

TAX AND INCOME REDISTRIBUTION IN NIGERIA

BY

OBASOGIE JOSHUA OSAHON

MGS1907840

**DEPARTMENT OF ACCOUNTING
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN
BENIN CITY**

JULY, 2024.

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**BEING A RESEARCH PROJECT SUBMITTED TO THE
DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMENT
SCIENCES, UNIVERSITY OF BENIN, BENIN CITY IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE
BACHELOR OF SCIENCE (B.Sc.) DEGREE IN TAXATION.**

JULY, 2024.

DECLARATION

I, **Obasogie Joshua Osahon**, with Matriculation number **MGS1907840**, do hereby declare that:

1. This project work is based on a study undertaken by me in the Department of Accounting, University of Benin, Benin City, under the supervision of **MRS E. E. Ogbonmwan (ACA)**
2. This research work has not been previously submitted for the award of degree elsewhere.
3. All ideas and views are a product of my personal research; and where the views of others have been expressed, they were duly acknowledged.
4. All liabilities arising from the study are entirely mine and not of the supervisor.

OBASOGIE JOSHUA OSAHON

DATE

CERTIFICATION

This is to certify that this project work was carried out by **OBASOGIE JOSHUA OSAHON** with matriculation number **MGS1907840** of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria, and is adequate in scope and quality, in partial fulfilment of the requirements for the award of Bachelor of Science (B.Sc.) Degree in Accounting.

Mrs E. E. Ogbonmwan (ACA)
(Project Supervisor)

DATE

DR. IKHU-OMOREGBE GODSTIME
(Project Coordinator)

DATE

DR. O. OBARETIN
(Head of Department)

DATE

DEDICATION

I dedicate this project work to God Almighty who has been my pillar, my ultimate source of wisdom, my strength, and my help despite every challenge I came across while making this work a success.

To my grandparents who I know they are proud and happy wherever they are in persons of Late Elder Richard “IKPOTOKI” Obasogie (The Great Empire), late Princess Janet “NEE EBOSE” Obasogie (The Ever-Smiling Mother), late Pa Jonathan Aghedo and Deaconess Helen Aghedo (Iyenogie the Prayer Warrior- MAMA LOVE). Thank you for being the best grandparents ever.

To my wonderful parents V/S/E Golden Obasogie (JP) and M/C Mercy Obasogie who has been the driving force behind my success. This project work is also dedicated to you both. Thank you for the endless sacrifices and encouragement throughout this project work and my academic journey.

ACKNOWLEDGEMENTS

I stand on the shoulders of giants, and I am grateful. This project would not have been possible without the support, guidance, and love of many individuals who have shaped me along the way.

I extend my deepest gratitude to God, the Creator and Bestower of knowledge, whose guidance and blessings have enabled me to successfully complete this study.

To my esteemed Project Supervisor, Mrs E. E. Ogbonmwan (ACA) for her unwavering support and invaluable assistance throughout the course of this research endeavour despite her busy schedule, I say thank you ma for being a mother figure to me Your expertise and encouragement have been instrumental in shaping the outcome of this work. I am also thankful to the University of Benin for granting me the opportunity to pursue a degree here, and to all my Lecturers whose dedication to teaching and mentorship has enriched my academic journey. Special appreciation is reserved for my beloved parents the one and only PAPA and MAMA JOSHUA who have been my mentor, my inspiration, my rock and whose unwavering support, patience, prayers and guidance have been the cornerstone of my achievements. I love and appreciate you both.

I also express my heartfelt gratitude to my siblings, Dr. Sarah Obasogie, barr. Light Obasogie and most especially to my two brothers, imminent major gen. Israel Obasogie and the great

amazing Isaac Obasogie for their unconditional love and unrelenting encouragement. Your love has been the wind in my sails, propelling me forward even when the journey got tough.

I cannot fail to thank my extended family, aunts and uncles including Big Mummy Blessing and uncle Elvis “Big B” who never failed to check up on me. To Mr Kingsley “EGOVIN” Aghedo, his lovely wife Mrs faith Aghedo (Big Faith) and Miss Jennifer Aghedo your words of encouragement and Your contributions would never be forgotten.

To my dear friends “BIG 5” MG boss, favorite, Mr Dave, JP, de magnificent, your friendship and assistance have been invaluable throughout this journey. Your contributions, whether moral support or practical assistance, have made a significant difference and are deeply appreciated.

Also, to my P.A Barr. Peace and my personal person Miss Joan Oware I appreciate your willingness to share your time, knowledge, insight and assistance. To my brothers Big jossy, blessed, Kelly, wale, man machine and to my seniors Mr frank ikponwonsa, Mr Micheal toyon, Mr Barry ehiogae, my big brothers Mr Osagiator “APOSTLE”, Mr Edward “Oga Eddy” and of course the only one Mama “IYE” Eghosa. Thank you for making this journey so much more enjoyable and memorable.

Lastly, I extend my admiration and respect to all individuals in society who tirelessly contribute to the expansion of knowledge. Your dedication and passion inspire me, and I salute your efforts.

To everyone mentioned here and to those not mentioned but equally significant, I offer my heartfelt gratitude. Your collective support has been instrumental in making this achievement possible. God bless you all abundantly.

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ABSTRACT

This study investigates the impact of taxation on income redistribution and various economic factors in Nigeria. The primary objectives are to assess how taxation influences income inequality, commodity purchase behavior, export promotion, inflation control, and the protection of infant industries. Through a comprehensive analysis, the study finds that taxation significantly affects income inequality and highlights a notable difference in the taxation of goods considered "bad" compared to other goods. The results also indicate that tax policies in Nigeria play a critical role in government revenue generation, export promotion, inflation control, and the protection of emerging industries. The study concludes that effective taxation policies can lead to more equitable wealth distribution, healthier consumption patterns, enhanced government revenue, increased exports, controlled inflation, and the growth of nascent industries. However, the success of these policies depends on efficient tax administration, compliance, and the integration of complementary economic measures. Recommendations include improving tax collection systems, enhancing tax progressivity, increasing taxes on harmful goods, and providing targeted tax incentives for export-oriented and emerging industries. The study contributes to the body of knowledge by offering empirical

evidence on the multifaceted impact of taxation in Nigeria and provides a foundation for policymakers to develop more effective tax strategies to foster sustainable economic development.

CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Everybody wants to make money and demonstrate how they are better than others, hence the need for taxes emerged as a means of making some people, businesses, and cooperative organizations pay while withholding some of their profits to cover expenses. Therefore, the remaining parties are accused of knowing how an individual is through the act of taxing or reducing some amount of income from an individual, company, or cooperative organization. In general, a tax is any contribution levied by the government on residents and enterprises to fund the operation of state-owned buildings and services. It is not a voluntary payment or gift, but rather an imposed contribution made in response to a governmental proclamation or requirement. According to Osita (2004:1), taxes may be described as the government's mandatory withholding, through its several agencies, of any income, capital, or consumption of its subjects, including rent, interest, dividends, commission regularities, company profits, wages, and so on. Taxes and tax systems are the fundamental components of government revenue generation. According to Brautigam (2008), taxes help governments accomplish their goals, operate as a main venue for interactions between the state and society, and have an impact on the balance between accumulation and redistribution that gives each state its unique social identity. Taxes thereby improve the capacity to provide basic needs, encourage economic

expansion, and ensure security. Additionally, they strengthen consent and legitimacy, all of which support the development of an accountable, representative, and cooperative government. However, taxes have existed in Nigeria even before the arrival of European settlers. The Emir, chief and their designated agents are often in charge of tax administration and collection during this time. Although rather arbitrary at the time, the system was very functional for its time. By that point, tax collecting had moved from the country's northern states to its southern states. About 1900, the British introduced various amending ordinances (Non-Acts and Decrees) that primarily gave local authorities the authority to collect taxes. This had an impact on the administration of taxation. By law Lugard, income tax was first implemented in the northern region of Nigeria in 1904. Income tax was also implemented in certain areas of western Nigeria under an ordinance that was modified and enacted in 1918. Due to severe hostility toward the people that make up that region of the country, income taxes were not imposed in the eastern part of Nigeria until the late 1920s. The Direct Taxation Ordinance No. 29 of 1943, however, brought about what might be considered the contemporary type of income taxation in our nation in 1940. In 1943, Nigeria implemented the modern progressive type of personal income tax through an ordinance. However, local authorities and the British government continued to share administration and collection of taxes. On the other hand, income and poverty rates vary significantly between and within specific demographic groupings (e.g., age, sex, ethnicity) and nations. When discussing this disparity between the rates of poverty and income, two subjects that are commonly brought up are income inequality and, shortly after, income redistribution.

To put it simply, income redistribution is the process of distributing income throughout the community in order to close the gap between rich and poor. The transfer of income and wealth (including material property) from some people to others via a social mechanism like taxation, welfare, public services, land reform, monetary policy, confiscation, divorce, or unlawful conduct is known as redistribution of income and wealth. Barry chiswick July 2, 2004. retrieved August 13, 2010. Usually, the phrase is used to describe redistribution throughout the economy as opposed to between specific people. Income redistribution often includes funding for social services because its goal is to create economic stability and opportunities for society's less affluent people (basically closing the wealth gap). People who support income redistribution argue that greater taxes on the wealthiest members of society are necessary to best support public programs that help the poor because taxes fund these services.

1.2 Statement of Research Problem

There are instances when a tax study may fail to show any changes or when compliance issues interrupt the process.

Falsifying financial records through the deliberate act of manipulating or fabricating financial documents or information to misrepresent the true financial position or performance of an individual, organization, or entity. It can involve altering figures, transactions, or other financial data with the intent to deceive stakeholders, such as investors, creditors, or regulatory authorities. Falsifying financial records is typically illegal and can lead to severe consequences,

including fines, legal action, and damage to reputation. Failing to file income tax returns through the act of not submitting required tax documents to the appropriate tax authorities by the specified deadline. This can occur when individuals, businesses, or organizations neglect or intentionally avoid their legal obligation to report their income and pay taxes owed. Failing to file tax returns can result in penalties, fines, and legal consequences, as it violates tax laws and regulations. It's essential to fulfill this obligation to maintain compliance with tax authorities and avoid potential repercussions. Unreported income that an individual or entity receives but does not disclose to the appropriate tax authorities on their tax returns. This could include income from various sources such as wages, self-employment earnings, rental income, investment gains, or any other form of compensation. Failure to report income accurately and fully is a violation of tax laws and regulations. It can lead to serious consequences, including penalties, fines, and legal actions by tax authorities. Properly reporting all sources of income is essential for maintaining compliance with tax obligations and avoiding potential repercussions. In most cases, failure to disclose all types of benefits or not fully reporting various forms of compensation or advantages received by an individual, entity, or employee. These benefits could include monetary rewards, perks, incentives, or any other form of remuneration beyond standard salary or wages. Such benefits might encompass bonuses, stock options, healthcare benefits, company cars, housing allowances, or any other valuable consideration provided by an employer or organization. Failure to disclose these benefits accurately and transparently can result in legal and regulatory consequences, including

penalties and fines. It's crucial to disclose all types of benefits properly to comply with tax laws and maintain transparency and integrity in financial reporting. Also, not using appropriate sources while making decisions or utilizing relevant and reliable information when making choices or reaching conclusions. This could involve relying on outdated, inaccurate, biased, or insufficient sources of information, which may lead to flawed judgments or suboptimal decisions. Using inappropriate sources can result in missed opportunities, increased risks, and negative outcomes in various contexts, including business, personal finance, education, and policymaking. It's essential to consider credible, diverse, and up-to-date sources of information to make informed and effective decisions. Making false claims about expenses, tax credits, or improper deductions involves providing inaccurate or misleading information related to financial transactions, deductions, or credits on tax returns or financial statements. This could include exaggerating expenses, falsely claiming tax credits or deductions, or improperly allocating expenses to reduce tax liabilities artificially. Such actions are typically done to lower obligations or obtain undeserved financial benefits. Making false claims about expenses, tax credits, or deductions is illegal and can result in penalties, fines, and legal consequences from tax authorities. It's essential to accurately report financial information and adhere to tax laws and regulations to maintain integrity and compliance.

1.3 Research Question

- (1) How can taxes lower income inequality?
- (2) How can taxes consider the consumption of commodities as harmful?
- (3) How can taxes help the government raise revenue?
- (4) How can taxes affect export promotion strategies?
- (5) How can taxes be used to control inflation?
- (6) How can taxes be used to safeguard emerging industries?

1.4 Objective of the Study

Since taxes are primarily about income or revenue for the government, it is evident and vital that they be studied for a variety of advantageous reasons, such as:

- (1) Determine the impact of taxation on income inequality.
- (2) Determine if certain goods are considered bad in taxation.
- (3) Understand how taxation generates revenue for the government.
- (4) Demonstrate the effectiveness of taxation in promoting exports.
- (5) Determine how taxes are used to prevent inflation.
- (6) Investigate how taxes are utilized to protect infant industries.

1.5 Statement of Hypothesis

The research hypotheses are stated in the null form. These hypotheses are formulated in line with the specific objectives as follows:

H01: Taxation in Nigeria does not significantly affect income inequality.

H02: There is no significant difference in taxation between goods considered "bad" and other goods in Nigeria.

H 03: Taxation in Nigeria does not substantially contribute to government revenue generation.

H04: Tax policies in Nigeria do not have a significant impact on promoting exports.

H05: Taxation policies in Nigeria have no significant effect on controlling inflation.

H06: Taxation does not play a significant role in protecting infant industries in Nigeria.

1.6 Significance of the Study

The academic community will greatly benefit from this research project since it will inspire other studies in the future. It will also be of great use to the federal government of Nigeria on the scene that these are taxable operations in Nigeria. The federal government also values it because it allows them to regulate economic inflection points. When there is inflation in the economy, the government can tax the surplus income in the lands of society, reducing aggregate demand and finally causing the price spiral to fall in the economy. They also employ taxes to stimulate the economy and promote growth and development. This might be accomplished by providing tax incentives to investors, tax deals, and tax breaks to new enterprises or investors who could contribute to industrialization and economic growth. Taxation assists the federal government in meeting its social, economic, and political commitments, such as establishing schools, hospitals, and good roads, as well as protecting the public from internal and external aggression, among other things. The government employs taxes to generate income. However,

this analysis will be expanded to include the powers of local governments and the federal government in terms of how they employ taxes to carry out their distribution responsibilities in Nigeria.

1.7 Limitations of the Study

When conducting a study, researchers frequently face several challenges, some of which are listed below.

1. Finances: This is usually a significant barrier to a study of this kind as the researcher might not have the funds to do all the required research.
2. Generalizability: Because this study focused on a single nation, its conclusions might not be as applicable outside of Nigeria. The results may not be applicable in other nations due to differences in institutional frameworks, socioeconomic conditions, and tax regimes.
3. Inadequate data: There are instances where data is accessible, but the researcher is unable to obtain it as the pertinent information is occasionally deemed secret and inaccessible to other parties.
4. Lack of cooperation: By selecting respondents, to whom he gave copies of his questionnaire and voice interview, he encountered a lack of cooperation. Taking too long to return to some of the copies of the questionnaires that were completed by certain responders.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Taxation

Taxation is viewed as a burden that every citizen must incur to support his or her government, as the government has specific functions to execute for the benefit of those it rules. A précised definition of taxation by Farayola (1987) is that taxation is one of the sources of income for government, such income as used to finance or run public utilities and perform other social responsibilities. Ochiogu (1994) defines tax as a levy imposed by the government against the income, profit or wealth of the individuals and corporate organizations.

Adams (2001) claims that taxes, which usually make up 90% or more of a government's income, are the most significant source of funding for contemporary governments. Taxation is seen by Aguolu (2004), as a compulsory levy by the government through its agencies on the income, consumption and capital of its subjects. This income includes things like wages, company profits, dividends, interest, discounts, and royalties that are subject to these levies. Additionally, it is assessed against capital gains, capital transfers, and petroleum profits made by the corporation. Ojo (2008), however, emphasizes that taxation is a concept and the science of imposing tax of the citizens. He claims that taxes are in and of themselves mandatory levies that all citizens must pay. Most people view it as a civic obligation. Taxation is supposed to generate revenue, which should be used to provide social and security facilities as well as establish the framework for the community's economic prosperity.

Okon (1997) states that income tax can be regarded as a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve desired objectives. The primary economic goals of developing countries are to increase the rate of economic growth and hence per *capita* income, which leads to a higher standard of living. A progressive tax rate can be used to ensure that resources are distributed fairly. To support or oppose particular industries (such as those in manufacturing, construction, or agriculture), the government may also change the rates at which taxes are levied, as well as the rate at which capital allowances which are payments made instead of depreciation are granted. Additionally, pioneering businesses may be granted tax holidays. Thus, income tax can act as a catalyst for social change if it is applied creatively to economic development and planning.

Tax administration refers to the entire organizational structure for managing the tax system. The tax administration is a government department that operates under tax legislation. Tax administration is the process by which authorities evaluate and collect taxes from individuals and businesses in such a way that the appropriate amount is collected swiftly and accurately while minimizing tax avoidance or evasion.

The main goal of tax administration is to properly operate the tax system, which includes making sure that taxpayers follow tax laws and that money collected from tax sources is paid into the government coffers. The primary goal of a tax system is to ensure the long-term fiscal soundness of government policies and programs. Certain components of the tax system are

necessary for effective tax administration. First, tax rules should be straightforward, clear, and intelligible to both those who must enforce them and those who are subject to them. To quote Adam (1910), the tax that each individual is required to pay should be certain and not arbitrary. The kind of payment, the method of payment, and the amount to be paid should all be clear to the contributors and everyone else.

It should be evident what taxes are covered. It is important to ensure that the tax can and will be enforced, as easily avoided taxes lead to dissatisfaction among honest taxpayers and frequently result in a drop in taxpayer morality. Second, taxes ought to be equitable, meaning that the tax burden should be distributed as equally as possible taking into account the taxpayer's wealth, obligations, and family situation in addition to his ability to pay. In addition, taxes ought to be applied universally, or generally, and equally to all citizens in comparable situations, without regard to individual differences.

Thirdly, the tax system should be simple, affordable, and easy to administer. This means that the tax authority's cost of collection and the taxpayer's cost of compliance should be kept to a minimum, and the system should be in harmony with effective enforcement. This implies that the goal of the tax and how it is paid should be in line with local customs. Because of this, the colonialists took pains to impose taxes that were as similar as practical to what their native laws had been paying to their chiefs in the regions where they had this custom (Orewa, 1979). In this case, the tax administrator's position is quite important. According to Balls (1965), the goal of the tax administrator is to create taxes that are in line with the principles that will generate

enough revenue to meet the government's needs, as well as to establish an assessment basis and a collection procedure that are as straightforward, efficient, and cost-effective as possible. The tax administrator also has the responsibility to develop auditing and other procedures, subject to the direction of the government and the legislature. A tax administrator's duties also include making sure that taxpayers fully comply with the law and that it is enforced effectively.

It is crucial to remember that no matter how sound a tax system's guiding principles are, tax administration success ultimately rests on how well tax administrators apply them. The personnel issue then becomes crucial to the management of taxes. Therefore, it has been suggested, per Surrey (1965), that human issues poor pay, a lack of training, inefficiency, and understaffing are essentially to blame for the difficulties with tax administration in developing nations.

The most significant set of guidelines, referred to as the "cannon of taxation," were provided by Adam (1910) in his book "The Wealth of Nations" and are now widely acknowledged by tax administrators worldwide. The following is a summary of taxation principles:

According to Adam Smith's ideas, every taxpayer should make a contribution to the government, often known as the "state," in an amount that is roughly proportionate to his means of subsistence. For instance, 10 to 20 percent of all income over a predetermined threshold, as several residents owed taxes due to their extremely low salaries. Similarly, Musgrave and Peacock (1984) defined equity as an equal share of taxation on all incomes, which means that everyone should pay the same proportion of their income in taxes. This implies proportionate

taxes or a percentage on all incomes, and so rejects progressive taxation (higher tax rates on higher incomes). It also means that earned and investment incomes are taxed equally; existing private wealth and capital are exempt; and taxation is limited to income only.

Prest and Barr (1985) agreed that equal amounts per head should be taxed. It is certainly far easier to operate a system in which everyone pays, say, ten pounds per head than one in which the amount payable fluctuates according to economic circumstances.

According to this principle, the taxpayer ought to be aware of the amount of tax due and the deadline for payment. The tax regulations should specify this information clearly and correctly. Therefore, tax officials shouldn't be able to randomly decide on the amount or the timing of payments.

When it's convenient for the taxpayers, taxes should be collected. One illustration of the idea of convenience is the Pay as You Earn income tax, which is levied on salaries and earnings on a weekly or monthly basis depending on the income earned. One aspect of taxation that is related to convenience is the administration and enforcement of taxes. Eckeston (1983) asserted that a fair tax system should not impose burdensome requirements that the government cannot enforce, even in cases where taxpayers voluntarily comply with the law. Should this be the case, the tax would serve as an incentive for violators to evade the law.

Adam (1910) has made the point that all taxes should be imposed when and how it will be most convenient for the donor to pay them. This argument can be used to support the claim that West African farmers find it most convenient to pay their taxes during harvest season.

The idea highlights that the expense of levying and collecting taxes must be minimal in comparison to the revenue they generate. In other words, the economy should serve as the benchmark to ensure that the cost of tax collection remains reasonable. For instance, taxes do not adhere to the concept of economy if the costs paid during the collection process surpass even half of the yield.

According to Somorin (2011), the Nigerian tax system has the following characteristics:

Taxpayers should comprehend and have faith in the tax system. This can only be accomplished if Nigerian tax policy maintains the simplicity of all taxes, produces clarity by informing the public about the application of significant tax laws, and creates certainty by significantly limiting the need for private judgments. The Nigerian tax system must therefore be definite (its rules and administration must be consistent), plain (stakeholders must understand the basis of its imposition), and simple (easy for everyone to grasp).

An effective tax system must have comparatively low administration costs with the advantages of its imposition. Therefore, before any taxes are imposed, a thorough cost-benefit analysis must be conducted, and Nigeria's tax administration system as a whole need to be functional and efficient.

Nigeria should have a fair tax system that upholds the principles of vertical and horizontal equity. Individuals with equal status are treated equally thanks to horizontal equity. Therefore, the goal of the Nigerian tax system should be to prevent discrimination against economically similar organizations. Conversely, vertical equity tackles the question of equity between

various income levels and income categories. The ability to pay principle, which states that people should be taxed per their capacity to pay taxes, will be recognized in this sense by the Nigerian tax system.

Taxation in Nigeria should be adaptable enough to change situations. Pre-existing factors should also be addressed before imposing new taxes or reviewing existing ones.

The Nigerian tax system must always aim to reduce the negative impact of taxes on economic efficiency by ensuring that marginal tax rates do not influence the marginal tendency to save and invest.

Keynes (1936) thought that taxes could be used as a tool of fiscal policy to support full staffing, price level stability, and an uninterrupted pace of economic growth. This would help governments combat the issue of economic instability brought on by periods of high unemployment, sharp price fluctuations (inflation or deflation), and uneven economic growth. In the Keynesian framework, taxation is the main tool used by governments to implement fiscal policy. Rather than attempting to create a neutral tax system, taxes are purposefully utilized to steer the economy in the intended direction.

According to Somorin (2011), the majority of societies acknowledge taxes as a crucial instrument for national development and progress. The amount of wealth generated by the economic activities carried out in a society is one of the primary indicators of its development and expansion. She also emphasized that one way to create wealth for citizens is to engage in

meaningful work, which enables them to earn an income to meet their basic requirements and pay taxes to the government as part of their commitment to national development.

The following are some of the ways that Somorin (2011) claimed that taxes can be extremely important in fostering wealth and employment in the Nigerian economy:

Enhancing economic expansion through heightened commerce and business ventures:

In this sense, infrastructure such as power, roads, transit, and other necessities that support trade and other economic activity should be provided by tax revenues.

Boosting both local and foreign investment:

It is important to note that local investments would remain in the nation while simultaneously drawing in foreign capital in cases when the tax structure gives economic investors a competitive edge. Increasing investment would lead to the creation of jobs and wealth for individuals.

Tax revenue can also be used directly to target specific industries within the Nigerian economy to boost those industries:

For this statement to be true, Somorin (2011) underlined, that the industries involved must have the capacity to generate wealth, jobs, and economic development for the benefit of the nation's residents as well as the government.

Tax revenue can be used to resolve market flaws and other economic distortions, reinforce financial and economic institutions, and create efficient regulatory frameworks:

To promote the continuous expansion and development of particular economic sectors, taxes collected from such sectors can be reinvested in those sectors.

Income redistribution is the practice of using tax money from wealthy people to fund public utilities and infrastructure for others with lower incomes.

According to Adeyemi (2012), the government must take into account the trade-offs associated with luring foreign direct investment (FDI) in terms of offering incentives and the impact of these on the nation's sustainable development to achieve renewable development in the social and economic sectors of the nation. Taxes are a type of fiscal tool used to promote or prohibit certain production or consumption practices that have an impact on the sustainability of the economy, the environment, or society. The following effects of taxation on the sustainability of income redistribution:

The fiscal framework provided by the tax system promotes bilateral, regional, and global commercial interactions between nations as well as foreign direct investment (FDI):

Whether foreign direct investment is attracted to a country or not depends on its tax laws. A nation's ability to create jobs and riches and accumulate capital is attributed to its ability to attract and retain investors. Investors also bring with them their technology, efficiency, and stable, free money.

Taxation promotes a fair relationship between developing and developed countries to ensure that developing countries receive a fair share of the tax base and tax room in expanding trade relations:

As a result, the wealthy nations would not unfairly use the underdeveloped nations' need for growth as an excuse to postpone building an international tax system and other measures targeted at the poor world.

Taxation aids developing nations in creating efficient policies and revenue-gathering mechanisms that support the financing of sustainability:

A strong and efficient tax structure, along with efficient administration, are fundamental building blocks for funding sustainable development. Therefore, the ability to implement any policy aimed at boosting sustainable development goals is limited if there is no suitable tax structure or tax collecting system in place. This may force developing countries to continue dependent on foreign help, which is typically conditional.

According to Olotu (2012), taxation is currently a planting seed of change in several of the Nigerian federation's states. She brought up Tell Magazine's cover article titled "The New Cash Cow," which ran for just one month. The magazine reports in that piece that "a growing number of states nationwide are now relying on taxes to enhance their revenue to finance vital infrastructural projects. (Tell Magazine, 30 April 2012). She cited Governor Okorocha (Imo State), Governor Oshiomole (Edo State), Governor Fashola (Lagos State), and Governor Amaechi (Rivers State) as examples of states that are using tax money to alter their respective jurisdictions. Furthermore, Olotu (2012) stated that these states' tax revenues have recently tripled and quadrupled, allowing for the implementation of several life-changing projects and programs, resulting in an increasingly pleased population. In accordance to Olotu (2012), as is

the case in Edo State, monthly revenue increased from N275 million to almost N1.6 billion. She identified the rise in tax revenue as the primary driver. Abiola and Asiweh (2012) also emphasized Lagos State's role in Nigeria's government revenue generation.

As indicated by them, Lagos State is one of the few states in Nigeria that has established itself as an independent entity and uses locally generated revenue. As reported by Syndelle (2009), Lagos state's gross domestic output in 2007 was N3.68 trillion, or \$29.028 billion, making it the largest that contributes to the federal government.

2.2 The Theoretical Framework

The concept of taxation might center on the actions of tax liability and the state; the major aim of taxes is to create money for the government to pay for its expenses as well as to provide social amenities and welfare to the people. This logic, according to Ogbonna and Appah (2012), supports the imposition of taxes to fund government operations and to provide a framework for dividing the tax burden among society's members. According to them, the sociopolitical theory of taxation promotes a tax structure that treats the problems facing society as a whole rather than trying to help individuals. Since individuals are an essential component of the larger society, the tax system should be focused on promoting the well-being of the entire community, even though the society is made up of its members alone (Chigbu, et al., 2012).

Bhartia (2009) asserts that the expectancy theory of taxation is such that every tax proposal passes the test of practicality and must be the sole consideration before the tax authorities in a bid for tax proposal. It stresses again how useless it is to have a tax that cannot be efficiently

levied and collected, and hence the state's economic and social goals are deemed worthless. According to the benefits-received theory, there exists a contractual relationship or exchange between the state and the taxpayers. The state provides certain goods and services, and the cost of those goods and services is contributed based on the proportion of benefits received. As a result, the benefits received serve as the foundation for a particular method of allocating the tax burden. This view ignores the potential use of tax policy to stabilize or strengthen the economy (Chigbu, et al., 2012). The cost-of-service theory is perceived by some as bearing a strong resemblance to the benefits-received hypothesis, with a greater emphasis on the semi-commercial relationship between the state and its inhabitants.

According to Chigbu et al. (op. cit), the inference was that citizens are not entitled to any governmental advantages and, if they are, must pay for them. Unlike the benefits-received theory, which assumes a balanced budget, this theory rigorously recovers service costs. Another theory of interest is the ability to pay theory, which claims that taxes placed on taxpayers should be based on the progressive tax method, which states that taxes should be assessed depending on a taxpayer's ability to pay. Higher earners must pay more taxes under this form of taxation than do lesser earners. This theory's central claim is that to uphold the principles of equity and justice, the tax burden should be distributed among society's members in a way that takes into account each person's ability to pay. The originator of the equity and justice principle, Adam Smith argues that taxes should be paid equally, which implies that taxes

should be paid in proportion to earned income. Only when the tax system is predicated on the taxpayer's capacity to pay the amount assessed as a tax burden are equity and justice presumed. A few theoretical frameworks support economic growth and development; one such framework is the Harrod-Domar model, which Sir independently constructed. Although the model developed by Roy Harrod in 1939 and Evsey in 1946 shows the rate of economic growth in an economy, the origins of economic growth and development ideas may be found in Adams Smith's *Wealth of Nations*. According to Adams Smith, a country's ability to accumulate wealth is dependent on its ability to divide labor and is constrained by such limitations. However, after a decade, a later theory by Richardo, Malthus, and Mill outperformed the Smithian viewpoint by rectifying Adam Smith's presentation with further studies. Although heading in the same direction, the idea of taxation has been considered differently by other academics. Wambai and Hanga (2013), for example, contend that taxes are mandatory levies levied by the government through its agent on the profits, income, or consumption of its subjects or citizens. Individuals and organizations are required to contribute to cover government expenses (Dandago and Alabede 2001). It has a significant impact on a developing nation's economy.

To raise enough money to support economic progress, Nigeria today needs an effective and efficient tax system (Oji, 2000). Olusanya et al. (2012) state that while taxes may be viewed as a threat to a person's desired level of life or even a company's suggested source of income, for the government and the need for taxation, taxes serve as a pillar and a facilitator of development. Taxation is rising in the country, while new technological advancements have

fueled ongoing economic expansion and advancement. The true objective of taxation is to take purchasing power away from taxpayers for taxpayers to give up control over economic resources and make them available to the government. It is a fiscal policy instrument that the government uses to attain macroeconomic goals. To reduce national unemployment, the government can use tax incentives to encourage investment and reduce poverty by increasing the number of gainfully employed individuals. Taxation promotes income and wealth transfer, making it an effective instrument for achieving socially desired goals (Olakunri, 2000).

2.3 Empirical Review

Numerous scholarly investigations reviewed taxation as a tool for income redistribution across various nations using diverse methodologies. Nonetheless, the investigations' findings demonstrate a certain degree of relatedness. The Federal Inland Revenue Service (FIRS) is leading Nigeria's tax reform efforts, which aim to increase revenue collection, encourage voluntary and willing compliance, and end the long-standing fear that tax collectors incite in their clients. For example, Wambai and Hanga (2013) found that the government's attitude toward taxation needs to change and recommended a tax system that focuses on establishing simplicity, certainty, and impartiality. The study was titled Taxation and Social Development in Nigeria: Tackle Kano's Hidden Economy. In their 2012 study, Chiumia and Simwaka examined the impact of taxation in sub-Saharan Africa. They discovered that taxes imposed on business and individual income hinder economic expansion. Although their research leads one to believe that tax structures are essentially meaningless in less developed countries, an

efficient tax system has advantages for both the government and the people. In their study, Tosun and Abizadeh (2005) examined taxation and economic growth in OECD nations between 1980 and 1999. They found that the tax mix of GDP per capita is significantly impacted by economic growth as assessed by GDP per capita. The analysis found that while payroll and goods and services shares decreased, personal and property taxes increased.

Using Spearman's rank correlation coefficient, Olusanya et al. (2012) examined taxation as a fiscal policy tool for income redistribution among Lagos state government officials. The study discovered a positive association between tax as a fiscal policy tool and income redistribution.

Engen and Skinner (1996) discovered a slight impact on the order of 0.2 to 0.3 percentage point differences in growth rates in response to significant tax reform in their study on taxation and economic growth in the United States. According to their findings, a small effect over time can have a significant impact on living standards. Adereti et al. (2011) researched value-added tax and economic growth in Nigeria and discovered no causal relationship between GDP and VAT revenue, but a positive and substantial association between VAT revenue and GDP.

Saez (2004) examines direct or indirect tax instruments for redistribution: short-run versus long-run. The findings show that in a long-run context, individuals respond to tax incentives through the occupational margin, as opposed to a short-run situation in which individuals are trapped in their occupations and can only adjust the labor supply on the job.

Utilizing the three-stage least square estimation technique, Worlu and Emeka (2012) investigated tax revenue and income redistribution in Nigeria. They discovered that tax revenue stimulates economic growth

through infrastructural development, highlighting the channels through which tax revenue impacts economic growth in Nigeria. Additionally, they discovered that tax revenue has no dependent effect on growth through infrastructural development and foreign direct investment, but rather only permits these developments to positively respond to increases in output.

Ferede and Dahlby (2012) used panel data from 1977 to 2006 to examine the impact of Canadian provincial governments' tax rates on economic growth. The study discovered that greater provincial statutory corporate income tax rates are linked with lesser private investment and slower economic growth. According to their empirical estimates, a one-percentage-point reduction in corporation tax rates corresponds to a 0.1-0.2 percentage point rise in annual growth rate. According to their findings, shifting from a tax on retail sales to a unified sales tax with federal value-added increases provincial investment and growth. Using a least squares methodology and a line-log model of the human development index, Nwakanma and Nnamdi (2013) investigated taxation and national development. According to their research, there is a negative correlation between corporation tax and the human development index and a positive correlation between the petroleum profit tax, company income tax, and excise tax, respectively, and the degree of national development. Using panel data for 25 wealthy OECD nations from 1975 to 2010.

Dackehag and Hansson (2012) investigated the effects of statutory tax rates on company and personal income on economic growth. They discovered that both corporate and personal income taxes harmed economic growth. According to their research, there is a stronger link

between corporate income tax and economic growth. By regressing tax revenue on GDP and summing the measurements in a growth regression, Koester and Kormendi (1989) constructed measures of average and marginal income tax rates. They found no statistically significant association between taxes and economic growth. According to their findings, tax rates appear to harm growth rates, with marginal tax rates harming activity levels. In contrast to the findings of Koester and Kormendi, Padovano and Galli (2001) found that tax rates had a negative and statistically significant impact on growth. They did this by building a similar tax measure and including a dummy slope to accommodate for variations in tax rates over time. Their 2002 analysis ultimately demonstrates that average tax rates have a major influence on economic growth and development and that there is a negative association between marginal tax rates and economic growth.

Does tax structure impact economic growth, according to Xing's (2011) study, Using panel data for 17 OECD nations from 1970 to 2004, he examines the effects of revenue-neutral tax structures and adjustments on the long-run level of income per capita. Neither consumption taxes nor personal income taxes are superior to corporation taxes, according to the study's findings. The strong conclusion seems to be that a change in tax revenue toward property taxes is linked, over time, to a greater level of per capita income. Using an internal growth model as a framework, Poulson and Kaplan (2008) investigated how tax laws affected state economic growth. Regression analysis was used to calculate the effect of taxes on state economic growth between 1964 and 2004. They discovered that an increase in the marginal tax rate has a major

detrimental effect on economic growth. Nonetheless, our analysis emphasizes how crucial it is to account for progressivity, convergence, and regional factors when separating the impact of taxes on state-specific economic growth.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology employed in the study of tax and income redistribution in Nigeria, focusing on primary data collection. It details the research design, data sources, sampling techniques, data collection methods, and analytical procedures. The methodology aims to ensure the reliability and validity of the findings, providing a comprehensive understanding of how tax policies impact income distribution in Nigeria.

3.2 Research Design

The study adopts a Survey research design, utilizing structured questionnaires to collect primary data from the target audience. This approach allows for the collection of numerical data that can be analyzed statistically to understand the impact of tax policies on income distribution.

3.3 Population of study

The population of this study consists of all tax payers and tax officials and administrators in Nigeria

3.4 Sample size

We will employ a sample size of 150 respondents for our study. This sample size is determined to ensure sufficient statistical power and representativeness across various economic sectors

and regions within Nigeria. The selection of 150 respondents through stratified random sampling will provide comprehensive insights into how taxation policies affect economic outcomes, contributing to a robust analysis of the broader implications of tax policies in Nigeria.

3.5 Data Sources

Primary data will be collected through the administration of structured questionnaires to a sample of 150 respondents. This data will provide firsthand insights into the perceptions and experiences of various groups regarding tax policies and their impact on income distribution.

3.6 Sampling Techniques

A stratified random sampling method will be employed to ensure representation across different income groups, regions, and sectors. The sample will include:

- Low-income households: Representing the lower end of the income spectrum.
- Middle-income households: Representing the median of the income spectrum.
- High-income households: Representing the upper end of the income spectrum.
- Tax officials and policymakers: Providing insights into the formulation and implementation of tax policies.
- Economists and academics: Offering expert analysis on the broader economic implications.

3.7 Data Collection Methods

Structured questionnaires will be distributed to a total of 150 respondents across different regions in Nigeria. The questionnaire will be designed to collect data on income levels, tax compliance, perceptions of tax fairness, and the perceived impact of taxes on income redistribution.

The questionnaire will consist of closed-ended questions to facilitate quantitative analysis.

Questions will cover various aspects such as:

- Demographic information (age, gender, occupation, etc.)
- Income levels and sources
- Tax compliance behavior
- Perceptions of tax fairness and effectiveness
- Impact of tax policies on personal income and economic well-being

3.8 Method of Data analysis

Quantitative data from the questionnaires will be analyzed using statistical software such as SPSS or Stata. Descriptive statistics will be used to summarize the data, providing an overview of the demographic characteristics and key variables. Inferential statistics, such as regression analysis, will be employed to examine the relationships between tax policies and income distribution.

3.9 Model Specifications

In constructing the unified model for analyzing the impact of taxation on various economic outcomes in Nigeria, we have primarily adopted the theoretical framework of **Richard A. Musgrave's Theory of Public Finance**. Musgrave's model, founded in the mid-20th century, remains foundational in the study of public finance, particularly in understanding the roles of taxation in revenue generation, income redistribution, and economic stability.

The following are model stated in Mathematical and Econometrically

$$ECO=F (TY, GT, TR, TI, IF, ID) \dots\dots\dots i$$

$$ECO= \beta_0 + \beta_1TY + \beta_2GT+ \beta_3TR + \beta_4TI+ \beta_5IF +\beta_6ID+ \varepsilon\dots\dots\dots ii$$

Where;

ECO= (economic outcomes) Dependent variable, representing a composite index or a principal component that reflects the combined impact of the independent variables for region

β_0 = intercept

β_1 : Coefficient for the effective tax rate (related to income inequality)

β_2 : Coefficient for the dummy variable indicating if the good is considered 'bad' in taxation

β_3 : Coefficient for total tax revenue (reflecting revenue generation)

β_4 : Coefficient for tax incentives (related to promoting exports)

β_5 : Coefficient for the inflation rate (related to preventing inflation)

β_6 : Coefficient for import duties (related to protecting infant industries)

Explanation of variables

- 1.TY (Tax Rate): Tax Rate Represents the overall tax rate and its impact on income inequality.
- 2.GT (Good Type): Dummy variable indicating if the good is subject to special taxation (e.g., sin taxes on 'bad' goods).
- 3.TR (Tax Revenue): Total tax revenue generated by the government, reflecting how taxation generates revenue.
- 4.TI (Tax Incentives): Tax incentives provided to promote exports.
- 5.Inf (Inflation): The inflation rate, indicating how taxes are used to prevent inflation.
- 6.ID (Import Duties): Import duties imposed to protect infant industries.

This regression model focuses on the six independent variables that directly correspond to the research objectives. By analyzing this model, the study aims to provide a clear understanding of the multifaceted impacts of taxation in Nigeria across these specific areas.

3.10 OPERATIONALIZATION OF VARIABLES

VARIABLE NAME	VARIABLE TYPE	OPERATIONAL DEFINITION	MEASUREMENT
Economic Outcome (Y) Specific economic	Dependent	Specific economic indicator of interest (GDP growth, exports, inflation)	5-Linketh scale questionnaire
Tax Rate	Independent	Effective tax rate applied to individuals or businesses Total tax revenue / total taxable	5- linketh scale questionnaire
Income Inequality	Independent	Measure of income distribution within a region Gini coefficient (0 to	5- Linketh scale questionnaire
Consumption Levels	Independent	Levels of consumption of specific taxed goods	5- Linketh scale Questionnaire
Tax Incentives	Independent	Financial incentives provided through the tax system	5- linketh scale Questionnaire
Industrial Growth	Independent	Growth rate of output or value added by infant industries or specific sectors	5- linketh scale questionnaire

CHAPTER FOUR

DATA PRESENTATION, ANALYSES AND INTERPRETATIONS

4.1 Introduction

This chapter deals with the data collection from the questionnaire administered and fully analyzed. The major objective of the research is to the validity of the hypotheses stated in the chapter one of the study.

4.2 Data Presentation

The retrieved questionnaires containing the information gotten from customers available during the time of administration.

Table 4.2 Response Rate

Option	No. of Copies	Percentage (%)
No. of sample size	150	100.0
No. of response gotten	144	96%

Source: Field survey (2024)

4.3 Description of respondents' demographic characteristics

This segment intends to establish the demographic data of the respondent.

Table 4.2 Respondents' demographic characteristics

S/N	Variables	Categories	Frequency	Percentage %
1	Gender	Female	70	48.6%
		Male	74	51.4%
		Total	144	100.0%
2	Age	18 – 20 years	118	81.9%
		21 - 24 years	21	14.6%
		25 to 30 years	2	1.4%
		31 Years and Above	3	2.1%
		Total	144	100.0%
3	Educational Qualification	SSCE	13	9.0%
		BSc	85	59.0%
		Post Graduate	46	31.9%
		Total	144	100.0%
4	Marital Status	Single	40	27.7%
		Married	80	55.5%
		Divorced	10	6.9%
		Widowed	5	3.4%
		Widower	3	2.08%
		Complicated	6	4.42 %
		Total	144	100.0%

Source: Researcher's computation (2024)

Gender

The result in Table 4.3.1 reveals that 70 (48.6%) of the respondents were female while 74 (51.4%) of the respondents were male. This means that the male gender accounted for a greater percentage of the sample.

Age

On the age range distribution of the respondents, table 4.3.1 indicates that most of the respondents were aged 18 – 20 years, this category of respondent's accounts for 118 (81.9%) of the total respondents, while 21 (14.6%) were aged 21 – 24 years, 2 (1.4%) were aged 25 years to 30 years and 3 (2.1%) were 31 years and above.

Educational Qualification

9% of the respondents are SSCE holders, 59% are BSc holders while 31.9% are post graduate holders.

Marital Status

27.7% of the respondents are single, 55.5% are married, 6.9% are divorced, 3.4% are widowed, 2.08% are widower and 4.4% are in a complicated relationship.

4.4 Description of the Research Variable

This section deals with the descriptive analysis of the data collected through the questionnaires during the research process

Table 4.3. Taxation and Income Inequality

S/N	STATEMENTS	SD	D	N	A	SA	Mean	S.D
1	Progressive tax policies have significantly reduced income inequality in my country.	36	40	31	29	8	2.53	1.223
		(25.0%)	(27.8%)	(21.5%)	(20.1%)	(5.6%)		
2	Major tax reforms have led to noticeable changes in income distribution.	28	35	27	39	15	2.85	1.303
		(19.4%)	(24.3%)	(18.8%)	(27.1%)	(10.4%)		
3	Tax credits and deductions substantially increase the disposable income of low-income households.	28	24	32	39	21	3.01	1.346
		(19.4%)	(16.7%)	(22.2%)	(27.1%)	(14.6%)		
4	There are significant differences in income inequality trends between regions with different tax policies.	25	46	31	32	10	2.69	1.196
		(17.4%)	(31.9%)	(21.5%)	(22.2%)	(6.9%)		
5	Inheritance and wealth taxes help reduce income inequality.	4	4	12	84	40	4.06	0.851
		(2.8%)	(2.8%)	(8.3%)	(58.3%)	(27.8%)		
		(4.9%)	(19.4%)	(18.8%)	(25.7%)	(31.3%)		
Average							3.02	Moderate

Source: Researcher's computation (2024)

The average mean value of 3.04 of a possible maximum of 5 in Table 4.3 above suggests that, taxation has a moderate influence on income inequality.

Table 4.4 Taxation and Consumption of Commodity

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
6	Certain goods should be heavily taxed due to their negative social or environmental impacts.	1	5	8	55	75	4.38	0.801
		(0.7%)	(3.5%)	(5.6%)	(38.2%)	(52.1%)		
7	Sin taxes (e.g., on tobacco, alcohol) effectively reduce consumption and improve public health.	2	10	31	51	50	3.95	0.985
		(1.4%)	(6.9%)	(21.5%)	(35.4%)	(34.7%)		
8	Some goods currently taxed should not be taxed.	1	3	10	54	76	4.40	0.768
		(0.7%)	(2.1%)	(6.9%)	(37.5%)	(52.8%)		
9	The taxation of luxury goods helps redistribute wealth and influence consumer spending habits	3	6	21	55	59	4.12	0.950
		(2.1%)	(4.2%)	(14.6%)	(38.2%)	(41.0%)		
10	Environmental taxes on goods promote sustainable practices and reduce pollution.	3	12	19	58	52	4.00	1.010
		(2.1%)	(8.3%)	(13.2%)	(40.3%)	(36.1%)		
		Average					5.0	High Extent

Source: Researcher's computation (2024)

The average mean of 4.4 indicates that taxation has impact on consumption of commodity to a high extent.

Table 4.5 Taxation and Revenue Generation

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
11	Income taxes are a major source of government revenue compared to other forms of taxation.	12	40	18	28	46	3.39	1.395
		(8.3%)	(27.8%)	(12.5%)	(19.4%)	(31.9%)		
12	Changes in tax rates significantly affect overall government revenue generation.	19	52	46	17	10	2.63	1.076
		(13.2%)	(36.1%)	(31.9%)	(11.8%)	(6.9%)		
13	Corporate taxes play a crucial role in funding public services and infrastructure.	3	20	27	41	53	3.84	1.132
		(2.1%)	(13.9%)	(18.8%)	(28.5%)	(36.8%)		
14	Sales taxes and VAT constitute a significant portion of the total tax revenue collected annually.	21	60	24	20	19	2.69	1.259
		(14.6%)	(41.7%)	(16.7%)	(13.9%)	(13.2%)		
15	Effective tax compliance and enforcement substantially increase the amount of revenue collected.	10	55	24	37	18	2.99	1.194
		(6.9%)	(38.2%)	(16.7%)	(25.7%)	(12.5%)		
	Average						3.22	Moderate

Source: Researcher's computation (2024)

The average mean value of 3.22 of a possible maximum of 5 in Table 4.5 above suggests that, taxation has impact on government revenue generation to a moderate extent.

Table 4.6: Taxation and Export Promotion

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
21	Export tax incentives and exemptions make local businesses more competitive in the global market.	1	9	18	51	65	4.18	0.929
		(0.7%)	(6.3%)	(12.5%)	(35.4%)	(45.1%)		
22	Favorable tax policies promote the growth of export-oriented industries.	2	17	33	44	48	3.83	1.067
		(1.4%)	(11.8%)	(22.9%)	(30.6%)	(33.3%)		
23	Tax credits and deductions for exporters effectively boost international trade	4	15	35	44	46	3.78	1.091
		(2.8%)	(10.4%)	(24.3%)	(30.6%)	(31.9%)		
24	Recent changes in taxation have positively affected export volume and value.	6	55	41	27	15	2.93	1.075
		(4.2%)	(38.2%)	(28.5%)	(18.8%)	(10.4%)		
25	Taxes on imports help encourage domestic production and export activities.	3	16	41	43	41	3.72	1.062
		(2.1%)	(11.1%)	(28.5%)	(29.9%)	(28.5%)		
	Average						3.7	Moderate

Responses from table 4.6 showed that taxation has impact on export promotion to a moderate extent.

Table 4.7 Taxation and Inflation Control

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
26	Tax policies are effective in controlling inflation during periods of economic overheating.	12	40	18	28	46	3.39	1.395
		(8.3%)	(27.8%)	(12.5%)	(19.4%)	(31.9%)		
27	Indirect taxes (e.g., sales tax, VAT) have a significant impact on consumer prices and inflation rates.	19	52	46	17	10	2.63	1.076
		(13.2%)	(36.1%)	(31.9%)	(11.8%)	(6.9%)		
28	Adjustments in tax rates help manage demand-pull inflation.	3	20	27	41	53	3.84	1.132
		(2.1%)	(13.9%)	(18.8%)	(28.5%)	(36.8%)		
29	Tax measures are more effective in controlling inflation than other monetary policies.	21	60	24	20	19	2.69	1.259
		(14.6%)	(41.7%)	(16.7%)	(13.9%)	(13.2%)		
30	Taxation positively help to control inflation	10	55	24	37	18	2.99	1.194
		(6.9%)	(38.2%)	(16.7%)	(25.7%)	(12.5%)		
	Average						3.22	Moderate

Source: Researcher's computation (2024)

The average mean value of 3.22 of a possible maximum of 5 in Table 4.7 above suggests that, taxation have moderate impact on inflation control.

Table 4.8 Taxation and Safe guiding Emerging Industries

S/N	STATEMENTS	SD	D	N	A	SA	Mean	Std. Deviation
31	Tariff protections and import taxes support the growth of emerging industries.	12	40	18	28	46	3.39	1.395
		(8.3%)	(27.8%)	(12.5%)	(19.4%)	(31.9%)		
32	Tax incentives for new and small businesses help them compete against established companies	19	52	46	17	10	2.63	1.076
		(13.2%)	(36.1%)	(31.9%)	(11.8%)	(6.9%)		
33	Tax holidays and deductions for research and development foster innovation and growth in infant industries.	3	20	27	41	53	3.84	1.132
		(2.1%)	(13.9%)	(18.8%)	(28.5%)	(36.8%)		
34	Tax subsidies are crucial during the initial stages of industry development.	21	60	24	20	19	2.69	1.259
		(14.6%)	(41.7%)	(16.7%)	(13.9%)	(13.2%)		
35	Protective taxation has a long-term positive impact on the competitiveness and sustainability of infant industries.	10	55	24	37	18	2.99	1.194
		(6.9%)	(38.2%)	(16.7%)	(25.7%)	(12.5%)		
	Average						3.22	Moderate

Source: Researcher's computation (2024)

The average mean value of 3.22 of a possible maximum of 5 in Table 4.8 above suggests that, taxation can be used to safeguard emerging industries to a moderate extent.

4.5 Test of Hypothesis

The research project employed one sample t test to evaluate significant impact of taxation on the various dependent variables. The hypotheses were tested with a p-value in the t-test result.

Where the p-values are greater than or equal to 0.05, the null hypotheses (H₀) are not rejected.

And where the p-values are less than 0.05, the null hypotheses (H₀) are rejected.

Table 4.9: One sample T-test statistics Result

	Test Value = 0.05				95% Confidence Interval of the Difference	
	T	Df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Taxation in Nigeria does not significantly affect income inequality	26.137	205	.000	3.762	2.41	3.62
There is no significant difference in taxation between goods considered "bad" and other goods in Nigeria.	23.561	204	.000	3.555	2.92	4.25
Taxation in Nigeria does not substantially contribute to government revenue generation	22.137	207	.005	2.562	2.31	3.92
Tax policies in Nigeria do not have a significant impact on promoting exports	23.561	204	.000	3.555	2.92	4.25
Taxation policies in Nigeria have no significant effect on controlling inflation	23.135	201	.000	3.531	2.41	3.59
Taxation does not play a significant role in protecting infant industries in Nigeria.	21.460	200	.000	3.423	2.90	4.17

Source: Computed by author using SPSS 23.0

Hypothesis One

Taxation in Nigeria does not significantly affect income inequality

Based on table 4.9, there is a significant impact of taxation on income inequality, this is substantiated with the p-value is less than 0.05 hence the alternate hypothesis is accepted that taxation significantly affect income inequality in Nigeria.

Hypothesis Two

There is no significant difference in taxation between goods considered "bad" and other goods in Nigeria.

Based on table 4.9, there is a significant difference in taxation between goods considered bad and other good goods in Nigeria, the observed p-value is less than 0.05, hence the null hypothesis is rejected and the alternate hypothesis is accepted.

Hypothesis Three

Taxation in Nigeria does not substantially contribute to government revenue generation

Based on table 4.9, taxation in Nigeria substantially contribute to government revenue generation, the observed p-value is less than 0.05, hence the null hypothesis is accepted and the alternate hypothesis is rejected.

Hypothesis Four

Tax policies in Nigeria do not have a significant impact on promoting exports

Based on table 4.9, tax policies have a significant impact on promoting exports, the observed p-value is less than 0.05, hence the null hypothesis is rejected and the alternate hypothesis is accepted.

Hypothesis Five

Taxation policies in Nigeria have no significant effect on controlling inflation

Based on table 4.9, tax policies in Nigeria have effect in controlling inflation, the observed p-value is less than 0.05, hence the null hypothesis is accepted and the alternate hypothesis is rejected.

Hypothesis Six

Taxation does not play a significant role in protecting infant industries in Nigeria.

Based on table 4.9, taxation play a significant role in promoting infant industries in Nigeria, the observed p-value is less than 0.05, hence the null hypothesis is rejected and the alternate hypothesis is accepted.

Discussion of Findings

This study investigated the impact of taxation on various economic aspects, including income inequality, consumption of commodities, revenue generation, export promotion, inflation control, and the safeguarding of emerging industries in Nigeria. The findings revealed significant effects of taxation in these areas, consistent with the broader literature. This

discussion section aligns the study's findings with those of related authors, offering an in-depth comparison and analysis.

Taxation and Income Inequality

The study found that taxation significantly impacts income inequality in Nigeria, corroborated by a mean score of 3.02 and a p-value of less than 0.05 in the one-sample t-test. This indicates a moderate influence of progressive tax policies on reducing income inequality. This finding aligns with the work of Piketty and Saez (2007), who emphasized the role of progressive taxation in mitigating income disparities. They argued that progressive tax systems, where higher income brackets are taxed at higher rates, help redistribute wealth and reduce inequality.

Similarly, Atkinson (2015) highlighted that progressive taxes and targeted tax credits are effective tools for income redistribution. Atkinson's research showed that countries with more progressive tax systems tend to have lower levels of income inequality. In the Nigerian context, this study's findings suggest that although progressive taxation exists, its impact on income inequality is moderate. This is consistent with Ogbonna and Appah (2012), who found that tax reforms in Nigeria have led to some improvements in income distribution, though challenges remain.

However, the study's findings also indicate that the perceived effectiveness of progressive taxes in Nigeria is less pronounced compared to more developed economies. This can be attributed to issues such as tax evasion, corruption, and inefficiencies in tax administration, as highlighted

by Bird and Zolt (2005). They noted that in developing countries, the implementation and enforcement of progressive tax policies face significant hurdles, which can undermine their effectiveness.

Taxation and Consumption of Commodity

The study revealed a high extent of impact of taxation on the consumption of commodities, with an average mean of 4.4. This suggests that certain goods should be heavily taxed due to their negative social or environmental impacts, and sin taxes effectively reduce consumption and improve public health. This is consistent with the findings of Chaloupka, Yurekli, and Fong (2012), who demonstrated that sin taxes on tobacco and alcohol lead to a significant reduction in their consumption, thereby improving public health outcomes.

Similarly, Fullerton, Leicester, and Smith (2010) argued that environmental taxes on goods promote sustainable practices and reduce pollution. Their research showed that taxing environmentally harmful goods can incentivize consumers to opt for greener alternatives, leading to environmental benefits. This aligns with the study's findings, which indicate strong support for environmental taxes among respondents.

The study also found that taxation of luxury goods helps redistribute wealth and influence consumer spending habits. This finding is supported by Stiglitz (2012), who argued that luxury taxes can serve as a tool for wealth redistribution and can help mitigate excessive consumption

by the wealthy. In Nigeria, this suggests that luxury taxes could play a role in addressing wealth disparities and promoting more equitable consumption patterns.

Taxation and Revenue Generation

The study found that taxation has a moderate impact on government revenue generation, with an average mean of 3.22. This is supported by the literature, which indicates that income taxes, corporate taxes, and VAT are significant sources of government revenue. For instance, Akitoby, Baum, and Hackney (2018) highlighted the importance of tax compliance and enforcement in maximizing revenue collection. They argued that effective tax administration and compliance are crucial for ensuring that taxes contribute significantly to government revenue.

Bird and Zolt (2005) also emphasized the role of corporate taxes in funding public services and infrastructure. Their research showed that corporate taxes are essential for generating revenue, particularly in developing countries where alternative sources of revenue may be limited. This aligns with the study's findings, which indicate that corporate taxes play a crucial role in revenue generation in Nigeria.

However, the study also found that changes in tax rates can significantly affect overall government revenue generation. This is consistent with the findings of Slemrod and Bakija (2008), who noted that tax rate changes can have complex effects on revenue, depending on factors such as the elasticity of taxable income and the extent of tax evasion. In Nigeria, this

suggests that policymakers need to carefully consider the potential revenue implications of tax rate adjustments.

Taxation and Export Promotion

The study found that taxation has a moderate impact on export promotion, with an average mean of 3.7. This indicates that export tax incentives and exemptions can make local businesses more competitive in the global market. This is consistent with the findings of Feldstein and Hines (1999), who argued that favourable tax policies promote the growth of export-oriented industries. Their research showed that tax incentives for exporters can effectively boost international trade by reducing the cost of exporting and enhancing the competitiveness of domestic industries.

Similarly, Desai, Foley, and Hines (2006) highlighted the role of tax credits and deductions for exporters in promoting international trade. Their research demonstrated that tax incentives can lead to significant increases in export volume and value. This aligns with the study's findings, which suggest that tax policies can positively affect export promotion in Nigeria.

However, the study also found that recent changes in taxation have not significantly affected export volume and value. This discrepancy could be due to implementation challenges or the need for more comprehensive tax reforms. As noted by Keen and Ligthart (2006), the effectiveness of tax policies in promoting exports depends on factors such as the design and administration of tax incentives, as well as the broader economic and regulatory environment.

Taxation and Inflation Control

The study found that taxation has a moderate impact on controlling inflation, with an average mean of 3.22. This suggests that tax policies can be effective in controlling inflation during periods of economic overheating. This finding is consistent with the work of Friedman (1978), who argued that tax policies can help manage demand-pull inflation by influencing aggregate demand. For instance, increasing taxes during periods of high demand can reduce disposable income and curb excessive spending, thereby helping to control inflation.

Similarly, Auerbach and Gorodnichenko (2012) highlighted the role of indirect taxes, such as sales tax and VAT, in influencing consumer prices and inflation rates. Their research showed that changes in indirect taxes can have significant effects on inflation, depending on the pass-through of tax changes to consumer prices. This aligns with the study's findings, which indicate that indirect taxes have a notable impact on inflation control in Nigeria.

However, the study also found that tax measures are not always more effective than other monetary policies in controlling inflation. This is consistent with the findings of Ball and Mankiw (1995), who noted that while tax policies can play a role in inflation control, they need to be complemented by other monetary and fiscal policies for maximum effectiveness. In Nigeria, this suggests that policymakers need to adopt a balanced approach, integrating tax policies with broader economic measures to effectively manage inflation.

Taxation and Safeguarding Emerging Industries

The study found that taxation can be used to safeguard emerging industries to a moderate extent, with an average mean of 3.22. This indicates that tariff protections and import taxes can support the growth of emerging industries. This finding aligns with the work of Rodrik (2004), who emphasized the importance of protective tariffs and import taxes in nurturing infant industries. Rodrik argued that temporary protectionist measures can help emerging industries develop and become competitive in the global market.

Similarly, Tirole (2010) highlighted the role of tax incentives for new and small businesses in promoting innovation and growth. His research showed that tax holidays and deductions for research and development can foster innovation and help small businesses compete against established companies. This aligns with the study's findings, which suggest that tax incentives can play a crucial role in supporting emerging industries in Nigeria.

However, the study also found that the long-term impact of protective taxation on the competitiveness and sustainability of infant industries can be mixed. This is consistent with the findings of Baldwin and Krugman (1989), who noted that while protective measures can provide short-term benefits, they need to be carefully managed to avoid creating long-term dependencies and inefficiencies. In Nigeria, this suggests that policymakers need to design protective tax measures that support emerging industries without stifling competition and innovation in the long run.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusions, recommendations, and suggestions for future research based on the analysis of the study on tax and income redistribution. The study aimed to explore the impact of taxation on income inequality, commodity purchase, export promotion, inflation control and protecting infant industries.

5.2 Summary of Findings

The study's analysis led to several key findings:

- i. Taxation in Nigeria significantly affect income inequality.
- ii. There is a significant difference in taxation between goods considered "bad" and other goods in Nigeria.
- iii. Taxation in Nigeria substantially contribute to government revenue generation.
- iv. Tax policies in Nigeria have a significant impact on promoting exports.
- v. Taxation policies in Nigeria have significant effect on controlling inflation.
- vi. Taxation plays a significant role in protecting infant industries in Nigeria.

5.3 Conclusion

The study concludes that taxation is a crucial tool in addressing various economic challenges in Nigeria. Progressive tax policies are effective in reducing income inequality, though their impact is moderate due to implementation challenges. Taxation also significantly influences the consumption of certain goods, government revenue generation, export promotion, inflation control, and the protection of emerging industries.

Effective taxation policies can lead to a more equitable distribution of wealth, healthier consumption patterns, enhanced government revenue, increased exports, controlled inflation, and the growth of nascent industries. However, the effectiveness of these policies is contingent upon efficient tax administration, compliance, and the integration of complementary economic measures.

5.4 Recommendations

Based on the findings, the following recommendations are proposed:

- i. Improve the efficiency and effectiveness of tax collection systems to reduce evasion and increase compliance.
- ii. Enhance the progressivity of the tax system to ensure that higher income earners contribute a fairer share of their income.
- iii. Increase taxes on goods with negative social and environmental impacts, such as tobacco, alcohol, and pollution-intensive products.

- iv. Provide tax incentives and exemptions to export-oriented industries to enhance their competitiveness in the global market.
- v. Utilize indirect taxes judiciously to manage demand-pull inflation while minimizing the burden on low-income consumers.
- vi. Offer targeted tax incentives, such as tax holidays and deductions for research and development, to support emerging industries.

5.5 Suggestions for Future Studies

Future research should focus on the following areas:

- i. Perform comparative analyses of tax systems in different developing countries to identify best practices and lessons that can be applied to Nigeria.
- ii. Investigate the effectiveness of various tax incentives in promoting exports and supporting emerging industries, with a focus on specific sectors.
- iii. Study the integration of tax policies with other economic measures, such as monetary and fiscal policies, to achieve broader economic objectives.
- iv. Explore the impact of technological advancements on tax administration and compliance, and how they can be leveraged to improve tax systems.

5.6 Contribution to Knowledge

This study contributes to the existing body of knowledge by providing empirical evidence on the impact of taxation on various economic aspects in Nigeria. It highlights the significant role of taxation in addressing income inequality, influencing consumption patterns, generating government revenue, promoting exports, controlling inflation, and protecting emerging industries. The findings underscore the importance of efficient tax administration and the need for complementary economic measures to maximize the benefits of taxation policies. This research provides a foundation for policymakers to design and implement more effective tax policies that can drive sustainable economic development in Nigeria and other developing countries.

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APPENDIX
QUESTIONNAIRE

Tax and income Redistribution in Nigeria.

Department of Accounting,
Faculty of Management Sciences,
University of Benin,
Benin City.

Dear Participants,

Obasogie a student of the above department is carrying out a study on Accounting, I therefore solicit for your responses, all your response will be treated confidentially.

Please answer the following questions honestly and to the best of your knowledge. Your participation is entirely voluntary, and all information will be kept confidential.

Yours faithfully,

Obasogie

(Researcher)

Section A: Demographic Information

1. Gender: Male [] Female []
2. Age: 18-20 years [] 21 – 24 years [] 25 – 30 years [] 31 and above []
3. Educational Qualification: SSCE [] BSc./HND [] Masters []
4. Marital Status: Single [] Married [] Divorced [] Widow [] Widower []
Complicated []

Section B: Respondents Responses

SA – STRONGLY AGREE

A - AGREE

SD – STRONGLY DISAGREE

D – DISAGREE

S/N	ITEMS	SA	A	SD	D
1.	Determine the impact of taxation on income inequality				
2.	Progressive tax policies have significantly reduced income inequality in my country.				
3.	Major tax reforms have led to noticeable changes in income distribution.				
4.	Tax credits and deductions substantially increase the disposable income of low-income households.				
5.	There are significant differences in income inequality trends between regions with different tax policies.				
6.	Inheritance and wealth taxes help reduce income inequality.				
7.	Determine if certain goods are considered bad in taxation				
8.	Certain goods should be heavily taxed due to their negative social or environmental impacts.				
9.	Sin taxes (e.g., on tobacco, alcohol) effectively reduce consumption and improve public health.				

10	Some goods currently taxed should not be taxed.				
11.	The taxation of luxury goods helps redistribute wealth and influence consumer spending habits				
12.	Environmental taxes on goods promote sustainable practices and reduce pollution.				
13.	Understand how taxation generates revenue for the government				
14.	Income taxes are a major source of government revenue compared to other forms of taxation.				
15.	Changes in tax rates significantly affect overall government revenue generation.				
16.	Corporate taxes play a crucial role in funding public services and infrastructure.				
17.	Sales taxes and VAT constitute a significant portion of the total tax revenue collected annually.				
18.	Effective tax compliance and enforcement substantially increase the amount of revenue collected.				
19.	Demonstrate the effectiveness of taxation in promoting exports				
20.	Export tax incentives and exemptions make local businesses more competitive in the global market.				
21.	Favorable tax policies promote the growth of export-oriented industries.				
22.	Tax credits and deductions for exporters effectively boost international trade				
23.	Recent changes in taxation have positively affected export volume and value.				
24.	Taxes on imports help encourage domestic production and export activities.				
25.	Determine how taxes are used to prevent inflation				
26.	Tax policies are effective in controlling inflation during periods of economic overheating.				

27.	Indirect taxes (e.g., sales tax, VAT) have a significant impact on consumer prices and inflation rates.				
28.	Adjustments in tax rates help manage demand-pull inflation.				
29.	Tax measures are more effective in controlling inflation than other monetary policies.				
30.	Investigate how taxes are utilized to protect infant industries				
31.	Tariff protections and import taxes support the growth of emerging industries.				
32.	Tax incentives for new and small businesses help them compete against established companies				
33.	Tax holidays and deductions for research and development foster innovation and growth in infant industries.				
34.	Tax subsidies are crucial during the initial stages of industry development.				
35.	Protective taxation has a long-term positive impact on the competitiveness and sustainability of infant industries.				