue efforts. States such as Lagos, Delta, Rivers and Oyo which derive the bulk of their internal revenue from individual income tax are not quite convinced that they will be adequately and equitably compensated from the new general consumption tax - Value Added Tax (VAT) for the loss of revenue from the individual income tax.

Personal Income Tax also known as Individual Income Taxation in Nigeria is governed by the Income Tax Management Act (ITMA), 1961 and as amended by the Income Tax Management (Uniform Taxation Provisions, etc) Decree No. 7, 1975 and other subsequent amendments to date. Under the 1961 Act, tax is levied on aggregate amount of individual income which consists of:

- (a) gain or profit from any trade, business, profession or vocation;
- (b) employment income such as salary, wage, fee, allowance or other gain from employment including bonuses, premiums and benefits received as part of pay compensation;

(c) dividends, interest and discount;

(d) gain or profit including any premiums arising from a right granted to any other person for the use or occupation of any property;

(e) any pension, charge or annuity; and

(f) any profit, gain or other payment not falling within paragraphs (a) to (e) above.

2.3.2 Custom and Excise Duties and Tax Reforms

Customs duties in Nigeria are levied only on imports. Rates vary for different items, typically from 5% to 35%, and are assessed with reference to the prevailing Harmonized Commodity and Coding System (Price Water house coopers 2021). The Finance Act 2020 reduces the import duty on Tractors from 35% to 5% while the import duty on trucks and other vehicles for the transport of goods and persons was reduced from 35% to 10% and 5% respectively. Airlines registered in Nigeria and providing commercial air transport services are entitled to duty-free importation of their aircrafts, engines, spare parts and components whether purchased or leased.

Excise duty is a tax charged on manufactured goods; levied at the time of manufacture. It is also a form of indirect tax on the sale or consumption of certain goods, products, services or activities such as tobacco, alcohol, narcotics, gambling etc., mainly to discourage their use and consumption (Mazars 2020). Excise duty is applicable on beer and stout, wines, spirits, cigarettes, and homogenised tobacco manufactured in or imported into Nigeria at 20%.

Excise duties on tobacco and alcoholic beverages has increased effective 4 June 2018. The new regime applies only to tobacco and its products (such as cigarettes) and alcoholic beverages (beers and stouts, spirits, and wines) as follows:

Tobacco

For 2018, in addition to the 20% ad valorem rate, a specific rate of NGN 1 will be paid on each cigarette stick (NGN 20 per pack of 20 sticks).

In 2019, the specific rate will increase to NGN 2 per stick (NGN 40 per pack of 20 sticks). In 2020, the specific rate will increase to NGN 2.90k per stick (NGN 58 per pack of 20 sticks).

Beer and stout

With respect to alcoholic beverages, no ad valorem rate is applicable. In 2018, NGN 0.30k per centilitre (cl) is payable on beer and stout. In 2019 and 2020, NGN 0.35k per cl will be payable.

Wines

In 2018, NGN 1.25k per cl is payable on wines. In 2019 and 2020, NGN 1.50k per cl will be payable.

Spirits

In 2018, NGN 1.50k per cl is payable on spirits. In 2019, NGN 1.75k per cl will be payable. In 2020, NGN 2.00k per cl will be payable.

Excise duty will not apply on imported excisable goods not produced in Nigeria and imported raw materials not available in Nigeria. The Finance Act 2020 provides a framework for levying excise duty on Telecommunication services provided in Nigeria at rates to be determined by the President.

2.3.3 Petroleum Profit Tax and Tax Reforms

The passage of the Petroleum Industry Bill (PIB) by the country National Assembly, the prevailing law is the Petroleum Profit Tax Act, Cap 354 LFN, 1990, which consolidates further amendments to date. A glance at the provisions of the petroleum profit tax act reveals that it covers every area of petroleum operations, It is divided into eleven sections, beginning with the enforcement of tax, chargeable tax, persons subjected to tax, accounts and records, assessment, appeals, collection, recovery and refund of taxes, offences and penalties. At present, the applicable rate for petroleum profit tax is 50% for operations in the offshore while 85% is for inland basin operations in the onshore and shallow water. Petroleum operation refers to as the exploration, development and production of crude oil not including refinery activity(Osasu Obaretin and Henry Emife 2019).

More so, revenue from petroleum and petroleum products remains the Nigerian economy's key mover as the country's major source of balance of payments, exchange rate strategy, monetary and fiscal policies, and has also played and continues to play a major role in executing the various development agenda. Besides, in the era of the nation's first development plan 1962 to 1968 the multinational companies basically controlled the industry within the said period using

the position of the petroleum profit tax act of 1967. The 1957 act initially introduced the principle of equal profit sharing between the oil companies and the Nigerian government while the amendment added more desirable qualities for the government in early 1967. More so, this sector has contributed greatly towards national development in the area of foreign exchange earnings, job creation, revenue generation and general improvement in other economic indicators (Saheed, Abarshi & Ejide 2014), this sector's contribution to the avenue of national development can be seen. This industry accounts for nearly 35 percent of gross domestic product and more than 90 percent of total export income from petroleum exports. Nigeria is African South Sahara's largest producer and exporter of crude oil and is also a proud member of the petroleum exporting countries (OPEC) organisation. From the above, it is accepted that huge amounts are realized from domestic sales and exports of crude oil products, but its impact on Nigeria's development as a country is still of serious concern in terms of economic growth.

2.3.4 Value Added Tax and Tax Reforms

Value added tax (VAT) is simply called the goods and services tax, it is levied on the value added that results from each exchange. It is an indirect tax collected from someone other than the person who actually bears the cost of the tax. It was invented by a French economist, Maurice Leve in 1954 and was first introduced in France in April, 10, 1954.

Value added tax (VAT) is a consumption tax payable on the goods and services consumed by any person, business organizations or individuals. VAT can also be defined as a tax on spending/consumption levied at every stage of transaction but eventually borne by the final consumer of such goods and services (Ugwa & Embuka, 2012). The concept of VAT in Nigeria can be traced to the Dr. Sylvester Ugoh led study group on indirect taxation in November, 1991.

Thereafter, a committee was setup under the chairmanship of Mr. Emmanuel Ijewere to conduct extensive research and make recommendations. VAT was finally introduced in Nigeria in 1993 by the VAT Act No. 102 of 1993 as a replacement of the sales tax which had been in operation under Federal government Legislated decree No.7 of 1986 but administered by the states and the Federal capital territory (Ugwa & Embuka, 2012).

VAT is a replacement of the sales tax, which was earlier promulgated into existence through decree No.7 of 1986. The rationale behind replacing sales Tax with VAT was informed by a number of factors and considerations (Ogunbesan, 2015 and Soyode & Kajola, 2006). Notable among these are: The base of the sales tax in Nigeria as operated under Decree No. 7 of 1986 was narrow. It covered only nine (9) categories of goods plus sales and services in registered hotels, motels and similar establishments. The narrow base of the tax negates the fundamental principle of consumption tax which by nature is expected to cut across all consumable goods and services expected. VAT base is broader and includes most professional services and banking transactions which are high profit-generating sectors. Besides, the sales tax decree of 1986 targeted only locally manufactured goods, although this might not have been the intention of the law. In the case of VAT it is neutral in this regard. Under VAT, a considerable part of the tax to be realized is from imported goods. This means that under this new indirect tax, locally manufactured goods will not be placed at a disadvantage relative to imports. Another reason was that VAT is a consumption tax and is based on the, general consumption behaviour of people; the expected high yield from it is boosting the revenue collected by governments with minimum resistance from the payers of the tax.

2.4 Review of Relevant Literature

Ogbonna et al (2012) “examined the impact of tax reforms and economic growth of Nigeria using time series data from 1994 to 2009” “Economic growth in Nigeria was employed as the dependent variable while reforms on Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT), Personal Income Tax (PIT), education tax and customs and excise duties were employed as the explanatory or independent variables”.

The empirical studies of Anyanwu (1997), Engen and Skinner (1996), Tosun and Abizadeh (2005), Arnold (2011) and Ihendinihu et.al (2014) provided different findings on the impact of tax reforms on revenue generation. Enger and Skinner (1996) investigated taxation and economic growth of the U.S economy, large sample of countries and use of evidence from micro level of studies of labour supply, investment demand and productivity growth.

Nwaorgu et al (2016) carried out a longitudinal assessment of tax reforms and national income in Nigeria using time series data from 1971 to 2014. The study employed gross domestic product as the dependent variable while Company Income Tax (CIT), Personal Income Tax (PIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT) and Custom and Excise Duties (CED) were employed as the independent variable.

Ebieri et al (2016) carried out an assessment of the impact of tax reforms on economic growth in Nigeria. Time series data were extracted from the Central Bank of Nigeria statistical bulletin, Federal Inland Revenue Service and Federal Ministry of Finance from the period 1985 to 2011.

Ebi et al (2017) examined tax reform and tax yield in Nigeria using time series data from 1981 to 2014. The data for this study was obtained from secondary sources such as the CBN Statistical Bulletin (CBN, various issues), National Bureau of Statistics and FIRS.

Oriakhi et al (2014) investigated the impact of tax reform on Federal internal revenue generation in Nigeria. The study employed annual time series data spanning the years (1981-2011). In this study, Federally Collected Revenue (FCR) was employed as the dependent variable while Value Added Tax (VAT), Company Income Tax (CIT), Petroleum Profit Tax (PPT) and Custom and Excise Duties (CED) were employed as the independent variable.

A number of studies have examined different dimensions of these tax reforms and their associated impact on economic development. These include studies by Adereti, Adesina, and Sanni (2011) on the effect of VAT on economic growth of Nigeria; Owolabi and Okwu (2011) and Enahoro and Jayeola (2012) on the contribution of VAT to the economic development of Lagos State, and the economic consequences of tax administration on revenue generation of Lagos State, respectively; Abiola and Asiwah (2012) on the relationship between CIT and Nigeria's economic development; Okafor (2012) on the impact of tax reforms (proxied by PPT, VAT, Customs and excise duties (CED) and CIT) on Nigeria's economic growth for the period 1981 to 2007; Ogbonna and Ebimobowei (2012) on the impact of tax reforms on Nigeria's economic growth from 1994 to 2009; Umeora (2013); Abata (2014) and Ofishie (2015) on the impact of VAT on economic growth of Nigeria over different time periods; Aminu and Eluwa (2014) on the impact of tax reforms on government revenue generation in Nigeria; Oriakhi and Ahuru (2014) on the impact of tax reforms on tax revenue generation in Nigeria between 1981-2011; Jones and Ekwueme (2016) on the impact of tax reforms on Nigeria's economic growth from 1985-2011; Nwaorgu et al. (2016) on the impact of changes in Nigeria's tax structure (depicted by tax reforms) on national income between 1971 and 2014; and Herbert, Nwaorgu, and Nwaiwu (2017) on the relationship between oil revenue generation and economic growth in Nigeria during the 45-year period, 1971 to 2015.

2.5 Theoretical Framework

2.5.1 The Expediency Theory

This theory asserts that every tax proposal must pass the test of practicability and that it must be the only consideration while choosing a tax proposal. The practicability of a tax is an essential consideration in every tax proposal because it makes it ridiculous to impose a tax that cannot be collected (Jones, Ebieri and Ekwueme 2016). The proposition under this theory is that economic and social objectives are effects of a tax system and should be treated as irrelevant. If a tax structure is shaped to conform to the aspirations of pressure groups which protect and promote members interest, then the practicability of the tax will be in doubt. This theory did not consider equity, economic growth and stability, zonal imbalances etc, (Bhatia 2009) noted that taxation provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequality, regional disparities, unemployment, cyclical fluctuations etc.

2.5.2 The Socio-Political Theory

This theory of taxation suggests that social and political objectives should be the deciding factors in choosing the types of taxes. This theory is in support of progressive taxation by using taxation to reduce income inequalities. It further stated that a tax system should not be designed to serve individual members of the society but should be used to cure the ills of a society as a whole. The society is more than the sum total of its individual members and that the society has an existence and entity of its own which need to be preserved, protected and taking care of. The theory also stated that taxation should be used effectively for several purposes such as remedying

unemployment, monopolistic and restrictive trade practices, hoarding, cyclical fluctuations, zonal disparities and bringing about a balance growth between the different zones etc.

However, the theory failed to recognize that in a society, there are groups which try to protect and promote the interest of its members and government may be forced to reshape the tax structure to accommodate such pressures which may not be fair or right. The theory did not also consider how taxes will be collected and how it will be practicable.

2.5.3 Ability to Pay Theory

This theory is on the assumption that a citizen is to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity (Bhatia 2009). Similarly, Musgrave and Musgrave (2004) in line with this theory stated that people should contribute to the cost of government in line with their ability to pay. They categorized this theory into two namely; Horizontal and Vertical Equity. In horizontal equity, it calls for people with equal capacity to pay the same amount of tax whereas in vertical equity, that people with greater ability should pay more as tax. Jhingan (2011) argued that this theory of taxation is the „just, equitable and the most accepted theory of taxation.

This theory favours the income redistribution function and it is a progressive form of tax system. It is practicable in indirect taxes as people with greater ability will pay more. In Nigeria, the Pay as You Earn (PAYE) form of personal income tax is based on the Ability to pay theory as the tax system provide for concessional deductions or relief with respect to dependants, personal allowance, life insurance etc. This theory therefore conforms to the concept of justice and equity

as the tax burden is shared among the citizens according to their relative ability of the tax payers to pay.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This study describes the methods, steps, and procedures used to answer the research questions and addresses research goals and hypotheses previously formulated in this study. This chapter provides details on study design, population and sampling methods, data sources, research tools, model specification and data analysis plans, and variable manipulation.

3.2 Research Design

The study used a historical research design to examine the effects of tax reforms on the amount of tax revenue generated in Nigeria. To do this, relevant information from textbooks and journal articles was gathered, and the behavior of the variables (revenue generation, personal income tax, customs and excise duties, petroleum profit tax, value-added tax, and tax reforms) was examined over time. An ex-post facto research design was used in the study. This study's data were based on secondary data.

3.3 The population and sampling

All of the tax income indicators that the Federal Inland Revenue service of Nigeria offered between 2012 and 2022 make up the study's population. Four (4) tax indicators make up the sample indicators. These factors include the personal income tax, value added tax, customs and excise charges, and petroleum profit tax. The sample period spans the years 2012 through 2022,

or ten (10) years. As a result, thirty years' worth of time series data for the four variables were evaluated.

3.4 Sources of data

The National Bureau of Statistics annual reports, CBN statistics bulletins, and FIRS annual reports were used to compile the data. The study concentrated on time series data spanning the accounting years 2012 to 2022. The Central Bank of Nigeria Statistical Bulletin and the Nigerian Stock Exchange are other sources of the data used in this study (2022). The information covers a 10 year period (2012 to 2022). The choice of this time frame was made because it allows for a more accurate assessment of the predicted effect of the tax base on tax revenue in the Nigerian economy over time.

3.5 Model specification and Data Analyses plan

The model was derived from Nwaorgu et al(2016) paper, which claims that GDP Equals (PIT, VAT, PPT, CED). The model was adjusted to fit the study's variables. As a result, the study's model was founded on its specific goals.

RPPT, RCED, RVAT, and RPIT make up TFCR (1)

Economists can define this as follows: $TFCR = a_0 + a_1RPPT + a_2RCED + a_3RVAT + a_4RPIT +$
--- (2)

Where: TFCR stands for Total Federally Collected Revenue, RPPT stands for Reform in Petroleum Profit Tax (PPT), RCED stands for Reform in Customs and Excise Duties (CED),

RVAT stands for Reform in Value Added Tax (VAT), and RPIT stands for Reform in Personal Income Tax (PIT).

The aforementioned equation can alternatively be expressed as $LTFCR = a_0 + a_1LRPPT + a_2LRCIT + a_3LRVAT + a_4LRPIT$ + in its logged form.

Where:

LTFCR stands for Log of All Federally Collected Revenue

LRPPT stands for Log of Reform in Petroleum Profit Tax (PPT)

LRCED stands for Log of Reform in Excise and Customs Duty (CED)

LRPIT stands for Log of Reform in Personal Income Tax(PIT).

LRVAT stands for Log of Reform in Value Added Tax (VAT)

μ = Error term

parameters a_0 , a_1 , and a_4

CHAPTER FOUR

DATA ANALYSES AND PRESENTATION

4.1 Introduction

In this chapter, the regression results that were discovered after estimating the study's chosen linear model are analyzed. For the purpose of calculating the effect of the explanatory variables on the dependent variable, the study uses the Ordinary Least Square method. Total tax revenue as a proxy for tax generation (TTR). Descriptive analysis was used to begin our research by providing a basic description of the relevant variables. Petroleum Profit Tax (PPT), Company Income Tax (CIT), Customs and Excise Duty (CED), and Value Added Tax (VAT) were the relevant variables employed in the model (VAT). The analysis's sample span lasted from 2012 to 2022. Regression using the Ordinary Least Square (OLS) method is the statistical method used. The results of the ordinary least square are used to test the proposed hypotheses formulated in chapter one.

4.2. Data Analysis and Interpretation

Table 4.2.1 Descriptive Statistics

	PPT	CIT	CED	VAT
--	-----	-----	-----	-----

Mean	1259345.	396381.1	297259.2	124666.1
Median	1097945.	140300.0	205250.0	47100.00
Maximum	3201319.	1321563.	802964.6	564890.0
Minimum	42803.00	12275.00	18095.00	17.95833
Std. Dev.	1055873.	439515.2	271029.9	164196.9
Skewness	0.387682	0.918722	0.933094	1.471221
Kurtosis	1.824802	2.422615	2.249484	4.086001
Jarque-Bera	1.899684	3.555008	3.877352	9.427469
Probability	0.386802	0.169060	0.143894	0.008971
Sum	28964929	9116766.	6836962.	2867321.
Sum Sq. Dev.	2.45E+13	4.25E+12	1.62E+12	5.93E+11
Observations	30	30	30	27

Source: Author's computation (2022) using E-views 8.0

The descriptive statistics of the variables evaluated are highlighted in Table 4.2.1, with a focus on mean, median, maximum, minimum, standard deviation, and the Jarque-Bera findings. The findings showed that the mean amount of petroleum profit tax is 1259345, the mean amount of corporate income tax is 396381.1, the mean amount of customs and excise duties is 297259.2, and the mean amount of value added tax is 124666.1. According to the results, the maximum amount of petroleum profit tax is 3201319, the corporate income tax is 1321563, the amount for customs and excise duties is 802964.6, and the amount for value added tax is 564890.0. The minimal value reveals that the tax on petroleum profits is \$42803.00, the tax on corporate income is \$1275.00, the tax on excise and customs is \$18095.00, and the tax on value added is 17.95833. The Jarque-Bera test's null hypothesis is that the variables' distributions are normal. The minimum value reveals that the tax on petroleum profits is \$42803.00, the tax on corporate

income is \$1275.00, the tax on excise and customs is \$18095.00, and the tax on value added is 17.95833. The Jacque-Bera test has a non-normal distribution as the null hypothesis when determining whether the distribution of the variables is normal. The aforementioned table demonstrates that the variables utilized are normally distributed, which means that there is a chance that none of the variables have p-values greater than the threshold of 5%.

4.2.2 Correlation Analysis

To describe the strength of the link between the dependent variables total tax revenue (TTR) and independent variables (PPT, CIT, CED and VAT), correlation analysis was conducted. In the table 4.2.2 below, we employed the Pearson correlation method to conduct a correlation analysis in an effort to examine the link between the study's variables.

Table 4.2.2: Pearson Correlation Matrix

Covariance Analysis: Ordinary

Balanced sample (listwise missing value deletion)

Probability	TTR	PPT	CIT	CED	VAT
TTR	1.000000				

PPT					

CIT	0.783685	1.000000			
	5.781609	-----			
	0.0000	-----			
CED	0.975568	0.716776	1.000000		
	20.34914	4.710551	-----		
	0.0000	0.0001	-----		
VAT	0.955179	0.826800	0.911583	1.000000	
	14.78629	6.735830	10.16111	-----	
	0.0000	0.0000	0.0000	-----	
VAT	-0.134351	0.049740	-0.053558	-0.282952	1.000000
	-0.621306	0.228220	-0.245788	-1.351896	-----
	0.5411	0.8217	0.8082	0.1908	-----

Source: Author's computation (2022) using E-views 8.0

The link between the variables and how they influence one another is displayed in table 4.2.2 above. The table demonstrates that a variable's coefficient of correlation with regard to itself is 1.000. This suggests that a variable and its own value are perfectly correlated. The coefficient of correlation's result reveals a mixed pattern of positive and negative correlation. Value added tax

explanatory factors are adverse. This shows that a rise in the value added tax will result in a drop in overall tax collection, and vice versa. The other explanatory factors, however, are all positive.

4.2.3 Regression Analysis

Table 4.2.3: Panel Least Square Result Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-974492.3	2455859.	-0.396803	0.6962
PPT	2.524032	2.706862	0.932457	0.3634
CIT	48.69560	8.849436	5.502678	0.0000
CED	31.30767	21.59941	1.449469	0.1644
VAT	-5.283256	11.78366	-0.448354	0.6592

$R^2 = 0.97$; Adjusted $R^2 = 0.973$;

F-statistic = 205.4137; Prob (F-statistic) = 0.000000. Durbin Watson = 1.90.

The panel least squares estimates are shown in Table 4.2.3 above. The F-statistic, which is statistically significant at the 5% level as revealed by the probability of the F-statistic, demonstrates the general robustness of the model. According to the Durbin-Watson statistic of 1.90, the model appears to be free of first-order autocorrelation. According to the R-square, the four independent variables of petroleum profit tax (PPT), company income tax (CIT), customs and excise duties (CED), and value-added tax (VAT) account for around 97% of the systematic variance in the dependent variables (VAT). About 97% of the variations can be attributed to the explanatory factors, according to the adjusted variations R-Bar Squared. Given that the

likelihood of f-statistic is less than 5%, it is significant at the 5% level. The petroleum profit tax (PPT) coefficient is shown to be positively correlated with overall tax income, but at the 5% level, it is statistically insignificant because the estimated t-test value of 0.97 is lower than the standard t-test statistic of 2. According to this, Nigeria's overall tax collection would grow by 25% for every 10% increase in the tax on petroleum profits. Because the calculated t-test of 5.5 is higher than the t-test statistics guideline of thumb of 2, it is discovered that the coefficient for company income tax (CIT) has a positive association with total tax revenue and is statistically significant at the 5% level. According to this, a 10% rise in the corporate income tax will translate into a 48% increase in overall tax collection. The correlation between custom and excise duties (CED) and total tax income is positive, but at the 5% level, it is not statistically significant since the estimated t-test value of 1.4 is less than the t-test statistics threshold value of 2. This suggests that a 10% increase in custom and excise charges (CED) will result in an increase of 31% in Nigeria's overall tax income. Result added tax (VAT) is shown to be negatively correlated with total tax revenue (TTR), although this correlation is statistically insignificant at the 5% level because the calculated t-test value of 0.44 is less than the 5% level. Value added tax (VAT) is found to be negatively correlated with total tax revenue (TTR), however at the 5% level, this correlation is statistically insignificant because the calculated t-test value of 0.44 is lower than the standard t-test statistic of 2. This suggests that the total tax income in Nigeria decreases by 5.2% for every 10% rise in value added tax (VAT).

4.3 Discussion of Findings

First, it is discovered that the petroleum profit tax (PPT) reform coefficient has a favorable relationship with revenue generation as measured by total tax revenue. However, at the 5% level, this relationship is statistically insignificant because the calculated t-test value of 0.97 is lower than the standard t-test statistic of thumb of 2. This suggests that Nigeria's total tax income and the petroleum profit tax have a positive and significant relationship. Since oil is the mainstay of the Nigerian economy, the petroleum profit tax has evolved through time into an indispensable source of funding for the government. For the country's tax administration to properly capture the money that should result from the petroleum profit tax, it is imperative that the interplay of carrot and stick approach that the responsive regulatory theory advises be employed. This result is consistent with a study by Onaolopo, Fasina, and Adegbite (2013), who found tantalizing evidence that taxation is a tool for revenue generation in Nigeria and confirmed that the hypothesized relationship between the Petroleum Profit Tax and revenue generation exists in the Nigerian context. According to Samimi and Abdolahi (2018), who also reached a similar conclusion, petroleum income (oil revenue and PPT/R), as assessed by GDP and PCI for the years 2000 to 2016, had a positive and considerable impact on the Nigerian economy. Second, the coefficient for reforming the company income tax (CIT) is determined to be statistically significant at the 5% level and to have a positive association with revenue production as measured by total tax revenue. This indicates that the Companies Income Tax, a method used by the federal government to generate taxes, has a positive and significant effect on Nigeria's overall tax take. The study by Leyira, Chukwuma, and Asian (2012), which found that the Companies Income tax is a significant source of government revenue and that the government revenue will always move in consonance with the Companies Income tax, is consistent with this result. Because the calculated t-test of 1.4 is less than the t-test statistics rule of thumb of 2, the

coefficient of reform in custom and excise duties (CED) is discovered to have a positive relationship with revenue generation as measured by total tax revenue, but it is not statistically significant at the 5% level. Customs and Excise Duties are a crucial but extremely delicate source of income for the Nigerian government. It becomes delicate because the responsible tax authority must strike a balance to guarantee that the tax imposed won't have a detrimental impact on the tax payer. Excessive taxation leads to low production, low turnover, layoffs of workers, low profits, low following tax payments to the government, and low future tax revenue for the government. This indicates that Customs and Excise Duties contribute to the nation's government's revenue. The findings of Kiabel and Nwokah (2009) and Ekeoha, Malaolu, and Oduh (2012), who concluded that Customs and Excise Duties enhances the revenue-generating apparatus of government to carry out socially desirable expenditures that will result in economic growth in real output and per capita basis, are consistent with this outcome. Last but not least, it is discovered that the value added tax (VAT) reform coefficient has a negative correlation with total tax revenue (TTR), which serves as a proxy for revenue generation. However, at the 5% level, the t-test calculation of 0.44 is statistically insignificant because it is lower than the standard t-test statistic of 2. This study does not support the findings of Owolabi and Okwu (2011), who were able to demonstrate how VAT revenue helped each sector's development. Only the development of the agriculture sector, out of all the analyzed sectors, made a statistically significant beneficial contribution. According to Smith, Islam, and Moniruzzaman (2011) and other researchers, the performance of the value added tax was quite excellent in the early years of their study's scope, but after that, the amount of revenue collected remained rather stable.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study looks into how tax reform affects Nigeria's ability to generate income. A review of the existing literature has been done, and an empirical analysis has been done. As a result, the study gives a summary of findings, a conclusion, and recommendations for future research on the topics in this chapter.

5.2 Summary of Findings

Empirical analyses have been undertaken in accordance with the study's main goal, which is to explore the impact of tax reform on tax revenue in Nigeria, and conclusions are discussed. As a result of the findings of our analysis, we discovered that:

- The reform petroleum profit tax (PPT) coefficient had a positive relationship with total tax revenue in Nigeria, but it is statistically insignificant at 5% because the t-test calculated of 0.97 is less than the t-test statistics rule of thumb of 2.
- The reform company income tax (CIT) coefficient is found to have a positive relationship with total tax revenue in Nigeria, and it is statistically significant at the

5% level because the calculated t-test of 5.5 is greater than the t-test statistics rule of thumb of 2.

- The reform customs and excise duties (CED) coefficient is found to be positive with total tax revenue in Nigeria, but it is not statistically significant at the 5% level.
- The value added tax (VAT) coefficient is found to have a negative relationship with total tax revenue (TTR) in Nigeria, and it is statistically significant at the 5% level because the t-test calculated of 0.44 is less than the t-test statistics rule of thumb of 2.

5.3 Conclusion

In this study, the impact of tax reform on Nigeria's ability to generate money was investigated. There is statistical significance between all of the independent variables (Petroleum Profit Tax, Companies Income Tax, Customs and Excise Duties, and Value-Added Tax) and the dependent variable (Total Tax Revenue). To illustrate the movement of values and to compare the effects of each independent variable on the dependent variable, a graphical representation of the movement and variations in the values of Petroleum Profit Tax, Companies Income Tax, Customs and Excise Duties, and Value Added Tax for the 30 year period was captured. The study sheds light on how tax administration and tax collection by the federal government affect tax revenues. It also confirmed the extent to which the variations in the dependent variable are caused by the independent variables covered in the models, as depicted by the R-square and adjusted R-square, and it provided insight into how much each independent variable affects the dependent variable through the graphical corroboration. The study comes to the conclusion that Value Added Tax, Petroleum Profit

Tax, Company Income Tax, and Customs and Excise Duties together have a significant impact on tax revenue in Nigeria. Since petroleum is the mainstay of the Nigerian economy, these taxes over time have become an indispensable source of funding for the government. For the country's tax administration to properly capture the money that should result from the petroleum profit tax, it is imperative that the interplay of carrot and stick approach that the responsive regulatory theory advises be employed. Although across the study period, value added tax did not significantly increase this country's tax take.

5.4 Recommendations

The following suggestions are given in light of the study's results and conclusions:

- Due to the poor contribution of tax income to the Nigerian economy over the research period, the government should make efforts to enhance tax revenue collection. This can be accomplished by closing all tax law loopholes and expanding the pool of potential tax payers (especially the informal sector).
- Any person or corporate entity that engages in tax fraud of any kind, regardless of the state, should face severe penalties.
- The government should also be able to use taxpayers' money to build infrastructure. This will undoubtedly boost citizens' motivation to pay more. Staff who work with the Tax Authorities should be sufficiently motivated to increase revenue generation.
- The government, through the Federal Inland Revenue Service, should create an effective and reliable data base for all taxable persons in order to reduce (if not

eliminate) the incidence of tax evasion, and VAT administrators should be constantly trained and re-trained through seminars and conferences to keep them up to date with the latest trends in tax administration. This is because, as demonstrated by the results, VAT has a negative impact on tax revenue in Nigeria in the long run.

- To keep the act in step with economic reality, existing tax laws should be constantly reformed and reviewed, just as they are in the United States of America and other advanced economies.

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