

**TAX REFORM AND ECONOMIC DEVELOPMENT IN NIGERIA**

**BY**

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**JUNE, 2024.**

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**BEING PROJECT WORK SUBMITTED TO THE DEPARTMENT OF  
TAXATION, FACULTY OF MANAGEMENT SCIENCES,  
UNIVERSITY OF BENIN.**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE  
AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN taxation**

**JUNE, 2024.**

## DECLARATION

I declare that:

- I. This project is based on a study undertaken in the Department of taxation ,  
University of Benin under the supervision of **Dr. Jude Aruomoaghe**
- II. This work has not been previously submitted for the award of degree elsewhere
- III. All ideas and view are products of my personal research and that of my supervisor  
and where the views of others have been expressed, they have been duly  
acknowledged.

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**OSARUMWENSE IZIEGBE**

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**DATE**

## CERTIFICATION

We certify that this project work was carried out by Osarumwense iziegbe with matriculation number Mgs1907862 in the Department of taxation , University of Benin, Benin City.

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**Date**

## DEDICATION

I dedicate my project work to Almighty God. who is always there when I am in need, thank you for guiding me and giving me strength in my everyday life, thank you for always looking out for me and being there for me, thank you for making all this happened and ended in a good outcome .i love you lord

To my dear parents and siblings thank you for giving me the support I needed in this first step of accomplishing my dreams, I hope this will make you proud of me as much as I am proud of having you guys as my family .I love you guys so much

To all my very diligent professors and lecturers I also dedicate this to all of you for you have shared your knowledge and effective teachings to me .Thank you very much

And to those who have contributed in many ways to the success of this study and made it an unforgettable experience for me .Thank you

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## **ABSTRACT**

This study looks at tax reforms and economic development of Nigeria with the major objectives of identifying the relationship that exist in the reforms on Company Income Tax (CIT), Value Added Tax (VAT), Capital Gains Tax (CGT) compliance and investment (INV) and the economic development of Nigeria. Secondary data were extracted from the verified sites of the federal inland revenue service and the central bank of Nigeria. The regression analysis was used to identify the impact of the relationship between the dependent and independent variables under study. It was discovered that; there is a positive and significant relationship between economic development proxy by GDP and CIT, CGT and INV. However, a negative relationship exist between GDP and VAT. It was recommended that; government should continue its reforms in the areas of company income tax, capital gains tax and compliance and investment.

## CHAPTER ONE

### 1.8. BACKGROUND OF THE STUDY

Tax collection is an essential instrument utilized by the public authority to create income (Konrad, 2014). Income created by individuals, Cooperative organizations, and government parastatals decides the degree of financial infrastructural arrangement and the expectation for everyday comforts of individuals. From antiquated times, public money was significantly funded through taxes frequently forced on subjects by the public authority in influence. Incomes might be obtained from taxable and non-taxable sources, oil and non-oil, inside and remotely produced, among different sources or characterizations, tax income is one of the most potent, dependable, and productive of income for creating better economies (Ibrahim, 2021). Nzotta, (2017) affirmed that taxes for the most part have portion, appropriation and adjustment capabilities. Nwezeaku, (2015) contends that the extent of these capabilities depends, in addition to other things, on the political and monetary direction of individuals, their necessities and goals, and their eagerness to make good on charge. Subsequently, this determines the extent to which a government can perform its functions depends largely on the ability to design tax plans and administration.

The primary objective of any economic system, whether it is market-based or centrally arranged, is to raise per capita income, which should be possible through raising efficiency levels. Development in per capita output is a factor of economic welfare

(Bachama et al, 2021). notwithstanding work and actual capital, human resources are the most huge and promising wellspring of expansion in efficiency and monetary development. Innovation and gear are manifestations of human personalities, and no one but individuals can make them helpful. Any useful program's prosperity relies upon the creativity and resourcefulness of individuals.

The public authority should raise funds to pay for the necessities of day-to-day existence, and to do this, it should exact duties on its kin. At the point when residents in Nigeria contribute time, exertion, and different assets into making good on charges but don't get or see the advantages of doing as such, it very well may be challenging for them to do as such. The 2019 Finance Bill, which directs organizations, diminishes the weight of consistency on little and medium-sized organizations, guarantees that Nigeria's assessment framework is straightforward, supports investor commitment, and encourages a climate that is helpful for business, was endorsed by the Senate on March 10, 2020, (Gbeke & Nkak, 2021). They accept that the economy of the country is seriously hampered by the public authority's hurried quest for elective tax revenue sources and the broadening of the country's income bracket base during the time which has to do with Nigeria's weighty dependence on pay from unrefined petroleum.

Khabel and Nwokah, (2019). distinguished the fall in government income as a lot of freedom in the oil and gas area as a significant wellspring of income age and investing no serious energy into tax collection, not until 2016 fall in cost which took serious work on

the unrefined petroleum market and economy at large. This rate prompts the public authority to invest more energy into tax assessment and the event of the occurrence of different tax collections. Tax collection as a significant wellspring of government income is intended to cultivate the development and improvement of individual countries if sufficiently gathered and appropriately used. This process will be guided by concepts of taxation, economic development and how taxation can foster development.

Tax reform is a strategy for changing how the government collects and administers taxes, it is an effort to address flaws in the current tax system and could result in the adoption of a new tax rate and assessment tool to enhance its effectiveness (OECD, 2010). Emeneka, 2021. Measures are taken to strengthen modern taxes and greatly minimize the complexity and lack of accountability of the system through tax reform. He further believed that tax reform helped to decrease the weight of tax charges on all residents, make the assessment framework more innovative and less backward, and simplify it by making it more responsible and intelligible. Thus, Tax reform is an essential device for the monetary strategy that intends to further develop income assortment. Tax reforms are a two-dimensional system that calls for modifying how taxes are gathered and managed by the tax authority to build Gross domestic product and public benefits while likewise helping the general population monetarily and socially (Okeke, et al 2018).

Tax reform is ordinarily carried out to build the viability of expense assortment and to advance the social and monetary benefits that the duty framework can give. An expense

is depicted as a monetary charge imposed on such citizen by a state or what might be compared to a state, on a citizen (an individual or lawful substance). A tax can appear as immediate duties on riches and pay, (for example, property taxes, and corporate and personal income taxes), as well as circuitous expenses on utilization, (for example, Value added tax (VAT) and exercise levies). Tax reform can bring down income aversion and avoidance while empowering a more compelling and fair expense assortment that can finance public administrations and merchandise. It could build the supportability of income levels and empower future freedom from unfamiliar guides and regular asset acquisition. Disparity issues can be tended to through pay reallocation and conducting change through upgrading monetary development (Bachama et al, 2021).

Furthermore, overall economic imbalances showed that the country was away from convergence, reflecting worsening social and human development indices (Ajakaiye et al. 2016). These included jobless growth, poverty and laggard development, also providing compelling evidence for diversification and the need to raise non-oil revenues. However, this will require strategic economic policies and improvements in domestic revenue administration such as greater taxpayer engagement, transparency, tax base expansion, improvement in remittance systems, adoption of modern and innovative technology, review of existing tax incentives<sup>1</sup> and focused compliance drives across all tax types including value-added tax (VAT), company income tax (CIT), and customs and excise duties (CED). In response, the government has initiated diversification plans and

programs aimed at widening the country's revenue sources. These include the rebasing of the country's gross domestic product (GDP) to capture new sectors such as telecommunication and entertainment (Taiwo et al., 2015). Similarly, the Taxes and Levies.

(Approved List for Collection) Act CAP. T2 L.F.N 2004 was amended by regulation in 2015 to regularize and streamline the range of taxes collectible by States to ultimately increase their revenue. More recently, States were enjoined by the Federal Government through the development of a Fiscal Sustainability Plan (FSP) to drive improvements in public revenue and its administration. Recommended actions within the FSP included the need for States to introduce a treasury single account, improve their tax receipts and administration to boost revenue; including the review of obsolete revenue laws (FMOF, 2016).

ICAN articles on tax reform and challenges (2012) give full details on the history of the tax reform era led by Alhaji Shehu Musa in 1978 and by Prof. Emmanuel Ezedion in 1992 the article also give details into the tax reform amendment 2002. The Federal Government had taken far-reaching steps aimed at reforming the nation's tax system before the pre-2002 reform efforts. Among these are;

The 1978 Task Force on Tax Administration was headed by Alhaji Shehu Musa. The major thrusts of the report of the task force are;

- Introduction of the Withholding Tax (WHT) regime
- Imposition of 10 percent special levy on the Bank's excess profits
- Imposition of 21/22 percent turnover tax on building and construction companies.

The 1992 Study Group on Nigerian Tax System and Administration headed by Professor, Emmanuel Edozien, recommended;

- The establishment of FIRS as the operational arm of FBIR and
- Setting up of Revenue Services at the other tiers of government (State and Local Governments).

The 1992 Study Group on Indirect Taxation headed by Dr. Sylvester Ugoh recommended a policy shift from direct taxation to indirect/consumption (VAT evolved).

The tax reform process commenced in Nigeria on August 6, 2002, after a series of proposals forwarded by the institute to the federal ministry of finance by a study group eventually inaugurated to examine the tax system and make appropriate recommendations to the government, on ways to entrench a better Tax Policy and improve tax administration in the country.

Distinguished participants, it is instructive to note that the Study Group on the Review of the Nigerian Tax system was inaugurated on August 6, 2002, with the 11-Point Terms of Reference. The Study Group which had three members of our Institute, was set up to take

a critical look at the existing tax laws, the inherent lapses and proffer ways and means of enhancing the tax system through feasible recommendations. A comparative analysis showed that the Terms of Reference of the 2002 Study Group were broader in scope than the 1991 Study Groups in that while the latter's exercise covered the review of direct taxes under the jurisdiction of Federal and State Revenue Services, the 2002 exercise was more comprehensive as it covered the entire gamut of taxes at Federal, State and Local Government levels. The Study Group had its main Report in 20 Chapters of 17 volumes. In all, about 39 taxes, levies and fees, including 8 Federal, 11 State and 20 Local Government taxes and levies captured in the taxes and levies (Approved list of collection) Decree No. 21 of 1998 were thoroughly appraised by the Group consequent upon which study recommendations were made to the Federal Government. Some of its recommendations include;

- Nigeria to have a 24-clause national tax policy;
- Compilation of registers of individuals and corporate tax payers and also issuance of smart tax identity cards for all taxpayers;
- Raising of the threshold of personal income tax up to N200,000, consolidation of personal income tax-free allowances to a single bulk of 40% of assessable income and the highest income rate should be 20%;

- Limitation of special tax incentives such as tax holidays and import duty reliefs to only industries located in rural areas, fully export-oriented industries, solid minerals production companies and oil and gas operations;
- A company to make a profit before being exposed to companies' income tax in any assessment year;
- Reduction of companies' income tax rate to 20% from the current 30% rate;
- Companies with less than N50,000,000 to henceforth pay its companies' income tax to the state where it operates;
- Speedy constitutional amendments to confirm the legality of Value Added Tax (VAT) which should be shared among states after 3% had been deducted as part of its administration cost nationwide; and
- Local government to charge tenement rates capitation rates and other clear-cut user charges for services directly beneficial to the citizens only.

After a thorough appraisal of the technical issues involved in the implementation of its far-reaching recommendations, the Group also suggested a tax environment where the taxpayer is registered as the “King” and a tax system with a “human face” as a strategic option of achieving the broad policy of its sundry recommendations. The Study Group submitted its report in July 2003.

A private sector group was constituted on 12 January 2004 and was fundamentally based on the issues covered by the Study Group's report of 2003. The Working Group was mandated in its Terms of Reference to "critically evaluate the recommendations of the Study Group and propose a prioritized set of strategies whose implementation would give effects to the reform of the Nigerian tax system, which was grouped into;

- a) Short Term: Within 6 months of submission of the WG's Report
- b) Medium Term: Within 2 years of submission of the WG's Report
- c) Long Term: within 5 years of submission of the WG's Report.

Both Groups addressed macro and micro issues in tax policy and administration. Among the macro issues discussed were the drafting of a National Tax Policy, Taxation and Federalism, Tax Incentives and Tax Administration generally.

President Bola Ahmed Tinubu the current executive president inaugurated on July 7, 2023, a new tax reform committee led by Taiwo Oyedele to remove all impending issues affecting business growth not yet recognized by the previous reforms example is the situation of multiple taxes (Ogbolu, 2023).

Nigeria practices and allows a flexible taxation system that flows directly with the position of the economy. Thus, tax reform is a tool used by the government to eradicate, adjust, and enact the position of tax laws through its Finance Act. This study will focus

on the various reforms undertaken by the government and their effect on tax revenue and Nigeria's economic development.

## **1.9. STATEMENT OF THE PROBLEMS**

Several studies have been used to determine how various tax reform acts affect economic development, taxpayer's attitudes to tax compliance and how it affects the standard of living of people bringing out different results and endnotes. Some studies show tax reforms always tend to improve economic development but affect the standard of living of taxpayers. Other studies believe tax reform is a tool for improving taxpayer's purchasing power but not Nigeria's economic development. Chika, Oshiwemoh and Eke,2020. Illustrate tax reform as a strategy for changing how the government collects and administers taxes to improve taxpayer compliance then add the importance of effort of trying to balance it with the taxpayer's ability to pay by reducing aggressiveness and encouraging self-assessment.

Other studies indicate the desperate means of government using taxes as a means of meeting short-term budget and reducing the deficit by introducing new tax reforms with multiple which can bring a heavy tax burden on taxpayers and also discourage tax compliance. McKerchar and Evans (2009) emphasized that no tax is better than its administration, so tax administration matters a lot and that, the essential objective of tax administration is to ensure the maximum possible compliance by taxpayers of all types with their taxation obligations. Supporting this view, Bird (2015). argued that tax

administration can play a critical role, not only in shaping economic development but in developing an effective state. In most countries, especially in Africa, multiple taxes are collected from taxpayers; there is the problem of evasion, non-compliance, corruption, and coercion on the part of the regulatory body and efficiency in tax revenue productivity. There are numerous taxes collected by the government that often lead to the payment of double taxation by the citizenry, causing tax administration inefficiency of not being able to separate the taxes from each other.

James and Nobes (2008) decried the inability of tax policy to meet up with efficiency and equity criteria against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcomes that are in line with the overall goal (James and Nobes 2008).

According to the Presidential Committee on tax policy (2008), “Nigeria needs a tax policy which does not only describe the set of guiding rules and principles, but also provide a stable point of reference for all the stakeholders in the country and upon which they can be held accountable. Unfortunately, most policy changes in Nigeria are without adequate consideration of the taxpayers, administrative arrangements, and cost plus the existing taxes. This has in no small measure hindered the nation's tax system's effective implementation and goal congruence (Bird and Oldman 1990). James and Nobes (2008) in their knowledge of tax reform stated as follows “The best approach to reforming taxes is one that takes into account taxation theory, empirical evidence and political and

administrative realities and blend them with a good dose of local knowledge and a sound appraisal of the current macroeconomics and international situation to produce a feasible set of proposals sufficiently attractive to be implemented and sufficiently robust to withstand changing times, with reason and still produce beneficial results". James and Nobes also acknowledge the inability of tax policy to meet with efficiency and equity criteria against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcomes that are in line with the overall goal.

This study will focus on the attempt to close the gap in the previous studies by examining thoroughly the effect of tax reform on Nigeria economic development and also determine the extent of its effectiveness toward revenue generation.

#### **1.10. RESEARCH QUESTIONS**

This study will help to widen the understanding on tax reform by providing an answer to these questions generated from this research which are;

1. What is the impact of tax reform acts on company income tax it effects on Nigeria economic development?
2. What is the effect of tax reform acts on value-added tax collection on Nigeria economic development?

3. Does tax reform improve revenue accrued from capital gain tax?
4. Does tax reform encourage an avenue for tax compliance and investment contribution to Nigeria economic development?

### **1.11. OBJECTIVES OF THE STUDY**

The general objective of this study is to empirically examine the relationship between tax reform and Nigeria's economy and how it affects the economic development of Nigeria.

The specific objectives are to;

1. Determine the Impact of tax reform acts on company income tax and its effect on Nigeria economy development;
2. Determine the effect of tax reform acts on value-added tax collection on Nigeria economy development;
3. Evaluate the performance of tax reform acts on revenue accrued from capital gain tax and its impact on Nigeria economy development;
4. Investigate the impact of tax reform acts on taxpayer's compliance and investments contribution to Nigeria economy development.

### **1.12. RESEARCH HYPOTHESIS**

Arising from the study objectives are the following hypotheses all stated in their null forms and will be tested subsequently for this study;

H0<sub>1</sub>: There is no relationship between tax reform and economic development.

H0<sub>2</sub>: There is no relationship between Value-added tax and economic development.

H0<sub>3</sub>: There is no relationship between capital gain tax and economic development.

H0<sub>4</sub>: Tax reform has a negative impact on taxpayer's compliance and investment contributions to Nigeria economic development.

### **1.13. SCOPE OF THE STUDY**

This study will focus on the significant effect of tax reform on Nigeria economic development and its effects on taxpayer compliance. This study will put into measure the outline variables specified in the objectives; revenue realized from company income tax, value-added tax, capital gain tax, and its effect on taxpayer's compliance and investments as the basis of establishing a measurable result for the study. The study will make use of mixed-method research using both the quantitative and qualitative methods (casual comparative and survey analysis). Also, FIRS tax statistical Report, CBN statistical bulletin and survey approach will be used in data gathering as the core for data analysis

and the availability and reliability of data to be conducted will be on time frame from 2004 -2022.

#### **1.14. SIGNIFICANCE OF THE STUDY**

This study on tax reform and Nigeria's economic development will help to give more information on how the government implements tax reform as a tool in improving the condition of the standard of living, meeting the national expenditure, and promoting a sustainable economy.

This study also helps to give details on how company income tax, value-added tax, capital gain tax, and the effect on taxpayer's compliance and investment in Nigeria through its implemented data and measuring tools, as well as the overall effect on Nigeria economy.

This study will benefit tax stakeholders by providing more insight into how the government tends to improve tax administration and collection by introducing favorable tax reform acts that can have a significant impact on the current economy and also provide the process to follow when making decisions by tax reform committee members appointed by the government with the sole goal of implementing new tax reforms.

### **1.15. LIMITATION TO THE STUDY**

The limitation of this study is based on the time frame, the data available may not be in line with the current economic situation of the country. Tax reform actions are not time specific while tax revenue is time specific i.e., company income tax, tertiary education tax, and police trust fund imposed on companies' revenue are assessed against the next year (previous year basis) which shows that tax reform put in place for 2023 cannot affect the income realized on 2022 that are assessed on 2023 which is also the integral tools for budget planning for the period.

Another limitation of this study is the consistent changes in tax reform and different financial acts can occur in one year making it hard to understand the real behavioral patterns of the taxpayers and compliance for the period. This study will help to mitigate the limitation to these theses by using data collated from FIRS statistical report and CBN statistical bulletin from 2004 – 2022.

## **CHAPTER TWO**

### **2.1. INTRODUCTION**

This section gives complete detail on the tax reform act and Nigeria economic development using a literature review comprising of conceptual review, theoretical review and empirical review for the study.

### **2.2. CONCEPTUAL REVIEW**

#### **2.2.1 NIGERIA TAXATION SYSTEM**

Taxation is an instrument of revenue generation, economic implementation, citizen consumption check and promoting standard of living (Oyedokun, 2020). Taxation can be traced back to the ancient history of the pre-colonial era where the various ethnic groups had various ways of imposing their taxes. It is a well-known and settled fact that before the advent of colonialism in what is today known and called Nigeria there existed some form of direct tax administration in the Nigeria region. Direct taxation was well organized, institutionalized and accepted as a form of revenue generation in the Caliphate and the Emirates before the coming of the colonial masters (Johnson, 1967).

Taxation policies were developed in Africa during the colonial period as wealth began to flow into Europe from its colonies. Great Britain enforced the first general income tax in 1799, to help finance their war against Napoleonic France and this tax was scaled according to income, much like the income taxes levied in most modern systems

(Quentin, 2010). The history of taxation in Nigeria can be traced to the native rule even before the colonial era when traditional ways of collecting taxes were practiced. The British colonialists capitalized on the administrative system in the North by introducing the indirect rule that harmonized all the traditional taxes under the Native Revenue Proclamation No. 4 of 1904 as well as the Native Revenue Proclamation No. 2 of 1906. Taxation was introduced into the Western part of the country in 1918 through the enactment of the Native Revenue Ordinance. In 1927, the Native Revenue (Amendment) Ordinance was enacted and consequently, taxation was introduced into the Eastern Province, Warri Province and Asaba Division, though it met with some resistance. Various ordinances that were enacted include the Non-Native (Protectorate) Ordinance of 1931 which was replaced with the Ordinance of 1937. The Native Direct Taxation (Colony) Ordinance of 1937 was followed by the Colony Taxation Ordinance of 1937. These ordinances were replaced with the Direct Taxation Ordinance No. 4 of 1940 and the Income Tax Ordinance No. 3 of 1940. The Direct Taxation Ordinance applied to all Nigerians, excluding those residing in Lagos. Other laws were also enacted in 1943 such as the Income Tax Ordinance of 1943 and Direct Taxation (Amendment) of 1943 and they abrogated those of 1940 (Abdullahi, 2014; Fakile, 2011). Nigeria became a federation in which the assessment and collection of taxes were carried out by regional governments regarding taxes paid by Africans. In 1962, the regional governments were allowed to access and collect taxes from non-Africans. The Eastern region was the first to

enact the law that replaced the Direct Taxation Ordinance. The region passed the Finance Law No.1 of 1956, which introduced the Pay-As-You-Earn (PAYE) tax. The Eastern Region Finance Law of 1962 repealed that of 1956 and the law was adopted by Eastern states with amendments. In 1957, the Western region enacted the Income Tax Law 1957, which repealed the Direct Taxation Ordinance of 1943. In 1961, another law came into effect in the Western region, which introduced PAYE and it was also applicable to non-Africans. The law was later adopted by the Western states but with 1993 Tax Administration and Taxpayers' Compliance in Nigeria amendments (Danshe, 2018). The Northern Region joined the other regions in 1962 by enacting the Northern Nigeria Personal Tax Law. In 1961, the Federal Capital Territory enacted a law known as the Personal Income Tax (Lagos) Act, which applied to the territory and it repealed the Income Tax Ordinance of 1943. In 1970, Lagos State passed an edict, which adopted the Federal Government Personal Income Tax (Lagos) Law Amendment Edict of 1968. This edict of 1968 had only been applied in Lagos. An effort was made to harmonize all the taxes in the federation by enacting the Income Tax Management Act of 1961, which addressed certain issues such as the determination of residence, chargeable income and taxation of partnership, among others. Still, it did not fix a uniform tax rate, allowances and relief for the country (Danshe, 2018). The establishment of the Joint Tax Board by the Income Tax Management Act of 1961 was another attempt to harmonize all the taxes in the country but unfortunately, the Board could not achieve this. In 1975, the Federal

Military Government took a bold step toward the harmonization of the tax rates, allowances and reliefs by promulgating the Income Tax Management (Uniform Taxation Provisions) Decree No. 7 of 1975, which amended the Income Tax Management Act of 1961 and the Income Tax, Armed Forces and Other Persons (Special Provisions) Decree No. 51 of 1972. The Decree No. 7 of 1975 provided for uniform taxation in respect of Personal Income Tax. It unified all rates, reliefs and allowances throughout the country (Dandhe, 2018). The Income Tax Management Act of 1961 was amended severally until it was repealed by the Personal Income Tax Decree 1993. This Decree also repealed the Income Tax, Armed Forces and Other Persons (Special Provisions) Decree No. 51 of 1972. The Personal Income Tax Decree of 1993 is still in force with the amendments of Decrees 30, 31, and 32 of 1996; Decrees 18 and 19 of 1998; Decree 30 of 1999, Personal Income Tax Act (Cap P8 LFN 2004) and Personal Income Tax (PIT) Amendment Act No. 20 of 2011 (Abdullahi, 2014; Fakile, 2011). The PIT is subject to taxation, based on the provision of Personal Income Tax Act (PITA) of 1993 (as amended). PIT covers the Taxation of Sole Trader, Taxation of Partnership, Taxation of Settlements, Trust and Estates. Tax Administration is the process and procedure involved in the management of taxes in a country. An effective and efficient tax administration system is integral to any country's well-being; it is as a result of this that Baurer (2005) believes that the tax administration should provide a level playing field for all taxpayers to meet their tax-filing and paying requirements. The rationale behind the whole system of tax is consistent

with two major theories of tax namely; the Ability-to-Pay Principle and the Equal Distribution Principle. These two principles stress equality and fairness while the Ability-to-Pay system believes 1994 Tax Administration and Taxpayers' Compliance in Nigeria that individuals should be levied taxes based on their ability to pay, the Equal Distribution Principle suggests that income, wealth, and transaction should be taxed at a fixed percentage; that is, people who earn more and buy more should pay more taxes, but will not pay a higher rate of taxes (Dashi, 2018). The purposes of taxation can be fulfilled if and when citizens pay their taxes regularly and correctly. Governance will be strengthened; the economy will be buoyant in meeting the state's needs and as a strong component for nation-building (Oyedokun 2019). McKerchar and Evans (2009) emphasized that taxes and tax systems are strong components necessary for nation-building, which enable states to carry out their goals and also shape the balance between the accumulation and redistribution of wealth that gives states their social character in line with the Social Contract Theory (Appadorai, 1974). Despite all the benefits derived from taxation, as funds utilized by the government for the benefit of the citizenry, it has been observed that only the minority pay their taxes in Nigeria (Emeneka, 2021). Taxpayers are not always willing and ready to comply when it comes to the fulfillment of the obligations imposed on them by law (Adesina & Uyioghosa 2016). This limits the fundamental goals and aspirations of tax administrators, whose duties are to process the collection of taxes and give the necessary procedure of creating necessary awareness that

will make people pay their taxes. Tax administration is faced with the challenges of non-compliance and loss of revenue to the government by limiting funds for the execution of national projects (Alabede, 2014). McKerchar and Evans (2009) emphasized that no tax is better than its administration, so tax administration matters a lot and that, the essential objective of tax administration is to ensure the maximum possible compliance by taxpayers of all types with their taxation obligations. Supporting this view, Bird (2015) argued that tax administration can play a critical role, not only in shaping economic development but in developing an effective state. In most countries, especially in Africa, multiple taxes are collected from taxpayers; there is the problem of evasion, non-compliance, corruption and coercion on the part of the regulatory body and efficiency in tax revenue productivity. There are numerous taxes collected by the government that often lead to the payment of double taxation by the citizenry, causing tax administration inefficiency of not being able to separate the taxes from each other

Taxes can be grouped into direct taxes and indirect taxes. Direct tax is a type of tax that is charged exactly to an individual or an organization, and which the individual or organization is required to pay by way of a notice known as an assessment notice. A taxpayer must have been informed of such tax payments (Gbeke & Nnak, 2021). The Direct are taxes that are remitted directly to the government by companies and individuals (Omodero et al., 2021). Types of taxes that fall under direct tax include Petroleum Profit Tax, Withholding Tax, Capital Gains Tax, Company Income Tax and

Stamp Duties. Indirect taxes are taxes whereby the tax burdens are not borne by the individuals or organization imposed upon them but are transferred to other individuals who will then bear the tax burdens. They are charged on goods and services where the tax burden doesn't fall on the initial buyer but on the final consumers (Abomoye, 2017) & (Omodero, 2021).

This study will give more details into the various tax reforms which had been introduced to reform these taxes i.e. company income tax, value-added tax and capital gain tax.

### **2.2.2. TAX REFORMS ACT IN NIGERIA**

Bamidele, (2018). In his book critical analysis of the newly enacted finance act 2020, describes finance acts as reformative law aimed at the tax sector. It deletes, amends and adds to the provisions of existing tax laws. The Finance Act was introduced by the Nigerian government to bring about adaptation of Nigeria tax law to the flexible economy trend and it promotes fast response solutions to an existing situation. According to the institute of development studies, (2020). tax reform is a process of changing how the government collects and administers taxes to enhance tax administration or bring about economic or social benefits. Tax reform is frequently implemented to enhance the effectiveness of tax collection and to maximize the economic and social benefits that the tax system may provide (Emeneka, 2021).

Nigeria tax reform has experienced various series of reforms since 1904 to date. The effect of the various reforms in the country is as follows the introduction of income tax in Nigeria between 1904 and 1926, the grant of autonomy to the Nigerian Inland Revenue Services in 1945, the Raisman Fiscal Commission of 1957, the formation of Federal Inland Revenue Board in 1958, The promulgation of the petroleum profit tax management act 1961 and the tax policy administration reform and amendment of 2001 to 2004. To enhance the quality and impact of the reform the government introduced a study group on Nigeria's tax system consisting of individuals from business, academic field and the government parastatal to study the present tax law and recommend appropriate reform in general and their overall impact on the economy (Appah & Ogbonna, 2012).

According to Alli, (2009). Nigeria's over-dependence on oil revenue has made the federal government reform the existing tax laws. The objectives of tax reforms in Nigeria are: to bridge the gap between the National and the funding of the needs; to ensure taxation, as a fiscal policy instrument, to achieve improved service delivery to all; to improve on the level of tax derivable from non-oil activities, vis-à-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 and taxpayer-friendly and to achieve other fiscal objectives.

The government tends to use tax reform to eradicate the rigid process of steps in repealing tax laws which makes it easier for tax stakeholders to quick changes in implementing the various newly introduced tax laws through the Finance Act. Tax reform act helps to safeguard the promote the urgent need to diversify the revenue portfolio of the country to prevent the volatility of crude oil prices and also to promote sustainability and economic viability at lower tiers of government.

Secondly, it is suitable for the cash budget which is channeled toward expenditure proposal to revenue projections. Therefore, revenue projection is of utmost importance for implementing an appropriate framework for sustainable fiscal policy management. This trend of fiscal management tends to promote fiscal consistent task reforms act to balance the budget. Thirdly, Nigeria tax system puts more concentration on petroleum taxes and excise duties while some direct and indirect taxes like value-added tax are ignored. This structural problem of the tax system which possesses flexibility and the ability to expand can be corrected by tax reform acts making the approach appealing to Nigeria's fiscal policy measures (Tosin & Abizadeh, 2005).

#### **2.2.2.1. TAX REFORMS ACTS ON COMPANY INCOME TAX**

Company income tax is a government-imposed tax on the earnings and profits of businesses in the country. The Companies Income Tax Act is the law that governs the administration of Companies Income Tax. The law which was first passed in 1971, has been amended numerous times, the most recent being in April of 2009. The Companies

Income Tax (CIT) is a tax imposed in Nigeria on the profits of registered businesses. It also covers the tax on earnings made by international corporations doing business in Nigeria. Limited liability firms, including public limited liability companies, pay the tax. As a result, it's often referred to as the corporate tax (Onyeyiri, 2019). The rate is 30% of total profit for income tax and 2% of assessable profit for education tax. Total profit is profit after deducting the previous year's losses carried forward and capital allowances. Assessable profit is obtained before deducting capital allowances. Resident companies are incorporated under the Companies and Allied Matters Act (CAMA) 2004. The administration of the Companies Income Tax is vested in the Federal Inland Revenue Service which used to be known as the Federal Board of Inland Revenue (FBIR) until the enactment of the Federal Inland Revenue Establishment Act in April 2007 which scrapped the FBIR and replaced it with Federal Inland Revenue Service (PWC, 2019). In Nigeria, the current tax rate for a firm in any year of assessment is 30%. Profits accruing in, derived from, imported into, or received in Nigeria are subject to taxation. These earnings are derived from the following activities: Rent or any premium originating from a privilege granted to anybody for the use or possession of any property; Dividends, interest, discounts, royalties, charges, or annuities; etc. Any source of annual income that does not fall within one of the preceding categories; For services done, fees, dues, and allowances; Any profit or gain derived from the purchase or sale of short-term money instruments such as federal government securities, Treasury Bills and Savings

Certificates, Debenture Certificates and Treasury Bonds. Any amount deemed to be income or profit concerning any benefit arising from a pension or provident fund under the Personal Income Tax Act (Olumuyiwa, 2019). The federal Inland Revenue Service (FIRS) is charged with the responsibility to administer tax. The CITA policy regime is divided into two phases; the pre-1992 phase, and the post-1992 phase. The pre-1992 phase involved the increase in tax rate and overburdening of taxpayers that resulted in negative effects on saving and investment. However, the post-1992 took measures and addressed the structural problems such as excess profit which was eliminated in 1991, the capital transfer tax scrapped in 1996, the reduction of tax rates on company profits payable on trade profits from 45% in 1986 to 40% in 1987 to 1991, then it was further reduced to 35% from 1992 to 1995, and then to 30% from 1996 to date. There's a 20% concession (limited to five years of operation) for agricultural companies, mining companies with a turnover of ₦0.5 million, and manufacturing companies or exporting companies with a turnover not exceeding ₦1 million. And 30% has been the approved tax rate for corporate organizations.

#### **2.2.2.2. TAX REFORM ACT ON VALUE ADDED TAX**

An important landmark in tax reform in Nigeria was the adoption of the value-added tax (VAT) in January through the VAT Act No. 102 of 1993 but its implementation began in January 1994. Since its introduction, 15 of the 42 sections of the Act have been amended. 11 Replacing sales tax, VAT was originally imposed on 17 categories of goods and 24

service categories. Such items as basic foods, medical and pharmaceutical products, books, newspapers and magazines, house rent, commercial vehicles and spare parts and services rendered by the community and people's banks, however, were VAT-free (Oduola, 2006). The revenue generated was to be shared 20:80 between the federal and state governments: currently, it is shared 15:50:35 among the federal/state/local levels. The state's allocation was to be earmarked as 30 percent for the state of origin, 30 percent for consumption/destination and 40 percent for equality of the state. To ensure VAT's effectiveness, certain amendments were made to the existing tax structures. These include: Reduction of the personal income tax burden through increased tax allowances and reduced tax rates;

- i) Monetization and taxation of fringe benefits;
- ii) Deduction of R&D expenditure from the gross earnings of companies;
- iii) Extension of tax-free status to companies in rural areas and granting of incentives based on the infrastructure available in the areas;
- iv) Reduction of the company tax rate from 40 to 35 percent, and subsequently to 30 percent; and
- v) Payment of petroleum profit tax in dollars. Although VAT is a consumption tax, a 7.5 percent rate is levied on suppliers (i.e., taxable individuals) who are expected to add this amount to invoices for collection from customers, and for further remittance to the VAT authorities every month. VAT is retained at 7.5%

percent regardless of the stage of production or distribution. This assumes the absence of cascading effects. Although enforced by federal legislation, VAT was excluded from federal jurisdiction by the 1999 Constitution. This was unusual because, at the time of introduction, the federal government's tax administrative machinery was used to collect VAT on behalf of the state governments, as they had jurisdiction over the sales tax that was being replaced by VAT. It is a non-discriminatory tax on locally manufactured or imported goods. The Act designated the FIRS as the responsible instance for implementing VAT. In practice, however, the Nigerian Customs Service collects VAT on imports on behalf of FIRS. An important challenge to administering VAT is the Nigerian business environment. Written records are crucial for VAT; not only do invoices need to be issued, but recordkeeping is also important. Apart from the fact that keeping records is not common in Nigeria yet, the economy is dominated by informal activities where traders are continually on 'the move'. African trading activities hinge on bargaining, and a commodity is sold at different prices, depending on the haggling powers of each buyer.

### **2.2.2.3. TAX REFORM ACT ON CAPITAL GAIN TAX**

Although a 20 percent rate for capital gains tax (CGT) was introduced at its inception in 1967 (Decree No. 44 of 1967), it is currently 10 percent. The tax is imposed on any gain accruing to any person concerning the disposal of assets during the assessment year. It is a concurrent tax, implying that the federal government, which has jurisdiction over corporate bodies and residents of Lagos (now Abuja), administers it through FIRS. The states are empowered to tax individuals within their territories and the board of internal revenue of each state is responsible for capital gains tax on individuals.

Sections 27 to 42 of the old Act detailed certain exemptions to the tax. For instance, according to Section 37, a disposed of asset, which is a tangible moveable asset valued at N 1,000 or less, is tax-free. Capital gains accruing to religious, charitable, educational, cooperative organizations and trade unions are also exempted from CGT. Other exceptions include assets for private use, life insurance policies, stocks, shares and government securities. In 1972, however, the CGT was extended to profits accruing from sold stocks and shares, and from 1975, it became applicable to both residents and non-residents. Capital gains arising from the acquisition of company shares through a merger or takeover were also exempted from CGT in 1993, provided that no cash was paid for the acquired shares. However, foreign income and gain were taxable until 1996; by 1998 the CGT had been reduced from 20 percent to 10 percent. CGT is hindered by problems such as the unwieldy scope of the Act, the clumsy process of determining taxable gain, the inability to discount for inflation, and the inability of loss relief within

transactions. As pointed out by the Study Group on Tax Reform (2003) and CITA (2002), the complex provisions of the Act made the implementation of the tax impractical. There is confusion regarding the target of the tax; records and disclosures are scarce, and the inequitable tax burden is on the buyer rather than the asset owner. These problems have reduced the significance of the tax, which by 2002 accounted for about 0.1 percent of the revenue of FIRS.

### **2.2.3. TAX COMPLIANCE AND INVESTMENT**

Tax compliance and tax collection work directly together Tax compliance has been a major issue not only to less developed countries but also to the developed ones. Several scholars such as Alm (1991), Jackson and Milliron (1986) & Kirchiler (2007) defined tax compliance as the extent to which individuals willingly comply with the relevant tax laws of a state in terms of income declaration, filing a return and a tax due on time. It is fulfilling all tax obligations as specified in the national tax law freely and completely (Ketema, 2016). It is the goal of tax administrators to secure voluntary compliance and reduce the tax gap between what taxpayers declared on their return and pay and that which they ought to have paid. Following the fall in prices of commodities in the global market, most commodity-dependent economies have started looking inward. Tax managers have been mandated to widen the tax base and increase the compliance rate (Mas'ud, Aliyu & Gambo, 2014).

Allingham & Sandmo, (1972) & Srinivasan, (1973). Also, Fischer's model's tax system structure component gave further insight into how tax rates could influence tax compliance (Fischer, Wartick & Mark, 1992). According to Gordon (2010), in Some country's taxes paid are only geared toward creating more revenue can create negative behavior if all the burden is shifted to taxpayers without providing amenities for better production. No one likes to pay taxes and if they sense they are inevitable to social welfare (Nightingale, 2002). James and Nobes (2009) and Nightingale (2002), while citing (Adam Smith 1776), posit that a good tax should have the qualities of Equitability, Efficiency, Neutrality, flexibility, and simplicity. These principles still hold today and even act as a guide for policy formulation. However, the ability to achieve all in a single tax policy is practically impossible; hence Nightingale (2002) stated that there is no good tax. This is because an efficient tax might be inequitable. Further tax administrative problems that affect willingness will include the multiplicity of taxes that is, paying similar taxes on the same or substantially similar tax base, ineffective and inefficient tax collection structure, poor tax awareness, tax transparency and tax accountability. The issues raised have implications on the willingness to pay tax in Nigeria, with the indirect effects on actual revenue generated from taxation. The end-point implication of strong unwillingness to pay tax is a government that is unable to implement its growth and development objectives (Osianoh, 2015).

The need for tax policy reforms in Nigeria may be summarized as; the compelling need to diversify the revenue portfolio for the country to safeguard against the volatility of crude oil prices, and (ii) to promote fiscal sustainability and economic viability at the lower tiers of government. Multiplicity of taxation constitutes a major challenge to tax administration in Nigeria even in the post-tax reforms era. Companies are subjected to several tax levies at all levels of government. This has the concomitant outcome of raising the cost of production, making locally produced goods lose international competitiveness and preventing inter-state commerce (Chartered Institute of Taxation of Nigeria, 2002). In addition, we observe that the corporate income tax rate is so high that it creates an investment disincentive effect since it erodes private investment profit in Nigeria, the investment rate has been very low with investment constituting less than ten percent of the GDP (UNCTAD, 2005).

The distinctive impact of tax is well documented in the extant literature. The supply-siders under the watch of Arthur Laffer express the disincentive effect of higher rates over the optimum tax rate on savings, investment and labor supply (Rosen, 2009). Taxation can strongly impact investment by first impacting the investment climate. A country's tax system has a strong effect on other macroeconomic indicators and, hence has a systematic, predictable and regular relationship with economic growth and development. Measures to spur investment through tax reduction command widespread support. Investment incentives of taxation can be roughly divided into three categories –

reduction in the effective price of new capital goods through the investment tax credit or accelerated depreciation, reduction in the corporate tax rate and reductions in the returns on investment at the personal level (Chigbu, Eze & Appah, 2012). Conclusively, while multiple taxation increases the cost of production, reduces the international competitiveness of locally produced goods and hinders inter-state commerce (Chartered Institute of Taxation of Nigeria, 2002), high corporate income tax reduces the cash flow of business enterprises, hence stiffens their investment capacity. To this extent, tax reforms that reduce the tax rate and eschew multiplicity of taxation will not only improve the investment climate but leverage investment capacity by beefing

internal funds for business enterprises. Thus, tax reforms are designed to serve three functions. They are: the amendatory function, the innovative function and the revenue function. While the amendatory role attempts to correct weaknesses in the tax system, the innovative function attempts to introduce something new in the tax regime and the revenue role attempts to beef up public tax-generated revenue by broadening the tax base and preventing tax evasion and avoidance.

#### **2.2.4. ECONOMIC DEVELOPMENT**

Economic growth deals with an increase in the level of output, but economic development is related to an increase in output coupled with improvement in the social and political welfare of people within a country. Economic development refers to “a policy intervention effort targeted at the economic and social well-being of people. The

focus of economic development is on improvement in the quality of life of people, introduction of new goods and services using modern technology, mitigation of risk and dynamics of innovation and entrepreneurship” (Hadjimichael, Kemeny & Lanadan, 2014). Economic development is a term that practitioners, economists, politicians, and others have used frequently in the 20th century. The concept, however, has been in existence in the West for centuries. Modernization, Westernization, and especially Industrialization are other terms people have used while discussing economic development. Economic development has a direct relationship with the environment.

A country's economic development is usually indicated by an increase in citizens' quality of life. 'Quality of life' is often measured using the Human Development Index, which is an economic model that considers intrinsic personal factors not considered in economic growth, such as literacy rates, life expectancy, and poverty rates. Having economic growth without economic development is possible. Economic growth in an economy is demonstrated by an outward shift in its Production Possibility Curve (PPC). Another way to define growth is the increase in a country's total output or Gross Domestic Product (GDP). It is the increase in a country's production.

In the general context, economic development is the growth of the standard of living of a nation's people from a low-income economy to a high-income economy, moving the poor out of the poverty level. When the local quality of life is improved, there is more economic development. “It is a process whereby the people of a country utilize the

available resources in such a way that the per capita income of the country increases”.

This implies that the Taxation for Economic Development

people in a country become wealthier, healthier and with a longer average life expectancy following improved productivity, higher literacy rates, and better public education. In real terms, economic development is measured by the Human Development Index (HDI), which the United Nations Development Program (UNDP) (2014) described as a composite measure of long-term progress in three basic areas of human development namely: access to safe and healthy life, access to education and a decent living standard. It is a process by which a nation improves the economic, political and social well-being of its people. UNDP (2014) went further to explain that HDI is an index that measures key dimensions of human development which are: A long and healthy life measured by life expectancy, a decent standard of living measured by Gross National Income per capita adjusted for the price level of the country. The aforementioned measures of economic development and the key features of the Human Development Index (HDI) justify the adoption of the variable as a proxy for economic development in this study. The implication is that if the government faithfully and purposefully channels tax revenues to socio-economic projects, it is transcending to a higher standard of living among the citizens.

Economic development is typically associated with improvements in a variety of areas or indicators (such as literacy rates, life expectancy, and poverty rates), that may be causes

of economic development rather than consequences of specific economic development programs. For example, health and education improvements have been closely related to economic growth, but the causality with economic development may not be obvious. In any case, it is important to not expect that particular economic development programs be able to fix many problems at once as that would be establishing unsurmountable goals for them that are highly unlikely, they be achieved. Any development policy should set limited goals and a gradual approach to avoid falling victim to premature load bearing' (Pritchett, Woolcock & Andrews, 2013).

Tax policy plays two important roles in financing economic development. One is to maintain an economy at a higher employment level so that the saving capacity of the people is raised with an increase in income per head. The second is to raise the marginal propensity to save of the community as far above the average propensity to the maximum extent possible without discouraging work effort or violating canons of equity. Savings can be generated in two ways: by increasing real output or by a reduction in real consumption. At the early stage of development, when the rate of raising is low, there is a need for compulsion to force people to consume less and save more. Only through taxation it is possible to generate forced savings which is so essential for accelerating the rate of capital formation which is the sine qua non of the high rate of per capita income growth. Tax policy to raise the MPS above APS is concerned with the design and implementation of taxes to reduce private consumption. Tax revenue as a percentage of

GNP is low in most developing countries, averaging between 15—20%, compared to 25—30% in developed countries.

Moreover, direct taxes especially taxes on income, are a minor source of tax revenue compared with indirect taxes.

The proportion of the population that pays income tax in developing countries is correspondingly low, averaging about 10% compared to the vast majority of the working population in developed countries which constitutes between 20 to 40% of the total population. There would, therefore, appear to be a greater scope for using tax policy to raise the level of aggregate saving relative to income. Tax is more than just a source of revenue and growth. It also plays a key role in building up institutions, markets and democracy through making the state accountable to its taxpayers.

Just as excessive tax burdens might hinder growth in wealthier countries, in developing economies a lack of tax structures is a major cause of weak, unresponsive governance. It also leads to an overreliance on aid. With tax, the public can hold governments to account for their decisions, and not feel tied to the will of aid donors. And because tax revenues are relatively predictable, governments can plan with greater certainty. developing countries need aid and will continue to do so, but they can also use it to help strengthen their tax capacity, increase their autonomy and reduce their long-term dependence on external assistance. This idea is not new. Indeed, rich and poor country governments have agreed on the importance of tax for development for years. The 2002 Monterrey

Consensus, for instance, which launched a new focus on development, recognized the key role of taxation in mobilizing domestic resources -90 % of domestic revenue is usually derived from tax. However, recognizing the importance of tax is one thing, improving its impact and operation is another bearing in mind cultural barriers, institutional weaknesses, and corruption, as well as international factors including capital flight, aggressive tax planning and trade pressures. Consider tariffs, which many African countries rely on for over half of their government revenue.

### **2.3 EMPIRICAL REVIEW**

Adereti, Adesina, & Sanni (2011) examine the impact of VAT on economic growth in Nigeria, using time series data spanning the years 1994-2008 as well as the ordinary least square as methodology. Results reveal that VAT both positively and significantly stimulates Nigeria's economic growth as proxied by the Gross Domestic Product (GDP). In the same vein, Ajakaiye (2000), using the computable general equilibrium model examines the impact of VAT on key sectoral and macroeconomic aggregates. By assuming a model with a cascading effect of VAT, the results show that VAT has the most deleterious effects on the economy. Adegbe and Fakile (2011) investigated the impact of company income tax on economic development in Nigeria. They found that tax avoidance and evasion are the major hindrances to revenue generation in Nigeria. They suggested among other things, the computerization of the integrated tax operations for enhancement of revenue collection.

Ayeni and Omodero (2022) examine the impact of tax revenue and Economic Growth in Nigeria utilizing time series data spanning from year 2000 till 2021. The study's specific goal is to evaluate the influence of hydrocarbon tax, corporation income tax and Value Added Tax on Nigeria's economic growth. The study employs secondary form of data which have been sourced from CBN statistical bulletin and published Federal Inland Revenue Statement. Ex-post facto research design is used for this study. The data collected are analyzed and tested for unit root using Augmented Dickey Fuller method. The study variables which comprise GDP, PPT, CIT & VAT are found to be stationary at first difference. Thus, a Johansen co-integration test is also conducted and it reveals a long-run relationship. Consequently, the study utilizes the Vector Error Correction Model to evaluate the effects of PPT, CIT and VAT on GDP. The findings reveal that PPT and VAT have positive and significant effects on GDP. It also reveals that CIT has a negative and significant effect on GDP. Based on these findings, the inquiry suggests that pieces of training and workshops should be organized by government tax agencies to the Nigerian public and companies on the importance and benefits of tax revenue to the economy. The tax authorities should also endeavor to encourage companies to pay tax to improve the growth of the economy which the companies are meant to benefit from as part of the government's implementation of its social responsibilities.

Oduku and Daniel (2022) in their study on tax reform in economic growth in Nigeria from 2001 to 2021, the major objective is to see how tax is being collected by the tax

authority and how it's being used in the development of the economy. The Federal Inland Revenue Service (FIRS), constitutes the respective body responsible for taxation in the nation in general. The analysis of data is presented in tabular form using simple parentage and narration responses. It consists of statistical calculations performed with raw data to provide answers to the questions including the research. The finding shows that effective management in the Federal Inland Revenue Service (FIRS) enhances their revenue years. This means there was a positive significant relationship between non-oil revenue profit tax and the growth of the Nigerian economy. It also shows that effective management and control in the system assisted in the monitoring and appropriate evaluation of the revenue for economic growth. Policy lateralization of the Nigerian economy is being vigorously pursued by the federal government. The following recommendations are hereby presented by the researchers which they feel will help in the development of Nigeria's economy in other to reflect the increase in standard of living and economic development. There is a need for the Nigerian government to restructure the tax system in other to meet the demands of the 21st century. The Federal Inland Revenue Service (FIRS), the government should ensure that taxation is properly managed in a manner that will accelerate economic growth, reduce the inflation rate, and generate employment in the country.

## **2.4. THEORETICAL REVIEW**

This section focuses on relevant theories to help give further explanations of the impact of tax reform and Nigeria's economic development. Using; The ability-to pay theory, Exogenous growth theory, Social-political theory, Expediency theory and the Laffer curve theory.

### **2.4.1. ABILITY TO PAY THEORY**

The ability-to-pay principle requires that the total tax burden be distributed among individuals according to their capacity to bear it, taking into account all of the relevant personal characteristics. The most suitable taxes from this standpoint are personal levies (income, net worth, consumption, and inheritance taxes). Historically there was common agreement that income is the best indicator of ability to pay. There have, however, been important dissenters from this view, including the 17th-century English philosophers John Locke and Thomas Hobbes and some present-day tax specialists. The early dissenters believed that equity should be measured by what is spent (i.e., consumption) rather than by what is earned (i.e., income); modern advocates of consumption-based taxation emphasize the neutrality of consumption-based taxes toward saving (income taxes discriminate against saving), the simplicity of consumption-based taxes, and the superiority of consumption as a measure of an individual's ability to pay over a lifetime. Some theorists believe that wealth provides a good measure of ability to pay because assets imply some degree of satisfaction (power) and tax capacity, even if (as in the case

of an art collection) they generate no tangible income. The ability-to-pay principle also is commonly interpreted as requiring that direct personal taxes have a progressive rate structure, although there is no way of demonstrating that any particular degree of progressivity is the right one. Because a considerable part of the population does not pay certain direct taxes—such as income or inheritance taxes—some tax theorists believe that a satisfactory redistribution can only be achieved when such taxes are supplemented by direct income transfers or negative income taxes (or refundable credits).

Others argue that income transfers and negative income tax create negative incentives; instead, they favor public expenditures (for example, on health or education) targeted toward low-income families as a better means of reaching distributional objectives. Indirect taxes such as VAT, excise, sales, or turnover taxes can be adapted to the ability-to-pay criterion, but only to a limited extent—for example, by exempting necessities such as food or by differentiating tax rates according to “urgency of need.” Such policies are generally not very effective; moreover, they distort consumer purchasing patterns, and their complexity often makes them difficult to institute. Throughout much of the 20th century, the prevailing opinion held that the distribution of the tax burden among individuals should reduce the income disparities that naturally result from the market economy; this view was completely contrary to the 19th-century liberal view that the distribution of income ought to be left alone. By the end of the 20th century, however, many governments recognized that attempts to use tax policy to reduce inequity can

create costly distortions, prompting a partial return to the view that taxes should not be used for redistributive purposes.

Taxation is also based on the basic premise that everyone in society should bear the burden of taxation fairly and equitably (Ayeni, 2017). The theory was advocated by Adam Smith who is referred to as the Father of Economics, it is widely accepted as it is based on the real meaning of the “ability” of taxpayers due to this many economies in the world believe that income is the best measurement of one’s ability to pay (Peter & Adesina, 2015).

#### **2.4.2. EXOGENOUS GROWTH THEORY**

This theory posits that fiscal policies such as changes in tax rates do not have a long-term impact on economic growth (Smith, 1776; Solow, 1956). The theory argues that it is the input from labor and technology that drives long-term impact; thus, the need to strengthen the institutional capacity of tax authorities. The Federal and State governments have recognized this in their enactment of tax management laws that provide for full autonomy, both administrative and financial. Associated with this is the adoption of innovative technologies by many tax authorities to drive efficiency, and automation of payment processing and account management. In States where this has been introduced, revenue Streams have increased.

### **2.4.3 SOCIAL POLITICAL THEORY**

According to this taxation philosophy, the primary considerations in taxing should be social and political purposes. The ideology maintained that a tax structure should not be designed to benefit individuals, but rather to address societal issues (Chigbu et al., 2012). Wagner advocated for a modern welfare approach while deciding on a tax policy and using taxation to reduce income disparities (Chigbu et al., 2012). Adolph Wagner was not a believer in taking an individualistic approach to solving an issue, before an appropriate solution could be found, he believed that each economic issue needs to be analyzed in the context of its social and political environment (Etim et al., 2021). This theory of tax revenue states that social and political objectives should be the major factors in selecting taxes. The theory advocated that a tax system should not be designed to serve individuals, but should be used to cure the ills of society as a whole.

### **2.4.4 EXPEDIENCY THEORY**

This theory is of the idea that just about every tax plan meets the practicality test, which is the government's single criterion for deciding on a tax policy (Otu & Adejumo, 2013). It must be the only factor taken into account by the authorities when deciding on a tax proposal. One should disregard the impact of a tax system as well as the state's social and economic goals (Ayuba, Citation2014). According to Kiabel (2009), the state's economic and social goal is to emplace an effective tax system that is relevant to a nation's economic growth. The concept of expediency is based on a link among both tax liabilities

and government actions. The state is expected to levy generally the societal members for the amenities it provides (Anyanfo, 1996).

This theory asserts that every tax reform must pass the test of practicality. It must be the only consideration weighing with the authorities in choosing a tax reform. The economic and social objectives of the state and the effects of a tax system should be treated as irrelevant (Bhartia, 2009). (Anyanfo, 1996; Bhartia, 2009) explained that the expediency theory is based on a link between tax liability and state activities. It assumes that the state should charge the members of the society for the services provided by it. This reasoning justifies the imposition of taxes for financing state activities by inferences, and provides a basis, for apportioning the tax burden between members of society. This proposition has a truth in it since it is useless to have a tax that cannot be levied and collected efficiently.

#### **2.4.5. LAFFER CURVE THEORY**

Laffer Curve Theory. Professor Arthur Laffer proposed the Laffer curve theory (1974) which explains the theoretical relationship between the tax rate and government revenue derived from taxation. The Laffer curve simply demonstrates the idea that a change in tax rate will affect tax revenue in two different ways which are the Arithmetic Effect and the Economic Effect (Laffer, Citation2004). The Arithmetic Effect states that a depletion in tax rate will bring about a cutback in tax revenue (per currency of the tax base) proportionate to the reduction in tax rate, and vice versa. The Economic Effect, on the other hand, recognizes that a lower tax rate will have a favorable influence on work,

output, employment, and, as a result, the tax base, by helping to grow activities through incentives. The Arithmetic Effect is the polar opposite of the Economic Effect. As a result, when the Economic and Arithmetic Effects of tax rate transposes are combined, the impact of a change in tax rates on total tax collection is less apparent.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter focused on the methodology used in the study, which involved exploring data collection and analysis techniques. Within this framework, the chapter introduced the research design, discussed the population and sample considered, detailed the data source and model specifications, and provided procedures for measuring and defining variables. Additionally, it outlined the proposed approach for analyzing the acquired data.

#### **3.2 RESEARCH DESIGN**

This study will adopt an ex-post factor research design due to the historical nature of the data set, the research design for this study would typically involve a combination of quantitative and qualitative methods. This approach allows for a comprehensive analysis of the relationship between the tax reform act and Nigeria's economic development, taking into account both numerical data and contextual factors. The quantitative method will be used to measure and analyze using statistical techniques. This will involve collecting numerical data from the CBN Statistical Bulletin and FIRS statistical report and analyzing it using various statistical tools such as regression analysis, correlation analysis, and hypothesis testing. The qualitative will be in the form of a cross-sectional interview on how tax reform affects taxpayer's compliance and investment perception.

### 3.3 POPULATION AND SAMPLE SIZE

The population and sample size of this study are taken from the CBN Statistical Bulletin and FIRS Statistical Report from 2004 – 2022 to get reliable quantitative data in comparing the effect of tax reform on Nigeria's economic development and 50 respondents which are also taxpayers and business owners in evaluating their perception on effect of tax reform on compliance and investment on Nigeria economic development.

### 3.4 SOURCES OF DATA

The source of the data for this study was generated with the use of CBN statistical bulletin, and FIRS Statistical report and Questionnaire which also employed to get qualitative data on taxpayers' opinions on the tax reform act and its effect on Nigeria's economic development.

### 3.5 MODEL SPECIFICATION

This study employs the model used by Ayeni and Modero (2022) in measuring the impact of tax reform on Nigeria's economic Development.

$$ED = F (RCIT, RVAT, RCGT, TCN) \dots\dots\dots i$$

$$NED = \beta_0 + \beta_1CIT + \beta_2VAT + \beta_3CGT + TCN + \epsilon_t \dots\dots\dots ii$$

Where;

ED = Economic Development

CIT = Company Income Tax

VAT = Value Added Tax

CGT = Capital Gain Tax

TCN = Tax Compliance and Investment

$\beta_0 + \beta_1 + \beta_2 + \beta_3 + \beta_4$  = Constant of each exogenous variable to be estimated

$\varepsilon_t$  = Random error term.

### 3.6 OPERATIONALIZATION OF VARIABLES

**Table 1: Variables Measurement**

<b>Variables</b>	<b>Definition and Measurement</b>	<b>Source</b>
Nigeria Economic Development (NED) (Independent)	This refers to the sustained effort undertaken aimed at improving the economic standard of the people in Nigeria. Measured by using Nigeria's Gross Domestic Product (GDP)	Chika, Oshiogwehmon & Eke (2022)
Company Income Tax (CIT) (Dependent)	Tax Liabilities paid by corporate organizations on their revenue generated in Nigeria. Measured using FIRS Statistical Bulletin on revenue realized from CIT.	Ayeni & Omodero (2022).
Value Added Tax (VAT) (Dependent)	Tax paid on goods and services incurred by the users which are normally borne by the final consumer. Measured using FIRS Statistical Bulletin on revenue realized from VAT.	Asongu (2022)
Capital Gain Tax (CGT) (Dependent)	Tax paid on sales of Capital expenditure is charged at the rate of 10% of sales profit after deducting total purchase and sales expenses. Measured using FIRS Statistical Bulletin on revenue realized from CGT.	Chika, Oshiogwehmon & Eke (2022)
Tax Compliance and Investment	This is the level of which taxpayers adhere to the payment, assessment and other tax law put in place by government and how it affects their investment. Measured using Questionnaire Survey.	

**Source: Researcher Compilation (2023).**

### **3.7. MODEL OF DATA ANALYSIS**

This study data analysis involved the use of frequency, percentage, descriptive statistics, and simple linear regression to examine the data and assess the hypotheses. The significance level considered was set at 5%. Additionally, Cronbach's Alpha statistics were applied to evaluate the data's reliability for this research.

## **CHAPTER FOUR**

### **PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS**

#### **4.1 Introduction**

This chapter deals with the presentation and the interpretation of data. It also deals with the testing of hypotheses raised for the purpose of this study. This will assist the researcher to offer valuable conclusion on tax reforms and economic development of Nigeria.

The data used in this study is secondary data obtained from the verified sites of the federal inland revenue service and the central bank of Nigeria. The data was carefully examined and analysed to offer answers to the hypotheses raised. The study span from 2011 to 2023. The choice of this period is due to the fact that major tax reforms took place during this period of time.

## 4.2 Presentation of Data

Table 4.1: Data used for the regression Analysis

Year	GDP	CIT	CGT	VAT	INV
2011	63,713.36	654.4482	9.3045	659.1536	10
2012	72,599.63	820.5655	8.9166	710.5551	12
2013	81,009.96	963.4508	19.6559	802.6835	13
2014	90,136.98	1,173.49	2.6498	802.9647	16
2015	95,177.74	1,268.98	16.802	767.3335	16
2016	102,575.42	933.5373	99.4034	828.1991	12
2017	114,899.25	1215.057	3.1803	972.3484	10
2018	129,086.91	1340.329	12.5947	1108.04	13
2019	145,639.14	1604.699	5.977	1189.981	17
2020	154,252.32	1,275.38	3.5186	1,531.17	18
2021	176,075.50	1,747.99	17.5	2,072.85	17
2022	202,365.03	2,649.19	45.5722	2,511.52	17
2023	262,365.03	3503.47	19.08	3,639.32	16

Source: Researchers' compilation 2024

Table 4.1 shows the various data used for analysis in this study. From the table, Gross Domestic Product (GDP) has the highest value of ₦262,365 billion (This is an estimated figure based on the growth rate forecasted for the year, since the real figure has not been released for the year). The lowest figure for GDP is noticed in year 2011, with an estimated value of ₦63,713.36 billion.

On Company Income Tax (CIT), the highest figure came from the year 2023 with an estimated amount of ₦3503.47 billion. While the lowest value is from the year 2011, with an estimated value of ₦654.4482 billion.

The highest figure for Capital Gain Tax (CGT) is from the year 2016 with an estimated value of N99.4034 billion. The least value for CGT is from the year 2014 with an estimated value of N2.6498.

On Value Added Tax (VAT), the highest figure is from the year 2023 with an estimated figure of N3,639.32 billion. The year 2011 has the least figure of N659.1536 billion in the period under review.

On compliance and Investment (INV), the total response on each questions in the questionnaire distributed was taken to form response to data for investment decisions. Year 2020 has the highest combined response of 20.00. While the least response rate was associated with the year 2011 with a figure of 10.

**Table 4.2: correlation Table**

		Correlations				
		GDP	CIT	VAT	CGT	INV
GDP	Pearson Correlation	1	.449	-.661*	.068	.600*
	Sig. (2-tailed)		.123	.014	.825	.030
	N	13	13	13	13	13
CIT	Pearson Correlation	.449	1	.092	-.006	-.171
	Sig. (2-tailed)	.123		.765	.984	.576
	N	13	13	13	13	13
VAT	Pearson Correlation	-.661*	.092	1	-.068	-.522
	Sig. (2-tailed)	.014	.765		.825	.068
	N	13	13	13	13	13
CGT	Pearson Correlation	.068	-.006	-.068	1	-.115
	Sig. (2-tailed)	.825	.984	.825		.709
	N	13	13	13	13	13
INV	Pearson Correlation	.600*	-.171	-.522	-.115	1
	Sig. (2-tailed)	.030	.576	.068	.709	
	N	13	13	13	13	13

\*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Output 2024

Table 4.2 shows that GDP is positively correlated with CIT, CGT and INV while it is negatively correlated with VAT. From the result, GDP is having a relationship with CIT with about 0.449 (45%). This relationship is positive though weak. But from the result it can be asserted that a change in tax reforms as regards CIT will have an effect of about 45% on the GDP. Similarly, a change in tax reforms as regards CGT will have a positive

impact on GDP to the tune of .068 (6.8%). This relationship is weak but positive. Furthermore, a reform on Investment and compliance decision will lead to a change of about 60% (.600) in GDP. This relationship is both positive and strong.

On the contrary, the relationship between GDP and tax reforms on VAT shows a negative relationship. From the correlation table, it will be discovered that a reform in VAT will lead to a negative impact on the GDP up to the tune of 66%. This relationship is negative and strong.

**4.3 Test of Hypotheses**

To test for the hypotheses of the study the regression variable is re-stated in this section as shown below:

$$ED = F (RCIT, RVAT, RCGT, TCN) \dots\dots\dots i$$

$$NED = \beta_0 + \beta_1CIT + \beta_2VAT + \beta_3CGT + INV + \epsilon_t \dots\dots\dots ii$$

Where;

ED = Economic Development

CIT = Company Income Tax

VAT = Value Added Tax

CGT = Capital Gain Tax

INV = Tax Compliance and Investment

$\beta_0 + \beta_1 + \beta_2 + \beta_3 + \beta_4 =$  Constant of each exogenous variable to be estimated

$\epsilon_t =$  Random error term.

**Table 4.3 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922 <sup>a</sup>	.851	.776	27.18122

a. Predictors: (Constant), INV, CGT, CIT, VAT

b. Dependent Variable: GDP

Source: SPSS Output 2024

Table 4.3 provides a summary of the regression model used to analyze the role of tax reforms on economic development. The R value of .922 indicates a high correlation between the independent variables (CIT, CGT, VAT, INV) and the dependent variable. The R Square value of .851 suggests that approximately 85% of the variance in GDP is explained by the model. The adjusted R Square value of .776 accounts for the degrees of freedom in the model, providing a slightly lower estimate of the explained variance, which still indicates a modest explanatory power.

**Table 4.4 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33732.527	4	8433.132	11.414	.002 <sup>a</sup>
	Residual	5910.550	8	738.819		
	Total	39643.077	12			

a. Predictors: (Constant), INV, CGT, CIT, VAT

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33732.527	4	8433.132	11.414	.002 <sup>a</sup>
	Residual	5910.550	8	738.819		
	Total	39643.077	12			

b. Dependent Variable: GDP

Source: SPSS Output 2024

The ANOVA table (Table 4.4) assesses the overall significance of the regression model. The regression sum of squares (33732.527) compared to the residual sum of squares (5910.550) demonstrates the amount of variance explained by the model versus the variance unexplained. The mean square for the regression (8433.132) and residual (738.819) are used to calculate the F-statistic. With an F value of 11.414 and a significance level (p-value) of .002, the model is statistically significant. This implies that the set of independent variables collectively have a significant effect on the dependent variable, validating the use of this regression model for the analysis.

**Table 4.5 Coefficient****Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.570	59.250		-.060	.953
	CIT	.033	.008	.573	4.132	.003
	VAT	-.060	.021	-.464	-2.869	.021
	CGT	.204	.304	.093	.672	.521
	INV	9.528	3.356	.467	2.839	.022

a. Dependent Variable: GDP

Source: SPSS Output 2024

The coefficients table (Table 4.5) provides detailed information on the individual impact of each variables. CIT has a significant positive effect on GDP ( $B=.033$ ,  $p=.003$ ), highlighting its critical role. The other variables also show some positive and significant relationship (CGT has a p-value of 0.521 while INV has a p-value of 0.022) suggesting that their individual contributions are very clear within this model.

**H01: There is no significant relationship between Company Income Taxes and the Economic Development in Nigeria.**

Based on the coefficients table (Table 4.5), the relationship between CIT and GDP shows a significant positive effect ( $B = 0.033$ ,  $t = 4.132$ ,  $p = 0.003$ ). This indicates that CIT has a significant impact on GDP. The p-value ( $p < 0.05$ ) leads us to reject the null hypothesis, concluding that there is a significant relationship between reforms in CIT and economic development of Nigeria.

**Ho2: There is no significant relationship between VAT and economic development in Nigeria.**

Based on the coefficients table (Table 4.5), the relationship between VAT and economic development shows a significant negative effect ( $B = -.060$ ,  $t = -2.869$ ,  $p = 0.021$ ). This indicates that VAT has a significant but negative impact on economic development of Nigeria.. The p-value ( $p < 0.05$ ) leads us to reject the null hypothesis, concluding that

there is a significant negative relationship between VAT and economic development in Nigeria.

**Ho3: There is no significant relationship between CGT and economic development of Nigeria.**

Based on the coefficients table (Table 4.5), the relationship between CGT and GDP shows a positive but insignificant effect ( $B = 0.204$ ,  $t = 0.672$ ,  $p = 0.521$ ). This indicates that CGT has a positive but insignificant impact on economic development of Nigeria. The p-value ( $p > 0.05$ ) leads us to accept the null hypothesis, concluding that there is a positive but insignificant relationship CGT and economic development of Nigeria.

**Ho4: There is no significant relationship between INV and economic development of Nigeria.**

Based on the coefficients table (Table 4.5), the relationship between INV and GDP shows a significant positive effect ( $B = 9.528$ ,  $t = 2.839$ ,  $p = 0.022$ ). This indicates that INV has a significant impact on GDP. The p-value ( $p < 0.05$ ) leads us to reject the null hypothesis, concluding that there is a significant relationship between reforms in INV and economic development of Nigeria.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter provides a summary of the findings, presents the conclusions drawn from these findings, and offers recommendations based on the results. The aim is to encapsulate the key insights from the research and suggest practical steps for enhancing adequate tax policies in protecting the environment.

#### **5.1 Summary of Findings**

Based on the hypothesis testing results, the summary of the findings is as follows:

1. There is a significant positive relationship between reforms in company income tax and economic development of Nigeria.
2. There is a significant but negative relationship between reforms in Value Added Tax and economic development of Nigeria.
3. There is a positive but insignificant relationship reforms in Capital Gains Tax and economic development of Nigeria.
4. There is a positive and significant relationship between compliance and Investment and economic development of Nigeria.

## **5.2 CONCLUSION**

The study examined the role of tax reforms on the economic development of Nigeria. The findings emphasise the critical role that tax reforms have played in the development of Nigerian economy. The country surely benefits when these reforms are people centered and properly carried out. However, a reform in consumption tax such as VAT may have a negative effect on the economy as shown in this study. This may be due to the fact that the consumer may have to pay a higher price for a commodity. Therefore, the government should engage all relevant stakeholders in the reform process and emphasis should not be on just increase in overnment income but rather its impact on the life of the citizen and the economy. This study advocates that reforms should be carried out but monitored to determine its impact on the citizen and the economy as a whole.

## **5.3 RECOMMENDATIONS**

Based on the summary of findings, the following recommendations are made:

1. The government should continuously embark on reforms in company income tax because it has a positive and significant effect on the economy.
2. The government should discontinue reforms that include increasing VAT rate because it has a negative relationship and impact on the economy.

3. The government should embark on reforms on the Capital Gains Tax because it has a positive impact on the economy even if not significant.
4. The government should carry out adequate reforms in tax compliance and investment decisions because this will improve the economy and it is having a positive and significant effect on the economy.

#### **5.4 RECOMMENDATION FOR FURTHER STUDIES**

Further studies can be carried out on this subject of study by looking at reforms in other taxes and their impact on the economy.

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## APPENDIX

### CORRELATIONS

```

/VARIABLES=GDP CIT VAT CGT INV
/PRINT=TWOTAIL NOSIG

/MISSING=PAIRWISE.
  
```

**Correlations**

		GDP	CIT	VAT	CGT	INV
GDP	Pearson Correlation	1	.449	-.661*	.068	.600*
	Sig. (2-tailed)		.123	.014	.825	.030
	N	13	13	13	13	13
CIT	Pearson Correlation	.449	1	.092	-.006	-.171
	Sig. (2-tailed)	.123		.765	.984	.576
	N	13	13	13	13	13
VAT	Pearson Correlation	-.661*	.092	1	-.068	-.522
	Sig. (2-tailed)	.014	.765		.825	.068
	N	13	13	13	13	13
CGT	Pearson Correlation	.068	-.006	-.068	1	-.115
	Sig. (2-tailed)	.825	.984	.825		.709
	N	13	13	13	13	13
INV	Pearson Correlation	.600*	-.171	-.522	-.115	1
	Sig. (2-tailed)	.030	.576	.068	.709	
	N	13	13	13	13	13

\*. Correlation is significant at the 0.05 level (2-tailed).

### REGRESSION

```

/MISSING LISTWISE
/STATISTICS COEFF OUTS R ANOVA CHANGE
/CRITERIA=PIN(.05) POUT(.10)
/NOORIGIN
/DEPENDENT GDP
/METHOD=ENTER CIT VAT CGT INV
  
```

/RESIDUALS DURBIN.

**Variables Entered/Removed<sup>b</sup>**

Model	Variables Entered	Variables Removed	Method
1	INV, CGT, CIT, VAT <sup>a</sup>		. Enter

a. All requested variables entered.

b. Dependent Variable: GDP

**Residuals Statistics<sup>a</sup>**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	74.3431	269.6557	1.2962E2	53.01928	13
Residual	-2.71094E1	39.65691	.00000	22.19337	13
Std. Predicted Value	-1.042	2.641	.000	1.000	13
Std. Residual	-.997	1.459	.000	.816	13

a. Dependent Variable: GDP

**DEPARTMENT OF ACCOUNTING**  
**FACULTY OF MANAGEMENT SCIENCE**  
**UNIVERSITY OF BENIN**  
**BENIN CITY, EDO STATE.**

**TOPIC: TAX REFORMS AND NIGERIA ECONOMIC DEVELOPMENT**

Dear Respondent,

**QUESTIONNAIRE**

I am writing to request your response to this questionnaire, which will be of great credential for my research work. Your opinion and answer to the attached question in this survey will be strictly treated with confidence and will only be used for the purpose of raising a conclusion in this research on "Tax Reform Act and Nigeria Economic Development". In Partial Fulfillment of the award of a B.Sc. degree in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Edo State.

Yours Faithfully,

Osarumwense iziegbe.

## QUESTIONNAIRE

**Instruction: Kindly Fill in the following questions by ticking [] in the column of your choice.**

### SECTION A: PERSONAL DATA

1. Sex: (a) Male [] (b) Female []
2. Age Bracket: (a) 18-25 [] (b) 26-35 [] (c) 36-45 [] (d) 46 and above []
3. Education Qualification: (a) SSCE/GCE [] (b) HND/First Degree [] (c) Masters/PhD [] (d) Others (Please Specify) \_\_\_\_\_
4. Years of Experience (Accounting Field/Post Head): (a) Non [] (b) 1-5 years [] (c) 6-10 years [] (d) 10-15 years [] (e) 16 and above []

**SECTION B: Instruction: please tick [] response according to your own opinion using the five-point Linkert scale: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D) and Strongly Disagree (SD).**

<p><b>Tax Compliance and Investment: Tax Compliance is the measure of degree to which taxpayers complied with the relevant tax laws i.e. Tax payment, filing of returns etc.</b></p> <p><b>Investment: Investment can be referring to medium or mechanism for generating future income. Economically it can be categorized as an injection into the circular flow of income into the country economy activities.</b></p>						
S/N	Investigate the impact of tax reform acts on taxpayer's compliance and investments contribution to Nigeria economy development.	SA	A	N	D	SD
1	Tax reform acts are always geared into improving taxpayer compliance and not just revenue approach system that only led to more burden on taxpayers.					
2	(Heavy tax burden can help increase government spending but reduce					

	investment); Tax reform act should try to balance the effect of tax on both government spending and taxpayer's investment to promote employment and sustainable economy.					
<b>3</b>	(Tax reform act undergo changes a lot); Regular changes on tax reform can influence effect of taxpayer's compliance negatively.					
<b>4</b>	Tax administrative lack the capability of disseminating the information on tax reform to taxpayers.					
<b>5</b>	Self – service introduced in tax reform will help improve tax compliance.					
<b>6</b>	(There has been talk on low government spending on social infrastructure); This prevents taxpayers on investing on some certain sectors due to high expenses incurred and not yet supported by tax incentive on tax reform acts.					