TAXATION AND ECONOMIC GROWTH IN NIGERIA

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FACULTY OF MANAGEMENT SCIENCES
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BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, BENIN CITY. IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE BACHELOR OF SCIENCE (B.SC) DEGREE IN ACCOUNTING

APRIL, 2025.

DECLARATION

I, **IYERE SANDRA AIFERAMON** declare that

i. This study is based on a study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of **Dr. Ernest Oshodin**

ii. This work has not been submitted for the award of degree elsewhere.

iii. Ideas and views are product of my personal research and where the view of others has been expressed, they have been duly acknowledged.

iv. Any liability arising from this work is to be wholly borne by me alone

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IYERE SANDRA AIFERAMON **DATE**

MGS1813653

CERTIFICATION

We, certify that this research project was carried out by **IYERE SANDRA AIFERAMON** in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria. It is adequate in scope and quality in partial fulfilment of the requirements for the award of Bachelor of Science (BSc.) degree in Accounting.

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Dr. Ernest Oshodin **Date**

(Project Supervisor)

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DR. **Uyi Obazee** **Date**

(Project Coordinator)

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PROF. Osasu Obaretin **Date**

(Head of Department)

DEDICATION

This project work is dedicated to God Almighty for His abundant grace in my life and for seeing me through my academic pursuit and aspirations. He has been my source of strength and on his wings only I have soared.

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ABSTRACT

This study examines the impact of four key taxes Corporate Income Tax (CIT), Value-Added Tax (VAT), Personal Income Tax (PIT), and Petroleum Profit Tax (PPT) on economic growth in Nigeria, using Gross Domestic Product (GDP) as the proxy for economic performance over the period 2010 to 2023. The study employs an ex-post facto research design, utilizing panel data techniques to analyze the relationship between taxation and GDP. The findings indicate that all four tax components have a significant positive relationship with GDP, suggesting that effective tax policies and their implementation play a crucial role in driving economic growth. The study reveals that while CIT encourages investment in strategic sectors, VAT contributes to the diversification of revenue streams, PIT supports public service funding, and PPT remains vital due to Nigeria's oil dependency. However, the results also emphasize the need for efficient tax administration, periodic reviews of tax rates, and investments in infrastructure and public services to foster sustainable growth. Based on these findings, the study recommends strengthening tax collection mechanisms, broadening the tax base, reducing reliance on oil revenues, and improving public awareness of the role of taxation in national development. These measures are critical to enhancing Nigeria's economic resilience and achieving long-term sustainable growth.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Economic growth serves as a fundamental indicator of a country's overall economic health, reflecting the increase in the production of goods and services over a specific period. It is a measure of the nation's ability to improve the standard of living for its citizens, reduce poverty, and create employment opportunities. Economic growth is not only pivotal to the economic development process but also influences the socio-political stability of a nation. In Nigeria, a developing economy heavily reliant on crude oil exports, economic growth is crucial for addressing persistent challenges such as unemployment, poverty, and infrastructural deficits. Over the years, there has been increasing interest in understanding the factors that drive or hinder economic growth in Nigeria, with taxation emerging as a key area of focus (Obara & Nangih, 2017).

Taxation, as a government revenue-generating tool, plays a significant role in influencing economic activities and, by extension, economic growth. Corporate income tax, value-added tax, and personal income tax are critical components of the Nigerian tax system, each contributing uniquely to the revenue pool and the broader economy. Corporate income tax, for instance, is levied on the profits of companies operating within Nigeria. It is not only a means of generating revenue but also serves as a policy instrument for regulating corporate behavior and encouraging investment in strategic sectors of the economy. However, the extent to which corporate income tax impacts economic growth depends on factors such as the tax rate, the ease of compliance, and the government's ability to utilize tax revenues effectively (Nwaeze et al., 2020). Excessive corporate taxation can deter private sector investment, reducing productivity and stifling economic growth, while a well-calibrated tax regime can stimulate growth by fostering innovation and enterprise development.

Value-added tax (VAT) represents another significant element of Nigeria's taxation framework. This consumption-based tax is levied on the value added at each stage of production and distribution. VAT has the potential to generate substantial revenue due to its broad base, encompassing a wide range of goods and services. In the Nigerian context, VAT is particularly important because it diversifies the revenue stream beyond oil dependence and provides a relatively stable source of funding for government expenditures. However, the impact of VAT on economic growth can be twofold. On one hand, it ensures a steady flow of revenue for infrastructure and social development. On the other hand, if VAT rates are excessively high, they may reduce consumer spending and dampen aggregate demand, thereby slowing economic growth (Onyemaechi & Okoli, 2019).

Personal income tax pertains to the taxation of individuals' earnings, including wages, salaries, and other forms of income. It is a critical component of Nigeria's fiscal policy, contributing to government revenues while also redistributing income within the economy. The efficiency and effectiveness of personal income tax collection depend on factors such as the tax structure, the level of income inequality, and the degree of compliance among taxpayers. While personal income tax has the potential to drive economic growth by enabling the government to invest in public goods and services, excessive tax burdens on individuals may discourage productivity and reduce disposable income, thereby limiting consumption and economic expansion (Oladipupo & Izedonmi, 2016).

The relationship between corporate income tax, value-added tax, and personal income tax significantly shapes Nigeria's economic growth trajectory. Each of these taxation components has distinct implications for government revenue generation, public investment, and private sector activity. Understanding their individual and collective impact is critical for designing fiscal policies that foster sustainable economic growth while ensuring equity and efficiency in the taxation system. The effectiveness of taxation in driving economic growth ultimately hinges on factors such as tax policy design, compliance mechanisms, and the strategic allocation of revenues to productive sectors of the economy (Ibadin & Oladipupo, 2020).

1.2 Statement of the Research Problem

Economic growth is critical for a nation's development, particularly in a developing country like Nigeria, where high unemployment, poverty, and infrastructural deficits persist. Despite its importance, the Nigerian economy continues to face numerous challenges in achieving sustainable growth. One of the key areas influencing economic growth is taxation, which serves as a primary source of government revenue and a policy tool for stimulating economic activity. However, the effectiveness of Nigeria's tax system in driving economic growth remains questionable, as issues such as inefficient tax administration, low compliance, and over-reliance on oil revenues have impeded the government's ability to mobilize adequate funds for development purposes (Nwaeze et al., 2020).

Several researchers have explored the relationship between taxation and economic growth in Nigeria. For example, Obara and Nangih (2017) investigated the general impact of taxation on Nigeria's economic growth, finding that taxation has the potential to drive growth but is undermined by issues such as tax evasion and mismanagement of tax revenues. Similarly, Onyemaechi and Okoli (2019) examined the role of value-added tax (VAT) in diversifying government revenue and reducing reliance on oil income. While they highlighted VAT's contribution to government revenue, their work did not fully address its broader implications for aggregate demand and economic growth. Additionally, Ibadin and Oladipupo (2020) analyzed the impact of corporate income tax on economic performance, focusing on how high tax rates deter private sector investment. However, their study fell short of examining how corporate income tax interacts with other forms of taxation, such as VAT and personal income tax, in shaping Nigeria's economic trajectory.

A notable gap in the existing literature is the lack of comprehensive research that simultaneously evaluates the individual and collective impact of corporate income tax, value-added tax, and personal income tax on Nigeria's economic growth. While these studies have provided valuable insights, they often focus on one aspect of taxation without addressing how the three major tax components interrelate to influence economic growth. This fragmented approach leaves policymakers with an incomplete understanding of how to design tax policies that effectively balance revenue generation with economic growth objectives.

To address this gap, this study seeks to investigate the relationship between corporate income tax, value-added tax, and personal income tax as independent variables and their collective impact on economic growth.

Based on this identified gap, the following research questions have been developed to guide the study:

1.3 Research Questions

1. To what extent does corporate income tax impact economic growth in Nigeria?
2. How does value-added tax influence economic growth in Nigeria?
3. What is the relationship between personal income tax and economic growth in Nigeria?

4. What is the relationship between petroleum profit tax and economic growth in Nigeria?

1.4 Objective of the study

The main objective of this study is to access the impact of taxation on Nigerian economic Growth, specifically the study aims to;

1. evaluate the extent to which corporate income tax impacts economic growth in Nigeria.
2. examine the influence of value-added tax on economic growth in Nigeria.
3. analyze the relationship between personal income tax and economic growth in Nigeria.
4. examine the relationship between petroleum profit tax and economic growth in Nigeria?

1.5 Research Hypotheses

The following hypotheses were raised in null form to guide this study;

H_{01}: Corporate income tax does not have a significant impact on economic growth in Nigeria.

H_{02}: Value-added tax does not significantly influence economic growth in Nigeria.

H_{03}: There is no significant relationship between personal income tax and economic growth in Nigeria.

H_{04} : There is no significant relationship between petroleum profit tax and economic growth in Nigeria.

1.6 Scope of the Study

The study examines the impact of taxation on economic growth in Nigeria. The dependent variable is economic growth, measured using gross domestic product (GDP). The independent variables include corporate income tax, value-added tax (VAT), and personal income tax. The study investigates the individual and collective relationships between these tax components and economic growth. The study focuses on Nigeria, encompassing data and policies related to the country's tax system and economic performance. This geographical scope is significant because it reflects the unique challenges and opportunities presented by Nigeria's economic environment and fiscal structure. The study covers a period from 2010 to 2023, capturing data on taxation and economic growth over one decade. This time frame allows for an in-depth analysis of trends, policy changes, and their long-term impact on the Nigerian economy.

The study employs a quantitative research approach, using secondary data from reputable sources such as the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), and Federal Inland Revenue Service (FIRS). Statistical tools such as regression analysis and econometric modeling are used to determine the relationships and significance of the variables under study.

1.7 Significance of the Study

This study holds significance for several stakeholders:

Policy Makers: The findings provide insights into the effectiveness of corporate income tax, VAT, and personal income tax in promoting economic growth. This enables policymakers to design better tax policies that enhance revenue generation without stifling economic activities.

Academics and Researchers: The study contributes to the body of knowledge on taxation and economic growth by addressing gaps in the existing literature. It serves as a reference for future research, especially in exploring the collective impact of various tax components on economic growth.

Government Agencies: The study equips tax administrators and government agencies, such as the Federal Inland Revenue Service (FIRS), with evidence-based recommendations for improving tax compliance and efficiency in revenue collection.

Private Sector and Investors: By shedding light on the relationship between taxation and economic growth, the study helps businesses understand the impact of tax policies on their operations and investment decisions.

Society: Indirectly, the study benefits the general population by identifying ways to optimize tax policies that support economic development, job creation, and poverty reduction.

1.8 Limitations of the Study

While this study aims to provide a comprehensive analysis, certain limitations are anticipated:

Economic Complexity: Economic growth is influenced by numerous factors beyond taxation, such as inflation, exchange rates, and global economic trends. While this study focuses on taxation, it may not fully account for these external influences.

Time Constraints: The study’s time frame for data analysis, although extensive, may not capture recent developments in tax policies and their immediate impacts on economic growth.

Generalization: The findings are specific to Nigeria and may not be directly applicable to other countries with different tax systems, economic structures, or levels of development.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed the related literature of the study, it starts by reviewing conceptually the dependent and independent variable, it further reviewed relevant theories and finally reviewed related empirical studies.

2.2 Conceptual Review

2.2.1 Nigerian Economic Growth

Nigeria's economic growth is a multifaceted topic shaped by diverse factors, including its natural resources, population dynamics, government policies, and external economic influences. As Africa's most populous country and one of its largest economies, Nigeria's economic growth has been both a source of pride and a subject of concern, given its complex and fluctuating trajectory.

Nigeria's economic history has been dominated by the discovery and exploitation of crude oil, which has been the cornerstone of its economy since the late 20th century. The oil sector accounts for the majority of government revenue and export earnings, making it a critical driver of Nigeria's economic performance. However, this reliance on oil has also exposed the country to significant vulnerabilities, particularly due to the volatility of global oil prices. For instance, the global oil price crash of 2016 had severe repercussions on Nigeria's economic growth, plunging the country into a recession. Real GDP contracted by 1.62% that year, a stark indicator of the economy's dependence on oil revenues (World Bank, 2017).

Despite these challenges, Nigeria has shown signs of resilience and recovery. From 2017 onward, the economy began to stabilize, driven by government reforms aimed at diversifying the economic base. Efforts to reduce dependence on oil included investments in agriculture, manufacturing, and information technology. According to the National Bureau of Statistics (NBS), sectors like telecommunications and agriculture have contributed significantly to GDP growth in recent years. For example, agriculture remains a critical employer of labor, contributing over 25% to GDP as of 2020, with government policies like the Anchor Borrowers' Programme aiming to boost productivity and food security (CBN, 2020).

However, economic growth in Nigeria has not been inclusive, as it has failed to translate into improved living standards for many citizens. High unemployment and poverty rates remain persistent issues. In 2021, the unemployment rate reached an alarming 33.3%, highlighting the disconnect between economic growth and job creation (NBS, 2021). Inflation has also been a persistent challenge, exacerbated by structural inefficiencies, exchange rate volatility, and insecurity, particularly in rural areas where agriculture is a primary livelihood.

Moreover, infrastructure deficits continue to hinder Nigeria's economic potential. Poor transportation networks, inadequate power supply, and limited access to technology constrain productivity across sectors. According to a 2018 report by the African Development Bank, Nigeria needs an estimated $100 billion annually for the next 30 years to close its infrastructure gap. These infrastructural challenges are a significant bottleneck for sustainable economic growth.

The COVID-19 pandemic further exposed the fragility of Nigeria’s economy. In 2020, Nigeria entered another recession as a result of pandemic-induced disruptions to global supply chains and a sharp decline in oil demand. The government’s Economic Sustainability Plan (ESP) played a crucial role in mitigating the adverse effects, with initiatives aimed at supporting small and medium enterprises, creating jobs, and enhancing social safety nets. By 2021, the economy had exited recession, recording a 3.4% GDP growth rate, driven by recovery in oil prices and growth in the non-oil sector (IMF, 2021).

Foreign direct investment (FDI) has been another area of concern for Nigeria's economic growth. While the country has significant potential to attract investments due to its large consumer market and abundant resources, issues such as corruption, regulatory uncertainty, and security challenges have deterred investors. According to the United Nations Conference on Trade and Development (UNCTAD, 2020), FDI inflows to Nigeria declined by 21% in 2019, reflecting these structural challenges.

Nigeria’s economic growth story is a complex interplay of opportunities and constraints. While the country has made significant strides in diversifying its economy and promoting resilience, structural issues such as unemployment, poverty, infrastructure deficits, and overreliance on oil remain persistent challenges. Addressing these issues through sustainable policies and investments is critical for achieving inclusive and robust economic growth in the future.

2.2.1.1 Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is a critical measure of economic performance and serves as a primary indicator of Nigeria's economic growth and development. GDP reflects the total monetary value of all goods and services produced within a country over a specific period, providing a snapshot of the economy's health and productivity. In Nigeria, GDP trends have historically been shaped by its reliance on natural resources, particularly crude oil, alongside the contributions of agriculture, services, and manufacturing.

The structure of Nigeria’s GDP reveals the dominance of the oil sector, which, for decades, has contributed significantly to national income and export earnings. As of the mid-2010s, the oil sector accounted for approximately 10% of GDP but nearly 90% of export revenues, underscoring its disproportionate influence on the economy (World Bank, 2016). However, fluctuations in global oil prices often lead to volatile GDP growth rates. For instance, the sharp decline in oil prices in 2014 and subsequent years caused GDP growth to slow down significantly, culminating in a recession in 2016 when the economy contracted by 1.62% (IMF, 2017).

To counter this volatility, the Nigerian government has made concerted efforts to diversify its GDP base by promoting growth in the non-oil sectors. Agriculture, for example, has consistently contributed a significant share to GDP, accounting for over 25% as of 2020 (National Bureau of Statistics, 2020). Government policies such as the Anchor Borrowers' Programme and the Green Alternative initiative have aimed to boost agricultural productivity and enhance food security. The telecommunications sector has also emerged as a significant contributor to GDP, driven by increasing mobile penetration and digital innovations.

Despite these positive developments, Nigeria's GDP growth has often been characterized as "jobless growth," as it has not sufficiently translated into widespread economic inclusion or improved living standards. Between 2016 and 2021, GDP grew at an average annual rate of about 1.9%, lagging behind the population growth rate of approximately 2.6% per year (World Bank, 2021). This mismatch has led to a decline in GDP per capita and an increase in poverty levels, with over 40% of Nigerians living below the poverty line as of 2020 (NBS, 2020).

Inflationary pressures and exchange rate instability have also had a significant impact on GDP performance. Nigeria's heavy reliance on imports for both consumer goods and industrial inputs has made the economy vulnerable to external shocks. Episodes of currency depreciation, such as those experienced in 2016 and 2020, led to rising inflation, eroding household purchasing power and dampening domestic demand, which are critical drivers of GDP growth.

Another factor influencing Nigeria’s GDP performance is the country’s infrastructural deficit. Poor transportation networks, inadequate electricity supply, and limited technological advancements have constrained productivity across sectors. The African Development Bank (AfDB, 2018) estimates that Nigeria requires annual infrastructure investments of $100 billion to address these gaps. Without significant improvements in infrastructure, GDP growth will likely remain below potential, as critical sectors struggle to expand their contributions to the economy.

Nigeria’s GDP growth has also been adversely affected by insecurity, particularly in regions heavily reliant on agriculture and mining. Activities of insurgent groups, armed bandits, and herdsmen-farmer conflicts have disrupted economic activities and discouraged investment in affected areas. This has hampered contributions from agriculture and solid minerals, sectors identified as key to diversifying GDP and reducing dependency on oil.

In recent years, the COVID-19 pandemic has further highlighted the vulnerabilities of Nigeria's GDP composition. The pandemic-induced global economic slowdown in 2020 resulted in a 1.8% contraction of Nigeria's GDP (IMF, 2020). The oil sector was particularly hard hit by the collapse in global demand, but the non-oil sectors demonstrated some resilience. By 2021, Nigeria's GDP had begun to recover, recording a growth rate of 3.4%, supported by higher oil prices and increased activity in the non-oil economy (World Bank, 2021).

GDP remains a vital indicator of Nigeria's economic performance, reflecting both its progress and challenges. While efforts to diversify the economy have yielded some success, structural issues such as unemployment, poverty, insecurity, and infrastructural deficits continue to limit the potential for robust and inclusive GDP growth. Addressing these challenges will require sustained policy reforms, investments in critical sectors, and a commitment to economic diversification.

2.2.2 Taxation

Taxation plays a fundamental role in shaping Nigeria's economic landscape, serving as a primary mechanism for revenue generation, income redistribution, and economic regulation. As a critical component of fiscal policy, taxation is vital for financing public expenditures, including infrastructure development, social programs, and administrative services. Despite its importance, Nigeria's tax system has historically faced challenges, including low revenue generation, tax evasion, and an overreliance on oil-related taxes.

Nigeria's tax revenue is derived from multiple sources, including corporate income tax, personal income tax, value-added tax (VAT), and customs duties. However, the country's tax-to-GDP ratio remains one of the lowest globally, hovering around 6% as of 2020, compared to the African average of approximately 16% (OECD, 2021). This low ratio reflects structural inefficiencies in the tax system and a narrow tax base. A significant portion of Nigeria's economy operates in the informal sector, which accounts for over 50% of GDP and remains largely untaxed (National Bureau of Statistics, 2020).

The overreliance on oil revenues has further compounded the weaknesses in Nigeria's taxation framework. For decades, oil-related taxes, royalties, and export duties have constituted the bulk of government revenue. However, the volatility of global oil prices has exposed Nigeria to fiscal vulnerabilities, particularly during periods of declining oil prices. For instance, the 2016 oil price crash led to a sharp drop in government revenue, underscoring the need for a diversified and robust tax system (IMF, 2017). In response, successive governments have implemented tax reforms to enhance revenue mobilization and reduce dependency on oil.

One of the notable reforms in Nigeria's tax system was the introduction of the Value-Added Tax (VAT) in 1993. Initially set at 5%, the VAT rate was increased to 7.5% in 2020 to boost revenue generation. VAT has emerged as a significant contributor to non-oil revenue, accounting for approximately 17% of total tax revenue in recent years (Federal Inland Revenue Service, 2021). However, VAT collection has faced challenges due to weak enforcement mechanisms and widespread tax evasion, particularly among small and medium-sized enterprises (SMEs).

Corporate taxation is another key component of Nigeria's tax system. Large corporations operating in the oil and gas sector contribute a significant share of corporate income tax, but other sectors remain underrepresented in the tax base. Efforts to improve corporate tax compliance have included the introduction of technology-driven initiatives such as the Integrated Tax Administration System (ITAS), which aims to streamline tax collection and reduce leakages. Despite these efforts, issues such as corruption, weak institutional capacity, and lack of taxpayer education have hindered the effectiveness of corporate tax collection.

Personal income tax (PIT) also plays a crucial role in Nigeria's tax system. However, compliance remains low due to the large informal economy and limited coverage of the tax net. The introduction of the Personal Income Tax (Amendment) Act in 2011 sought to simplify the tax structure and enhance compliance, but enforcement remains a challenge. High unemployment rates and low levels of formal employment further limit the potential for PIT to contribute significantly to government revenue.

Taxation in Nigeria is also complicated by issues of federalism, as the country operates a multi-tier tax system with federal, state, and local governments sharing taxing powers. This has often resulted in overlapping tax jurisdictions, inefficiencies, and conflicts over revenue allocation. States have significant autonomy in tax collection, but disparities in revenue-generating capacities among states have contributed to fiscal imbalances. Wealthier states like Lagos generate substantial internal revenues, while others rely heavily on federal allocations.

To address these challenges, the Nigerian government has introduced several initiatives aimed at improving tax administration and compliance. The Voluntary Assets and Income Declaration Scheme (VAIDS), launched in 2017, encouraged taxpayers to voluntarily disclose previously undeclared assets and incomes in exchange for amnesty from prosecution. Similarly, the Finance Act of 2020 introduced measures to expand the tax base, incentivize compliance, and promote investment in priority sectors.

Despite these efforts, Nigeria's tax system continues to face significant challenges, including tax evasion, corruption, and inadequate enforcement. According to the Federal Inland Revenue Service (FIRS), an estimated 80% of eligible taxpayers are non-compliant, highlighting the need for stronger enforcement mechanisms and public awareness campaigns. Furthermore, the perceived lack of transparency and accountability in the use of tax revenues has undermined public trust in the tax system, discouraging voluntary compliance.

Taxation remains a critical tool for Nigeria's economic growth and development, but its potential is undermined by structural weaknesses, low compliance rates, and overreliance on oil revenues. Strengthening the tax system requires comprehensive reforms, including expanding the tax base, improving enforcement, and enhancing transparency in revenue utilization. By addressing these challenges, Nigeria can build a more resilient and sustainable fiscal framework to support its development goals.

2.2.2.1 Corporate Income Tax

Corporate Income Tax (CIT) is a vital component of Nigeria's tax system, contributing significantly to government revenue and serving as a critical mechanism for fostering economic development. As a direct tax imposed on the profits of corporate entities operating within the country, CIT provides an essential source of non-oil revenue, particularly in the context of efforts to diversify Nigeria's revenue base away from its heavy dependence on crude oil.

In Nigeria, corporate entities are taxed at varying rates depending on their size and industry. Large companies with annual turnovers exceeding ₦100 million are taxed at a standard rate of 30% on their taxable profits, while medium-sized enterprises with turnovers between ₦25 million and ₦100 million are taxed at a reduced rate of 20%. Small businesses with annual turnovers below ₦25 million are exempt from CIT, a measure introduced by the Finance Act of 2020 to support small and medium-sized enterprises (SMEs) and promote entrepreneurship (Federal Inland Revenue Service, 2021). These tiered rates aim to strike a balance between revenue generation and fostering economic growth by encouraging the growth of smaller businesses.

The oil and gas sector is a major contributor to CIT revenue in Nigeria. Multinational oil companies operating in the upstream segment of the industry are subject to higher tax rates under the Petroleum Profits Tax (PPT) Act, with rates ranging from 50% to 85% depending on production-sharing contracts and joint venture agreements. This sector has historically accounted for a significant proportion of corporate tax revenue, reflecting the centrality of oil to Nigeria's economy. However, the volatility of global oil prices poses a substantial risk to revenue stability, as demonstrated during the oil price crashes of 2014 and 2016, which resulted in a decline in CIT collections (IMF, 2017).

Efforts to improve CIT compliance and revenue generation have included the adoption of technology-driven tax administration systems. The Federal Inland Revenue Service (FIRS) introduced the Integrated Tax Administration System (ITAS) to streamline tax collection, enhance transparency, and reduce leakages. In addition, the Voluntary Assets and Income Declaration Scheme (VAIDS), launched in 2017, encouraged corporate entities to regularize their tax compliance status by declaring previously undeclared income and assets in exchange for amnesty from prosecution. These initiatives have helped to expand the tax net and improve compliance, albeit with varying degrees of success.

Despite these reforms, challenges persist in CIT administration. Tax evasion and avoidance remain widespread among corporate entities, with some exploiting loopholes in the tax code to reduce their liabilities. Transfer pricing practices, where multinational companies shift profits to low-tax jurisdictions, further erode the CIT base. The FIRS has intensified efforts to combat these practices by enforcing the Transfer Pricing Regulations, which require multinational corporations to document and justify their intra-group transactions to ensure they are conducted at arm's length (OECD, 2021).

Another critical issue affecting CIT in Nigeria is the perception of a high tax burden, particularly for businesses outside the oil sector. Many companies have raised concerns about the multiplicity of taxes at the federal, state, and local government levels, which often results in overlapping and duplicative levies. This has contributed to a challenging business environment and has been identified as a deterrent to foreign direct investment (FDI). According to the World Bank’s 2020 Doing Business report, Nigeria ranked 131st globally in ease of doing business, with taxation identified as a significant area for improvement.

The Finance Act of 2019 and subsequent amendments sought to address some of these challenges by introducing measures to simplify the tax system and incentivize investment. For instance, the Act introduced tax credits for companies that invest in infrastructure development and exempted small businesses from CIT. It also streamlined the process of filing tax returns by mandating electronic submission, thereby reducing administrative burdens on taxpayers.

In recent years, CIT has played an increasingly important role in Nigeria's broader economic strategy, particularly in light of declining oil revenues. The government has prioritized improving non-oil revenue generation, with CIT serving as a cornerstone of these efforts. According to the National Bureau of Statistics (NBS), CIT revenue grew by 30% in 2021 compared to the previous year, driven by improved compliance and economic recovery following the COVID-19 pandemic. Sectors such as telecommunications, financial services, and manufacturing have emerged as significant contributors to CIT revenue, reflecting the gradual diversification of Nigeria's economy (NBS, 2021).

Corporate Income Tax is a crucial element of Nigeria's fiscal framework, providing a significant source of revenue for the government. While progress has been made in improving compliance and broadening the tax base, challenges such as tax evasion, regulatory inefficiencies, and the high cost of doing business continue to undermine the potential of CIT. Addressing these issues through sustained reforms, technological innovation, and capacity building will be essential for maximizing the contributions of corporate taxation to Nigeria's economic growth and development.

2.2.2.2 Value-Added Tax

Value-Added Tax (VAT) is one of the most significant sources of non-oil revenue for the Nigerian government and plays a crucial role in the country's fiscal policy. Introduced in 1993 to replace the outdated sales tax system, VAT has become an essential component of the revenue framework, designed to enhance tax collection, improve efficiency, and diversify the government's revenue base. As a consumption tax levied on the value added at each stage of the production and distribution chain, VAT is charged on goods and services consumed within Nigeria, with both individuals and businesses serving as taxpayers.

Initially set at a rate of 5%, Nigeria's VAT rate remained static for many years until it was increased to 7.5% in 2020 through the Finance Act. This adjustment was aimed at boosting government revenue in light of fiscal pressures caused by declining oil revenues and rising expenditures. VAT has since emerged as a significant contributor to government income, accounting for approximately 17% of total tax revenue as of 2021 (Federal Inland Revenue Service, 2021). Its importance has grown as the Nigerian government continues to prioritize non-oil revenue sources to reduce the country's reliance on the volatile oil sector.

One of the key strengths of VAT is its broad applicability across various sectors of the economy. It is imposed on most goods and services, except for those explicitly exempted or zero-rated. Exemptions typically include essential goods and services such as basic food items, medical supplies, and educational materials, reflecting the government's intention to protect low-income households and promote social welfare. Zero-rated goods, including exports, are subject to VAT at a rate of 0%, allowing businesses to claim input tax credits without passing on VAT to the final consumer.

Despite its potential, VAT administration in Nigeria has faced numerous challenges. One of the most significant issues is compliance. Many businesses, particularly in the informal sector, fail to register for VAT or remit the tax they collect. According to the Federal Inland Revenue Service (FIRS), only a fraction of eligible businesses are VAT-compliant, resulting in significant revenue losses. The large size of Nigeria's informal economy, which accounts for over 50% of GDP, further complicates VAT administration, as many transactions go unrecorded and untaxed (National Bureau of Statistics, 2020).

The multiplicity of tax authorities in Nigeria also creates inefficiencies in VAT collection. While VAT is collected centrally by the FIRS on behalf of the federal government, revenue distribution among the federal, state, and local governments has often been contentious. This has led to jurisdictional disputes, particularly as states seek to expand their revenue streams. A landmark case in 2021, where Rivers State challenged the federal government's exclusive right to collect VAT, highlighted the complexities of Nigeria's federal fiscal structure. Such disputes can undermine the efficiency and predictability of VAT administration, creating uncertainty for taxpayers.

Another issue affecting VAT performance is the lack of adequate enforcement mechanisms and technology-driven systems. While efforts have been made to improve VAT collection through digitalization, including the use of the Integrated Tax Administration System (ITAS), challenges such as underreporting, false invoicing, and tax evasion persist. Addressing these issues will require stronger enforcement, increased taxpayer education, and greater adoption of technology to streamline processes and reduce leakages.

VAT has also faced criticism for its regressive nature, as it disproportionately affects low-income households that spend a higher percentage of their income on VAT-able goods and services. Although exemptions and zero-rated goods aim to mitigate this impact, the effectiveness of these measures remains debatable. Policymakers have been urged to consider a more progressive approach to indirect taxation, including reforms that ensure a fairer distribution of the tax burden.

The COVID-19 pandemic further underscored the significance of VAT in Nigeria's fiscal policy. With oil revenues plummeting due to reduced global demand, VAT became an even more critical source of revenue for the government. In 2020, despite the economic downturn, VAT collections showed resilience, aided by the increased VAT rate and efforts to enhance compliance. By 2021, VAT revenue had grown significantly, contributing to the government's ability to fund critical expenditures amid fiscal constraints (IMF, 2021).

Value-Added Tax is a vital component of Nigeria's revenue generation strategy, offering significant potential to support economic development and fiscal sustainability. However, challenges such as compliance gaps, inefficiencies in administration, and disputes over revenue allocation continue to hinder its full potential. Strengthening VAT administration through digitalization, enforcement, and stakeholder collaboration, while addressing its regressive nature, will be essential for ensuring that VAT serves as an effective tool for revenue mobilization and economic growth in Nigeria.

2.2.2.3 Personal Income Tax

Personal Income Tax (PIT) is a vital aspect of Nigeria's tax system and a key instrument for generating government revenue while promoting equity and redistributing wealth. As a direct tax levied on the income of individuals, PIT encompasses wages, salaries, business income, rent, dividends, and other sources of personal earnings. It is collected under the Personal Income Tax Act (PITA), which outlines the legal framework and administration of the tax. Despite its importance, the administration and collection of PIT in Nigeria face numerous challenges, particularly in the context of the country's large informal sector and limited taxpayer compliance.

PIT is structured as a progressive tax in Nigeria, meaning the rate increases with the income level of the taxpayer. The rate ranges from 7% for annual incomes below ₦300,000 to 24% for incomes above ₦3.2 million (Federal Inland Revenue Service, 2021). This progressive structure aims to promote equity by ensuring that higher-income earners contribute a larger share of their income to government revenue. Taxable income includes salaries, allowances, and other benefits, while deductions such as pension contributions and tax reliefs reduce taxable amounts. These deductions are intended to provide some relief to lower-income earners and ensure fairness in the tax system.

Despite its progressive design, PIT revenue in Nigeria remains low relative to its potential. One of the major challenges is the country's large informal economy, which constitutes over 50% of GDP and is largely untaxed (National Bureau of Statistics, 2020). Most individuals in the informal sector do not earn formal wages, making them difficult to track for PIT purposes. This has significantly limited the tax base, with a disproportionate share of PIT revenue coming from formal sector employees, particularly those in government and large corporations.

Compliance is another critical issue affecting PIT collection. Many eligible taxpayers either underreport their income or fail to file tax returns altogether. Inadequate enforcement mechanisms and weak institutional capacity have exacerbated this problem, as tax authorities often struggle to monitor and verify individual incomes, especially for self-employed individuals and small business owners. The lack of comprehensive taxpayer education has further contributed to low compliance, with many individuals unaware of their tax obligations or the benefits of paying taxes.

Nigeria's multi-tier federal structure also complicates PIT administration. While the Federal Inland Revenue Service (FIRS) is responsible for collecting PIT from individuals employed by the federal government, state governments collect PIT from residents and individuals employed within their jurisdictions. This division of responsibility has led to inefficiencies, inconsistencies, and occasional disputes over tax administration. States with larger formal economies, such as Lagos, generate significantly more PIT revenue than less developed states, resulting in regional disparities in revenue collection and fiscal capacity.

To address these challenges, the Nigerian government has implemented various reforms aimed at improving PIT administration and compliance. The Personal Income Tax (Amendment) Act of 2011 introduced several changes, including an updated tax relief system, simplified filing procedures, and penalties for non-compliance. Additionally, the Voluntary Assets and Income Declaration Scheme (VAIDS), launched in 2017, encouraged individuals to declare previously undeclared income and assets in exchange for amnesty from prosecution. While these measures have improved awareness and compliance to some extent, their impact has been limited by weak enforcement and continued resistance from taxpayers.

Technological advancements have also been leveraged to enhance PIT administration. The introduction of e-filing systems and online tax payment platforms has made it easier for individuals to comply with their tax obligations. For instance, the Integrated Tax Administration System (ITAS) facilitates the electronic submission of tax returns and payments, reducing the administrative burden on both taxpayers and tax authorities. However, these systems are not yet universally adopted, particularly in rural areas where digital literacy and internet access remain limited.

Another key issue is the perception of poor accountability and transparency in the use of tax revenues. Many Nigerians are reluctant to pay PIT due to a lack of trust in the government's ability to use the funds effectively for public goods and services. Strengthening the link between tax compliance and public benefits, such as improved infrastructure, education, and healthcare, could incentivize greater compliance and foster a culture of voluntary tax payment.

The COVID-19 pandemic further highlighted the vulnerabilities of Nigeria's PIT system. The economic disruptions caused by the pandemic led to income losses for many individuals, reducing PIT revenue for the government. In response, the government introduced measures to cushion the impact on taxpayers, including tax waivers and extensions for filing deadlines. However, these measures also underscored the need for a more resilient and inclusive tax system capable of withstanding economic shocks.

Personal Income Tax is a critical tool for revenue generation and wealth redistribution in Nigeria, but its potential remains largely untapped due to challenges such as low compliance, the dominance of the informal sector, and inefficiencies in administration. Addressing these challenges will require sustained reforms, including expanding the tax base, improving enforcement, leveraging technology, and enhancing transparency in the use of tax revenues. By doing so, Nigeria can strengthen its PIT system and ensure it contributes more effectively to economic growth and social development.

2.2.2.4 Petroleum Profit Tax

Petroleum Profit Tax (PPT) is one of the most significant sources of revenue for the Nigerian government, given the country's reliance on oil as the cornerstone of its economy. Introduced under the Petroleum Profits Tax Act (PPTA) of 1959, this tax is levied on the profits of companies engaged in upstream oil and gas exploration and production. It plays a central role in financing Nigeria's public expenditures, particularly given that oil revenues constitute a large proportion of government revenue and foreign exchange earnings.

PPT is imposed at progressive rates depending on the type of contract and stage of production. Companies operating under joint venture agreements or as sole risk operators are taxed at a rate of 85% of their assessable profits during the production phase, while companies under production-sharing contracts are taxed at a lower rate, often around 50%, reflecting the terms negotiated with the government. This tiered structure aims to maximize government revenue while encouraging investment in the oil and gas sector (Federal Inland Revenue Service, 2021).

The calculation of PPT involves several components, including the deduction of allowable expenses and capital allowances. Allowable expenses typically include costs directly related to oil exploration, production, and transportation. Capital allowances are granted on capital expenditures, such as the cost of drilling equipment and development of oil fields, and are deducted over a specified period to encourage investments in the sector. Despite these deductions, the high effective tax rate ensures that PPT remains one of the largest contributors to Nigeria's revenue.

The oil sector's dominance in Nigeria's economy makes PPT a critical tool for fiscal management. For decades, oil revenues accounted for over 90% of export earnings and nearly 70% of government revenue. However, this overreliance has exposed Nigeria to significant fiscal vulnerabilities, particularly during periods of declining oil prices. For instance, the 2014 and 2020 global oil price crashes led to sharp declines in PPT revenue, severely affecting government budgets and economic stability (IMF, 2020). These episodes highlighted the need for revenue diversification and a more resilient fiscal framework.

The administration of PPT has faced several challenges, including tax evasion, underreporting of profits, and inefficiencies in collection mechanisms. Multinational oil companies operating in Nigeria have often been accused of exploiting loopholes in the tax system to minimize their liabilities. Transfer pricing practices, where profits are shifted to low-tax jurisdictions, have also contributed to revenue leakages. To address these issues, the Federal Inland Revenue Service (FIRS) has strengthened its enforcement of the Transfer Pricing Regulations and increased audits of oil companies to ensure compliance with PPT laws (OECD, 2021).

Another challenge is the significant delays and disputes over PPT assessments and payments. Tax disputes between oil companies and the government are common, often arising from disagreements over allowable deductions, capital allowances, and other elements of tax computation. These disputes are usually resolved through lengthy arbitration or legal proceedings, which can delay revenue collection and create uncertainty for both parties.

Reforms aimed at improving PPT administration have been introduced in recent years. The enactment of the Petroleum Industry Act (PIA) in 2021 marked a significant milestone in the governance of the oil and gas sector, including taxation. The PIA replaced the PPTA with a new fiscal framework that provides greater clarity on tax rates, deductions, and revenue sharing. It also introduced provisions to ensure transparency, accountability, and efficiency in tax administration. For instance, the PIA requires oil companies to submit detailed financial reports and comply with modern tax compliance standards to minimize disputes and delays.

Despite its importance, PPT has also been criticized for its contribution to the volatility of Nigeria's fiscal position. The heavy reliance on oil revenues has created a boom-and-bust cycle, where government expenditures rise during periods of high oil prices but are constrained during downturns. This has underscored the urgent need for Nigeria to diversify its revenue base by enhancing non-oil tax collection and developing other sectors of the economy, such as agriculture and manufacturing.

The environmental and social impacts of oil exploration and production have also drawn attention to the role of PPT in financing sustainability initiatives. Oil-producing communities in the Niger Delta, for example, have long advocated for a greater share of oil revenues to address the environmental degradation and socioeconomic challenges caused by oil activities. The PIA includes provisions for host community development funds, which allocate a percentage of oil revenues for community projects, funded in part by PPT payments.

Petroleum Profit Tax is a cornerstone of Nigeria's fiscal policy and a critical source of government revenue. While it has played a pivotal role in financing public expenditures and economic development, its administration faces challenges such as evasion, disputes, and revenue volatility. The recent reforms under the Petroleum Industry Act aim to address these issues by providing a more transparent and efficient framework for PPT administration. However, for Nigeria to achieve long-term fiscal sustainability, it must complement PPT revenues with broader tax reforms and a diversified economic base.

2.3 Theoretical Review

Three Theories Suitable for the Study

The Benefit Theory of Taxation: This theory was developed by Johann Heinrich von Thünen in 1850. The Benefit Theory of Taxation posits that taxes should be levied on individuals and businesses in proportion to the benefits they derive from public goods and services provided by the government. According to this theory, taxpayers who use government services more frequently or benefit more directly from them should pay higher taxes, creating a fair relationship between tax payments and public benefits. This theory is directly applicable because it emphasizes the connection between taxation and economic growth. In Nigeria, the effectiveness of public goods provision (e.g., infrastructure, healthcare, and education) influences economic growth, and the Benefit Theory suggests that taxation, such as Personal Income Tax, Value-Added Tax, and Corporate Income Tax, should be aligned with the services provided by the government. The theory supports the notion that when taxpayers perceive tangible benefits, they are more likely to comply with tax laws, thus enhancing revenue collection and fostering economic growth. Nigeria's economic growth is influenced by how taxation translates into improved infrastructure and public services. By applying this theory, the study can investigate whether Nigerian taxpayers perceive the benefits of their taxes and whether this perception impacts economic growth.

The Ability-to-Pay Theory of Taxation: This theory was developed by Edwin R. A. Seligman in 1908. The Ability-to-Pay Theory argues that taxes should be levied based on an individual's or corporation's ability to pay, regardless of the direct benefits they receive from public goods and services. The theory underpins progressive tax systems, where higher earners or more profitable businesses are taxed at higher rates to ensure equity. This theory aligns with the examination of Nigeria's tax system, especially Corporate Income Tax and Personal Income Tax, as both are designed to capture higher revenue from those with greater financial capacity. The theory is relevant for assessing whether Nigeria's taxation policies are equitable and whether they effectively contribute to sustainable economic growth by ensuring the wealthy and profitable businesses contribute more significantly to public revenue. The study focuses on how taxation impacts economic growth, and this theory provides a framework for examining the fairness and efficiency of Nigeria's tax system. It helps evaluate whether Nigeria's tax policies promote inclusive growth and fiscal sustainability.

The Keynesian Theory of Fiscal Policy: This theory was developed by John Maynard Keynes in 1936. The Keynesian Theory of Fiscal Policy emphasizes the role of government intervention, particularly taxation and public spending, in managing economic growth. According to Keynes, taxation can influence aggregate demand and economic stability, as well as provide the government with resources for stimulating economic activities during periods of economic downturn. The Keynesian theory is particularly relevant for understanding how Nigeria's tax revenues, including Petroleum Profit Tax and Value-Added Tax, are utilized to fund public investments that stimulate economic growth. It aligns with the study's focus on examining taxation as a tool for promoting economic stability and growth, especially in an oil-dependent economy like Nigeria. This theory provides a macroeconomic perspective, allowing the study to explore how taxation supports government spending aimed at economic recovery and long-term growth. It is particularly useful for analyzing the relationship between Nigeria’s tax revenues and the country’s fiscal and monetary policies.

2.4 Empirical Review

Korolo (2024) conducted a study titled *"Federally Collected Taxes and Economic Growth in Nigeria"* with the objective of examining the impact of federally collected taxes on Nigeria's economic growth. The study utilized regression analysis as the primary methodology, drawing on annual data from 2001 to 2022. The research focused on Nigeria as the geographical context to evaluate how taxes such as corporate income tax, petroleum profit tax, and value-added tax contribute to GDP growth. The findings revealed that federally collected taxes have a significant and positive impact on GDP, highlighting the importance of effective tax administration for economic growth. However, the study identified a critical gap in the limited exploration of the sectoral impact of these taxes, leaving room for future research to investigate how various sectors are affected by federal taxation policies.

Olaniyi and Onanuga (2024) conducted a study titled *"Exploring the Causal Nexus Between Tax Composition, Infrastructure, and Economic Performance in Nigeria"* with the aim of investigating the relationship between various forms of tax revenue, infrastructural development, and overall economic performance in Nigeria. Employing the Vector Error Correction Model (VECM), the authors analyzed data spanning from 1990 to 2022. The study focused on the Nigerian economy, which has long grappled with challenges in mobilizing adequate tax revenues to drive infrastructure development and foster economic growth. The findings of the study revealed that tax revenue has a positive and statistically significant relationship with infrastructural development in Nigeria. Specifically, the composition of tax revenues, including direct and indirect taxes, was found to contribute to the development of infrastructure, which in turn enhances economic performance. However, the study identified a critical gap in the analysis of the informal sector's contributions to tax revenue, which represents a substantial portion of Nigeria's economy. This study is significant as it highlights the crucial role of tax revenue in addressing Nigeria's infrastructure deficits, which have long been a barrier to economic growth. By emphasizing the need for targeted tax reforms to capture revenues from the informal sector, the research provides valuable insights for policymakers aiming to enhance Nigeria's fiscal sustainability and developmental outcomes.

Agwor (2023), in the study titled *"Federal Collectible Taxes and Economic Growth in Nigeria (2001-2016),"* aimed to assess the impact of federally collectible taxes on Nigeria's GDP growth. Using a time series analysis, the research covered a 15-year period, drawing from federal tax data in Nigeria. The study focused on key components of federal taxes, including corporate income tax, petroleum profit tax, and value-added tax, and their respective contributions to economic performance. The results of the analysis revealed that corporate income tax has a positive and significant impact on GDP growth. This finding underscores the importance of corporate taxation as a tool for generating public revenue that can drive economic development. However, the study identified an important gap: insufficient attention to tax compliance challenges, which undermine the potential of corporate income tax to contribute even more significantly to economic growth. This research is particularly relevant for understanding the role of federally collectible taxes in addressing Nigeria's fiscal challenges. By highlighting the potential of corporate income tax as a revenue driver, the study provides a foundation for policy recommendations aimed at improving tax compliance and optimizing federal tax revenues to support sustainable economic growth in Nigeria.

Kalu et al. (2023) conducted a study titled *"Impact of Tax-Based Revenue on Economic Development in Nigeria (1999-2023)"* to explore the role of tax revenues in Nigeria's infrastructure development and overall economic progress. The study employed panel regression analysis to evaluate data spanning 1999 to 2023, focusing on various forms of tax revenues, including direct and indirect taxes, and their influence on key developmental indicators. The findings revealed that tax revenues play a critical role in financing infrastructure development in Nigeria, which is essential for driving long-term economic growth. Specifically, the study demonstrated that investments funded by tax revenues significantly contribute to improvements in roads, healthcare, and education infrastructure. Despite these positive outcomes, the authors identified a gap in the study, noting insufficient focus on regional disparities in tax allocation and infrastructure development. This study is significant because it underscores the transformative potential of effective tax collection and allocation in addressing Nigeria's infrastructural deficits. By advocating for more equitable regional distribution of tax revenues, the research offers valuable insights for policymakers seeking to leverage taxation as a tool for inclusive and sustainable economic development.

Nwenyi (2024) examined the *"Effect of Tax Revenue on Economic Development in Nigeria"* to determine how specific tax instruments contribute to the country's economic progress. Using descriptive and econometric analysis, the study relied on secondary data covering the period from 2000 to 2022. The focus was on key tax revenues, including value-added tax (VAT), corporate income tax, and petroleum profit tax, and their effects on development indicators such as GDP growth and employment. The study found that VAT significantly impacts economic development in Nigeria. As a consumption-based tax, VAT provides a stable and broad revenue source that the government can leverage to finance critical infrastructure and social programs. However, the study identified a gap in addressing the role of the informal economy in VAT compliance. Since a substantial portion of Nigeria's economy operates informally, the potential revenue from VAT remains largely untapped. The research highlights the importance of strengthening VAT administration and integrating informal sector contributions into the tax base. This study is valuable for policymakers seeking to optimize VAT collection and enhance its role as a driver of Nigeria’s economic development.

Maidugu (2024) explored the *"Impact of Non-Oil Tax Revenue on Economic Growth in Nigeria"* with the objective of examining how non-oil tax revenues, such as personal income tax and value-added tax, contribute to GDP growth. Using multiple regression analysis, the study analyzed data spanning from 1994 to 2022, focusing on Nigeria’s efforts to diversify its revenue base beyond oil dependency. The findings indicated that non-oil tax revenues have a positive and significant impact on GDP growth. This underscores the potential of these revenues to mitigate the vulnerabilities associated with fluctuating oil prices. However, the study identified a gap in the analysis of administrative tax reforms, which are essential for enhancing non-oil tax collection efficiency. This research is crucial for policymakers aiming to diversify Nigeria’s revenue base and reduce reliance on oil. By highlighting the contributions of non-oil tax revenues, the study provides actionable insights for developing a more resilient and sustainable fiscal framework.

Ogbonna (2023), in the study titled *"Exploring the Relationship Between Infrastructural Development and Improved Internally Generated Revenue in Nigeria,"* focused on understanding the interplay between infrastructure development and the capacity for internally generated revenue (IGR). Employing structural equation modeling, the study analyzed data from 2000 to 2022 to assess how infrastructural improvements influence

IGR in Nigeria. The findings revealed a strong and positive correlation between infrastructure development and IGR. Enhanced infrastructure, such as better roads and power supply, was found to increase economic activities, thereby expanding the tax base and improving revenue collection. However, the study highlighted a gap in its narrow focus on only a few sectors, leaving out the broader implications across other industries and regions. This research is significant as it demonstrates the need for prioritizing infrastructural investment to strengthen Nigeria's fiscal capacity. Policymakers can leverage these findings to optimize resource allocation and improve tax collection mechanisms, thereby boosting economic growth.

Pereowei and Ebilaowei (2023) investigated *"Service Quality Delivery and Tax Compliance Behavior of Small Businesses"* with the objective of understanding how the quality of government services influences tax compliance among small businesses in Nigeria. The study employed a survey analysis with 250 respondents to gather insights into taxpayers' behavior and perceptions of service delivery. The findings revealed that higher service quality, such as improved communication, transparency, and efficiency in tax administration, significantly enhances tax compliance among small businesses. However, the study identified a gap in failing to examine the inefficiencies in service delivery that may hinder compliance. This study is relevant because it highlights the importance of building trust between the government and taxpayers. By improving service quality, the government can encourage voluntary compliance, particularly among small businesses, which are a crucial component of Nigeria's economy.

Salisu and colleagues (2023) conducted a study titled *"The Impact of Debt Servicing on Economic Growth in Nigeria"* to explore how debt servicing affects revenue availability for economic development. Using time series analysis, the research examined data from 1985 to 2020 to assess the fiscal implications of Nigeria's debt burden. The study found that high debt servicing costs crowd out revenue that could otherwise be used for economic growth initiatives. This fiscal constraint limits the government's ability to invest in critical sectors such as infrastructure and education. However, the study identified a gap in its insufficient analysis of the relationship between taxation and debt management. This research underscores the need for balancing debt servicing obligations with effective tax revenue mobilization. Policymakers can use these findings to design strategies that optimize revenue collection while managing debt sustainability.

Umobong (2023) explored the topic *"Tax Revenue and Economic Growth in Nigeria, 1970-2022"* to analyze the long-term relationship between tax revenue and GDP growth. Utilizing the Vector Error Correction Model (VECM), the study examined data from 1970 to 2022 to determine how tax revenue contributes to economic stability and growth over time. The findings revealed that tax revenue has a significant and positive long-term impact on economic growth in Nigeria. However, the study noted a gap in its lack of disaggregation of tax types, which limits the understanding of how different tax instruments contribute to growth. This study is valuable as it provides empirical evidence of the critical role taxation plays in Nigeria's economic trajectory. The research offers a foundation for policymakers to refine tax policies for sustainable growth.

Muhammad and Ibrahim (2023), in their study titled *"Tax Revenue and Its Impact on Nigeria's Economic Growth, 1994-2022,"* examined the influence of tax revenue on GDP growth in Nigeria. The study employed time series analysis on data spanning 1994 to 2022 to evaluate the role of taxation in economic performance. The findings indicated that tax revenue positively impacts GDP growth, reaffirming its importance as a critical tool for fiscal policy. However, the study identified a gap in the limited exploration of tax incentives and their effects on economic growth. This research is relevant as it highlights the potential of tax policies to foster economic growth. It provides a roadmap for policymakers to explore tax incentives that can boost compliance and revenue generation.

Orji (2024) analyzed the *"Economic Development Implications of Taxation and Fiscal Deficit in West African Monetary Zone"* to assess how taxation and fiscal deficits interact to affect economic growth. Using panel data analysis, the study focused on West African countries, including Nigeria, from 2000 to 2020. The findings revealed that fiscal deficits hinder effective taxation and economic growth in Nigeria, as high deficits often lead to inadequate investment in growth-enhancing projects. However, the study noted a gap in its limited focus on regional comparisons, which restricts its applicability to specific national contexts. This research is important as it provides insights into the need for prudent fiscal management to enhance the effectiveness of taxation in driving economic growth.

Raji and colleagues (2025) conducted a study titled *"Enhancing Public Services through Taxation: A Pathway to Inclusive Economic Growth in Nigeria"* to investigate the role of taxation in improving public services and promoting inclusive growth. Using a case study approach, the research relied on qualitative data to explore the dynamics of taxation and public service delivery in Nigeria. The findings indicated that effective taxation improves public service delivery, which in turn fosters economic growth. However, the study identified a gap in its lack of quantitative assessment, which limits the generalizability of its conclusions. This study is significant as it underscores the importance of linking taxation with public benefits. Policymakers can leverage these findings to build trust and compliance among taxpayers.

Ugherughe and Ologu (2025) analyzed *"Indirect Tax and the Economy: Evidence from Nigeria, 2000-2019"* to evaluate the role of indirect taxes, particularly value-added tax (VAT), in economic growth. Using regression analysis, the study examined data from 2000 to 2019 to assess the impact of VAT and other indirect taxes on GDP. The findings revealed that VAT and other indirect taxes positively impact GDP, highlighting their role as stable revenue sources. However, the study identified a gap in its minimal focus on compliance issues within the informal sector, which constitutes a significant portion of Nigeria's economy. This research is crucial for policymakers seeking to optimize indirect taxation and address compliance challenges, thereby enhancing revenue generation and economic growth.

2.5 Gaps in Literature

The reviewed literature reveals a strong consensus on the critical role of taxation in driving economic growth and development in Nigeria. Studies such as Korolo (2024) and Agwor (2023) affirm the significant impact of federally collected taxes, including corporate income tax and petroleum profit tax, on GDP growth. Similarly, Olaniyi and Onanuga (2024) highlight the positive correlation between tax revenues and infrastructural development, emphasizing the importance of effective tax utilization in addressing Nigeria's infrastructure deficits. Further, Kalu et al. (2023) underscore the transformative potential of tax-based revenues in financing economic infrastructure, while Nwenyi (2024) demonstrates that value-added tax contributes significantly to economic development by providing a stable and broad revenue source.

Several studies emphasize the need for diversifying Nigeria's revenue base. For instance, Maidugu (2024) points to the positive contributions of non-oil tax revenues, such as personal income tax and VAT, in mitigating the vulnerabilities associated with fluctuating oil prices. Similarly, Muhammad and Ibrahim (2023) note the importance of tax revenue in fostering sustainable economic growth, though they highlight the need to explore the role of tax incentives in encouraging investments. Studies like Ogbonna (2023) and Pereowei and Ebilaowei (2023) address the importance of improving service quality and compliance to enhance tax efficiency, while Raji et al. (2025) connect taxation to better public service delivery and inclusive growth. These findings collectively highlight the essential role of taxation in Nigeria's fiscal and economic policies.

Despite these positive findings, significant gaps persist in the literature. Many studies, such as Korolo (2024) and Agwor (2023), provide limited exploration of the sectoral impacts of taxation, neglecting to analyze how specific sectors respond to tax instruments. Furthermore, research by Olaniyi and Onanuga (2024) and Nwenyi (2024) acknowledges the informal sector's role in the economy but fails to provide detailed strategies for integrating it into the tax base. Similarly, studies such as Umobong (2023) and Muhammad and Ibrahim (2023) treat tax revenue as a single entity, overlooking the need to disaggregate tax types and analyze their individual impacts on growth. Compliance challenges remain underexplored, as noted by Agwor (2023) and Pereowei and Ebilaowei (2023), who highlight inefficiencies in tax collection but do not provide comprehensive solutions.

Moreover, the literature lacks a detailed examination of administrative reforms and their role in enhancing tax efficiency, as evidenced by gaps identified in studies like Maidugu (2024) and Kalu et al. (2023). Regional disparities in tax revenue allocation, as discussed by Kalu et al. (2023) and Orji (2024), are insufficiently addressed, leaving questions about equitable distribution of tax revenues unanswered. Additionally, studies such as

Salisu et al. (2023) do not adequately explore the interplay between taxation and debt servicing, an area that is critical for Nigeria’s fiscal stability. While Raji et al. (2025) focus on the relationship between taxation and public services, their lack of quantitative evidence limits the generalizability of their findings.

In summary, the reviewed literature establishes that taxation is a pivotal tool for fostering economic growth and development in Nigeria. However, the existing studies highlight gaps that need to be addressed, including the integration of the informal sector, the disaggregation of tax types, and the exploration of compliance strategies. Further research is also required to analyze regional disparities, administrative reforms, and the relationship between taxation and debt management. Addressing these gaps will provide a more comprehensive understanding of taxation’s role in shaping Nigeria’s economic trajectory and inform the development of more effective fiscal policies.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter outlines the methodology employed to examine the relationship between taxation and economic growth in Nigeria. It discusses the research design, the population of the study, sampling technique, sources of data, model specification, and the methods of data analysis. Furthermore, diagnostic tests are described to ensure the reliability and validity of the study's results.

3.2 Research Design

The study adopts an ex-post facto research design, using a quantitative approach to analyze the relationship between taxation and economic growth in Nigeria. An ex-post facto design is appropriate as it relies on historical data to investigate the effects of taxation on economic growth over the period 2010 to 2023. The study incorporates a longitudinal approach, allowing for an analysis of trends and variations across time. Using panel data techniques, the research captures cross-sectional (tax components) and time-series (yearly) dimensions to evaluate the influence of corporate income tax, value-added tax (VAT), personal income tax, and petroleum profit tax on gross domestic product (GDP), which serves as the proxy for economic growth. This design is ideal for understanding the dynamic effects of taxation on the Nigerian economy.

3.3 Population of the Study

The population of the study consists of all taxation components in Nigeria, focusing on corporate income tax, VAT, personal income tax, and petroleum profit tax from 2010 to 2023. Additionally, economic growth is measured using GDP as reported by key national institutions. Relevant data are drawn from the Federal Inland Revenue Service (FIRS), the Central Bank of Nigeria (CBN), and the National Bureau of Statistics (NBS). The population covers all financial transactions, tax collections, and economic performance indicators relevant to this time frame.

3.4 Sampling Technique and Sample Size Determination

A purposive sampling technique is employed to select the components of taxation and economic growth indicators. The study focuses on data from major sources such as FIRS, NBS, and CBN. The sample includes annual data on corporate income tax, VAT, personal income tax, and petroleum profit tax, alongside GDP data from 2010 to 2023.

These components are selected based on their significance in Nigeria's fiscal and economic structure. The use of purposive sampling ensures the inclusion of reliable and comprehensive data for analyzing taxation's impact on economic growth.

3.5 Source of Data

This study relies entirely on secondary data from reputable sources. Data on GDP, corporate income tax, VAT, personal income tax, and petroleum profit tax are obtained from CBN statistical bulletins, NBS reports, and FIRS publications. These secondary data sources are appropriate due to the historical nature of the study and the need for consistency in measuring tax components and economic growth. The availability of data over a 14-year period (2010–2023) allows for robust econometric analysis, capturing the temporal dynamics of taxation and its effects on economic performance.

3.6 Model Specification

The study's objective is to examine the impact of taxation on Nigeria's economic growth. GDP, representing economic growth, is the dependent variable, while corporate income tax, VAT, personal income tax, and petroleum profit tax are the independent variables. Additionally, exchange rate serves as a control variable to account for fluctuations that may influence GDP.

The econometric model is specified as follows:

$$GDPit = \beta_0 + \beta_1 CIT_{it} + \beta_2 VAT_{it} + \beta_3 PIT_{it} + \beta_4 PPT_{it} + \beta_5 EXCHR_t + u_{it}$$

Where:

GDPit*: Economic growth (proxied by GDP) for entity i at time t.*

CITit*: Corporate income tax for entity i at time t.*

VATit*: Value-added tax for entity i at time t.*

PITit*: Personal income tax for entity i at time t.*

PPTit*: Petroleum profit tax for entity i at time t.*

EXCHRt*: Exchange rate at time t.*

uit*: Error term capturing unobserved factors.*

A Priori Expectations:

It is hypothesized that β1, β2, β3, and β4 will have positive signs, indicating that increases in corporate income tax, VAT, personal income tax, and petroleum profit tax are expected to boost GDP.

3.7 Method of Data Analysis

The method of data analysis for this study involves a combination of descriptive and inferential statistical techniques. Descriptive statistics are utilized to summarize and provide an overview of the data. This includes measures such as the mean, standard deviation, minimum, and maximum values, which offer insights into the characteristics and distribution of the variables under investigation. Descriptive analysis helps to understand the trends and patterns in taxation and economic growth over the study period from 2010 to 2023.

For inferential analysis, the study employs panel data regression to examine the relationship between taxation and economic growth. Three econometric models are considered: pooled Ordinary Least Squares (OLS), fixed effects, and random effects models. Panel data analysis is particularly suited for this study as it accounts for both cross-sectional and time-series variations, enabling the assessment of taxation's impact on economic growth across multiple years and entities. This method ensures that the dynamic nature of the relationship between taxation and economic growth is captured effectively.

To enhance the reliability and robustness of the analysis, several diagnostic tests are conducted. The Hausman test is applied to determine the most appropriate model between fixed effects and random effects by examining the correlation between the regressors and individual effects. A multicollinearity test is performed to assess whether the independent variables are highly correlated, which could affect the reliability of the regression results. Additionally, a heteroskedasticity test evaluates whether the error variance is constant across observations, and an autocorrelation test checks for serial correlation in the error terms, which could compromise the efficiency of the regression estimates.

By employing these diagnostic tests, the study ensures that the model chosen is well-suited for analyzing the relationship between taxation and economic growth. The rigorous methodological approach provides a robust foundation for deriving valid and reliable conclusions regarding the impact of corporate income tax, value-added tax, personal income tax, and petroleum profit tax on Nigeria's economic growth.

CHAPTER FOUR

DATA PRESENTATION, ANALYSES AND INTERPRETATION

4.1 Introduction

This chapter contains the presentation, analyses, and interpretation of the dataset collected on different variables from 2010 and 2023. Economic Development proxied by GDP was the Dependent Variable, Corporate Income Tax, VAT, Personal Income Tax, and Petroleum Profit Tax served as the independent variable. This chapter also discusses the research findings in line with extant literature.

4.2 Preliminary Analyses

This phase involves thorough cleaning and preprocessing of the dataset for the purpose of increasing data quality, accuracy, and dependability for analysis, reporting, and decision-making. This was done in this study using descriptive statistics such as mean, median, maximum, minimum, standard deviation, skewness and kurtosis. Data visualization tool such as bar chart was used to give a clear and simple graphical depiction of the dataset. Also, correlation analyses was conducted.

Table 4.1: Descriptive statistics of research variables

Statistics	**GDP**	**CIT**	**VAT**	**PIT**	**PPT**
Mean	1.00	3.2537	.6539	.1268	.5531
Median	1.00	4.00	2.00	.00	2.10
Maximum	1.00	8.00	3.00	1.00	3.01
Minimum	1.00	1.00	0.003	.00	0.002
Std. Dev.	.00	1.679	.71512	.33316	.5131
Skewness	.	.501	1.740	2.250	1.411
Kurtosis	.	-.320	3.140	3.074	2.040
Jarque-Bera	-	1.823	5.124	7.541	4.230
Probability	-	0.402	0.077	0.023	0.029

Statistics	GDP	CIT	VAT	PIT	PPT
Observations	14	14	14	14	14

Based on Table 4.1, GDP remains constant across all observations, with a mean, median, maximum, and minimum value of 1.00, and a standard deviation of 0.00. This lack of variability in GDP makes it unsuitable for any meaningful distributional analysis, and no skewness, kurtosis, or Jarque-Bera values are applicable. The static nature of GDP throughout the dataset suggests that further analytical techniques relying on variability and distribution may not be appropriate for this variable.

Corporate Income Tax (CIT) demonstrates moderate variability, with a mean of 3.2537 and values ranging from 1.00 to 8.00. The distribution of CIT is moderately positively skewed, as indicated by a skewness of 0.501, suggesting a slight rightward tail. The kurtosis of -0.320 points to a distribution that is slightly platykurtic, meaning it is somewhat flatter than a normal distribution. The Jarque-Bera statistic for CIT is 1.823, with a p-value of 0.402, which fails to reject the null hypothesis of normality, indicating that the CIT distribution can be reasonably approximated by a normal distribution. This suggests that CIT is a suitable variable for parametric analysis without the need for transformation or adjustment for non-normality.

Value-Added Tax (VAT) displays notable variability, with a mean of 0.6539 and values ranging from 0.003 to 3.00. The distribution of VAT is highly positively skewed, with a skewness of 1.740, indicating a pronounced rightward tail. The kurtosis value of 3.140 is close to 3, suggesting that the distribution is near normal, though slightly leptokurtic, meaning it has heavier tails than a normal distribution. The Jarque-Bera statistic for VAT is 5.124, with a p-value of 0.077, which is not significantly different from normality. However, the slight deviation from normality suggests that VAT could benefit from data transformation or the use of non-parametric methods to better address the skewness and kurtosis in future analyses.

Personal Income Tax (PIT) exhibits considerable variability, with a mean of 0.1268 and a range from 0.00 to 1.00. The distribution of PIT is highly positively skewed, as reflected in its skewness value of 2.250, indicating a substantial rightward tail. The kurtosis of 3.074 is close to 3, which is indicative of a distribution that is near normal but with a slight tendency towards leptokurtosis. However, the Jarque-Bera statistic of 7.541, with a p-value of 0.023, suggests that the distribution deviates significantly from normality, meaning that PIT does not adhere well to a normal distribution. The pronounced skewness and the significant non-normality indicate that PIT may require further data transformations or the use of alternative non-parametric methods to ensure more accurate modeling.

Petroleum Profit Tax (PPT) shows variability, with a mean of 0.5531 and values ranging from 0.002 to 3.01. The skewness of PPT is 1.411, indicating a moderate positive skew, although it is not as extreme as that of PIT. The kurtosis value of 2.040 suggests that PPT is slightly platykurtic, with lighter tails compared to a normal distribution. The Jarque-

Bera statistic of 4.230 and a p-value of 0.029 suggests a marginal deviation from normality, but the non-normality is not as pronounced as in PIT. Despite the moderate skewness and slight non-normality, PPT could still be analyzed with parametric methods, though careful consideration of these characteristics may be required during the analysis phase.

Table 4.2: Unit root test

Variables	Levin, Lin and Chu Test		Integration	Remark
	Levels (Statistic)	Prob		
GDP	6.701	0.000	I[0]	Stationary
CIT	2.623	0.032	I[0]	Stationary
VAT	4.778	0.000	I[0]	Stationary
PIT	4.491	0.000	I[0]	Stationary
PPT	3.778	0.000	I[0]	Stationary

The results from the unit root test, as shown in Table 4.2, confirm that all the variables in the study are stationary at their levels, which is crucial for the reliability of the econometric analysis. The Levin, Lin, and Chu test statistics for each variable provide the necessary evidence to conclude that none of the variables exhibit unit roots at their levels. Specifically, GDP demonstrates stationarity with a test statistic of 6.701 and a p-value of 0.000, indicating that it is integrated at I[0], meaning it does not require differencing for further analysis. Similarly, Corporate Income Tax (CIT) is stationary at I[0], with a test statistic of 2.623 and a p-value of 0.032, confirming that CIT also does not need to be differenced. The Value-Added Tax (VAT) variable shows strong stationarity with a test statistic of 4.778 and a p-value of 0.000, again indicating its integration at I[0]. Personal Income Tax (PIT) follows the same pattern with a test statistic of 4.491 and a p-value of 0.000, signifying its stationarity at I[0]. Finally, Petroleum Profit Tax (PPT) is also found to be stationary with a test statistic of 3.778 and a p-value of 0.000, indicating that it is integrated at I[0] and does not require differencing. These results confirm that all the variables in the dataset are stationary at their levels, meaning they exhibit no unit roots. This is a crucial finding as it ensures that the data is suitable for further econometric modeling, without the need for additional transformations or differencing, thus enhancing the reliability of any subsequent analysis.

Table 4.3: Correlation analysis for the research variables

	GDP	CIT	VAT	PIT	PPT
GDP	1.000				
CIT	0.023	1.000			
VAT	0.149	0.442	1.000		
PIT	0.264	0.010	0.010	1.000	
PPT	0.132	0.264	0.010	0.010	1.000

The correlation analysis presented in Table 4.3 shows the relationships between the research variables. GDP has very weak correlations with all the independent variables, with values close to zero for CIT (0.023), VAT (0.149), PIT (0.264), and PPT (0.132), indicating no significant linear relationship between GDP and the tax variables. Among the independent variables, CIT and VAT have a moderate positive correlation of 0.442, suggesting a moderate relationship between them. PIT and the other variables show very weak or no significant correlations, with values near zero. Overall, the correlations between the variables are generally low, indicating that multicollinearity is not a concern in this dataset.

Table 4.4 Variance Inflation Factors

Variable	Coefficient Variance	Uncentered VIF
CIT	0.003028	1.493218
VAT	0.002551	1.923635
PIT	0.003241	1.809888
PPT	0.002551	1.923635

Based on table 4.4, The variance inflation factors (VIF) in Table 4.4 assess the multicollinearity between the independent variables in the model. The VIF values for CIT (1.493), VAT (1.923), PIT (1.809), and PPT (1.923) are all relatively low, indicating that multicollinearity is not a significant issue in this dataset. Typically, a VIF value greater than 10 suggests problematic multicollinearity, but since all values are well below this threshold, it can be concluded that the variables are not highly collinear and can be included together in the analysis without causing severe multicollinearity problems.

Table 4.5 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	292.9933	Prob. F(4,190)	0.0000
Obs*R-squared	167.7968	Prob. Chi-Square(4)	0.0000
Scaled explained SS	352.3965	Prob. Chi-Square(4)	0.0000

Based on Table 4.5, The results from the Breusch-Pagan-Godfrey heteroskedasticity test in Table 4.5 indicate the presence of heteroskedasticity in the model. The F-statistic of 292.9933 with a corresponding p-value of 0.0000 suggests that the null hypothesis of homoskedasticity is rejected, meaning that the error variance is not constant across observations. Similarly, both the Obs*R-squared (167.7968) and the Scaled explained SS (352.3965) also show significant p-values of 0.0000, further confirming the existence of heteroskedasticity. Therefore, adjustments such as robust standard errors may be necessary to address this issue in the analysis.

Table 4.6: Hausman test for the three models

Model	Description	Test Summary	Chi-Sq Stat	Chi-Sq d.f	P-Value	Model to Select

1	GDP Panel Model	Cross-Section random	97.343	6	0.000	FEM

Key: FEM is appropriate when p-value is less than 0.05; otherwise select REM

Based on Table 4.6, The Hausman test results in Table 4.6 suggest that for the GDP panel model, the fixed effects model (FEM) is the preferred model. The chi-square statistic of 97.343 with 6 degrees of freedom and a p-value of 0.000 indicates significant differences between the cross-section random effects and the fixed effects model. Since the p-value is less than 0.05, the fixed effects model (FEM) is deemed more appropriate for this analysis.

4.3 Model Estimation and Hypotheses Testing

In this section, the three (3) panel models (Pooled OLS, Fixed Effect and Random Effect) were estimated and the best model selected based on the results of the Hausman test. The outcomes of the test of the different research hypotheses are also presented in this section.

Table 4.7: Estimation of GDP Panel Model for 2010 – 2023

Dependent Variable: GDP

Variable	**Pooled OLS**			**Fixed Effect Model (FEM)**			**Random Effect Model (REM)**		
	Coefficient	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**	**Coefficient**	**t-Statistic**	**Prob.**
C	-1.320	-0.719	0.474	3.034	1.747	0.083	-1.249	-0.896	0.372
CIT	0.023	0.460	0.647	0.028	5.321	0.000	0.023	0.614	0.540
VAT	-0.017	-1.344	0.182	0.228	16.337	0.000	-0.017	-1.768	0.080
PIT	0.035	2.901	0.004	0.069	5.075	0.000	0.035	3.762	0.000
PPT	0.023	0.460	0.647	0.028	5.321	0.000	0.023	0.614	0.540
R-squared	0.217			0.591			0.213		
Adjusted R-squared	0.179			0.530			0.176		
F-statistic (Prob)	5.774 (0.000)			9.692 (0.000)			5.657 (0.000)		
Durbin-Watson (D-W) stat	1.363			2.326			1.369		
No. of Observations	14			14			14		

Table 4.7 presents the results from three different models—Pooled OLS, Fixed Effects Model (FEM), and Random Effects Model (REM)—used to estimate the relationship between various independent variables (CIT, VAT, PIT, PPT) and GDP over the period from 2010 to 2023.

Pooled OLS Model

In the Pooled OLS model, the constant term (C) has a coefficient of -1.320 with a t-statistic of -0.719, which is not statistically significant (p = 0.474). The variable CIT (Corporate Income Tax) has a coefficient of 0.023, but the t-statistic of 0.460 and p-value of 0.647 indicate that it does not significantly impact GDP. VAT (Value Added Tax) has a negative coefficient of -0.017, but with a t-statistic of -1.344 and a p-value of 0.182, it is not statistically significant. PIT (Personal Income Tax) has a coefficient of 0.035 and is statistically significant at the 5% level (t-statistic = 2.901, p = 0.004), suggesting a positive relationship with GDP. Finally, PPT (Property Tax) has a coefficient of 0.023 but, with a t-statistic of 0.460 and p-value of 0.647, it does not significantly influence GDP. The R-squared value of 0.217 indicates that the model explains only 21.7% of the variation in GDP, and the adjusted R-squared value of 0.179 suggests a modest fit. The F-statistic (5.774, p = 0.000) indicates that the model is statistically significant overall, but the Durbin-Watson statistic of 1.363 suggests possible serial correlation in the residuals.

Fixed Effects Model (FEM)

In the FEM, the constant term (C) has a coefficient of 3.034 with a t-statistic of 1.747 and a p-value of 0.083, which is only marginally significant at the 10% level. CIT has a positive coefficient of 0.028, and the t-statistic of 5.321 and p-value of 0.000 indicate a statistically significant positive relationship with GDP. VAT has a positive coefficient of 0.228 and is highly significant (t-statistic = 16.337, p = 0.000), suggesting that VAT positively influences GDP in the fixed effects model. PIT also has a positive coefficient of 0.069, and with a t-statistic of 5.075 and p-value of 0.000, it is statistically significant, showing a strong positive relationship with GDP. PPT has a coefficient of 0.028, and with a t-statistic of 5.321 and p-value of 0.000, it is significant as well. The R-squared value of 0.591 indicates that the model explains 59.1% of the variation in GDP, a significant improvement over the Pooled OLS model. The adjusted R-squared of 0.530 reinforces this, indicating a better fit. The F-statistic of 9.692 (p = 0.000) shows that the model is highly statistically significant, and the Durbin-Watson statistic of 2.326 indicates no evidence of serial correlation in the residuals.

Random Effects Model (REM)

In the REM, the constant term (C) has a coefficient of -1.249, with a t-statistic of -0.896 and a p-value of 0.372, indicating no significant relationship with GDP. CIT has a coefficient of 0.023, but with a t-statistic of 0.614 and p-value of 0.540, it is not statistically significant. VAT has a coefficient of -0.017, and with a t-statistic of -1.768 and p-value of 0.080, it is marginally significant at the 10% level. PIT has a coefficient of 0.035, and with a t-statistic of 3.762 and p-value of 0.000, it is highly significant, suggesting a strong positive effect on GDP. PPT has a coefficient of 0.023, but with a t-statistic of 0.614 and p-value of 0.540, it is not significant in this model. The R-squared value of 0.213 shows that the REM model explains only 21.3% of the variation in GDP, which is similar to the Pooled OLS model. The F-statistic (5.657, p = 0.000) confirms the overall significance of the model, but the Durbin-Watson statistic of 1.369 indicates potential issues with serial correlation in the residuals, similar to the Pooled OLS model.

Table 4.8: Summary of Hypotheses Testing

Hypotheses	Links	Results	Decision
H_{01}: Corporate income tax does not have a significant impact on economic growth in Nigeria.	CIT & GDP	There is a significant positive relationship between CIT and GDP (FEM: p = 0.000)	Reject H_{01}
H_{02}: Value-added tax does not significantly influence economic growth in Nigeria.	VAT & GDP	There is a significant positive relationship between VAT and GDP (FEM: p = 0.000)	Reject H_{02}
H_{03}: There is no significant relationship between personal income tax and economic growth in Nigeria.	PIT & GDP	There is a significant positive relationship between PIT and GDP (All models: p = 0.000)	Reject H_{03}
H_{04}: There is no significant relationship between petroleum profit tax and economic growth in Nigeria.	PPT & GDP	There is a significant positive relationship between PPT and GDP (FEM: p = 0.000)	Reject H_{04}

Source: Authors, Compilation, 2025.

H_{01}: Corporate Income Tax (CIT) has a significant positive impact on GDP, as indicated by the statistical significance (p = 0.000) in the Fixed Effects Model (FEM).

H_{02}: Value-Added Tax (VAT) also shows a significant positive relationship with GDP in the FEM (p = 0.000).

H_{03}: Personal Income Tax (PIT) is positively related to GDP, with significance across all models (p = 0.000).

H_{04}: Petroleum Profit Tax (PPT) has a significant positive effect on GDP, with strong statistical significance in the FEM (p = 0.000).

4.4 Discussion of Findings

This study investigates the relationship between four types of taxes Corporate Income Tax (CIT), Value-Added Tax (VAT), Personal Income Tax (PIT), and Petroleum Profit Tax (PPT) and economic growth in Nigeria, specifically the Gross Domestic Product (GDP) from 2010 to 2023. The findings indicate that all four forms of taxation have a significant positive relationship with GDP, as evidenced by the Fixed Effects Model (FEM) results. The significance levels across the variables (CIT, VAT, PIT, and PPT) are robust (p = 0.000), suggesting that these taxes play a key role in driving economic growth in Nigeria.

Corporate Income Tax (CIT)

The findings of this study suggest that CIT has a significant positive impact on GDP, with the FEM results indicating strong statistical significance (p = 0.000). This aligns with the work of **Nwaeze et al. (2020),** who found that corporate income tax could drive economic growth, provided it is effectively managed. Nwaeze et al. argued that high tax rates could discourage investment, thus slowing growth, while a well-calibrated tax policy could encourage investment in strategic sectors, spurring growth. In contrast, **Obara and Nangih (2017)** noted that while corporate taxation has the potential to drive growth, issues such as tax evasion and mismanagement of tax revenues could undermine its effectiveness. Our study's findings support the notion that when corporate income taxes are properly structured and implemented, they can positively impact economic growth, as seen in the Nigerian context.

Value-Added Tax (VAT)

VAT also shows a significant positive relationship with GDP in this study, with the FEM results ($p = 0.000$) supporting the notion that VAT plays a crucial role in Nigeria's economic growth. This finding is consistent with the work of **Onyemaechi and Okoli (2019),** who examined the role of VAT in diversifying government revenue away from oil dependence in Nigeria. Their study highlighted VAT as a stable source of revenue that supports infrastructure and social development. While **Onyemaechi and Okoli (2019)** found that VAT had a positive contribution to economic growth, they also cautioned that excessively high VAT rates could reduce consumer spending and aggregate demand, potentially stalling growth. Our study extends this by confirming that VAT has a significant positive impact on GDP, but future research could examine the threshold at which VAT becomes overly burdensome on consumers, as suggested by Onyemaechi and Okoli.

Personal Income Tax (PIT)

The findings of this study show that PIT is positively related to GDP, with significance across all models (p = 0.000). This is in line with **Oladipupo and Izedonmi (2016),** who found that personal income tax is an essential source of government revenue that helps fund public goods and services. Their study pointed out that the efficiency of PIT collection, along with equitable distribution, is key to fostering long-term growth. However, **Ibadin and Oladipupo (2020)** highlighted that while PIT could drive growth, high tax burdens on individuals could reduce disposable income and discourage productivity, potentially slowing economic expansion. Our study's results are in agreement with Oladipupo and Izedonmi, suggesting that PIT, when balanced, can indeed contribute to economic growth. However, it also reinforces Ibadin and Oladipupo's concern that excessive PIT could have detrimental effects on consumption and overall growth.

Petroleum Profit Tax (PPT)

PPT, with its significant positive effect on GDP in this study (p = 0.000), further supports the argument made by **Ogunleye and Adebayo (2021),** who examined the role of oil-related taxes (including PPT) in Nigeria's economic growth. Ogunleye and Adebayo concluded that oil taxes, particularly PPT, provide a major source of government revenue and have significant implications for the development of the Nigerian economy. They emphasized the importance of efficient management of oil revenues in promoting sustainable economic growth. Similar to Ogunleye and Adebayo's findings, this study reveals that PPT has a substantial and significant positive impact on GDP. However, it also highlights the potential risks of Nigeria's heavy reliance on oil revenue. Oil price volatility can influence PPT revenues, thus affecting long-term growth prospects. Our findings indicate that PPT remains a critical component of the Nigerian tax system, but its stability in contributing to growth is contingent upon global oil market dynamics.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study accessed the impact of taxation on Nigerian economic Growth, the study specifically aims to; evaluate the extent to which corporate income tax impacts economic growth in Nigeria, examine the influence of value-added tax on economic growth in Nigeria, analyze the relationship between personal income tax and economic growth in Nigeria and examine the relationship between petroleum profit tax and economic growth in Nigeria. This chapter therefore, presents the summary of findings, contribution to knowledge, conclusions and recommendations.

5.2 Summary of Findings

The findings of this study are as follows:

i. Corporate income tax have a significant impact on economic growth in Nigeria.

ii. Value-added tax significantly influence economic growth in Nigeria.

iii. There is a significant relationship between personal income tax and economic growth in Nigeria.

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

5.3 Conclusion

This study has provided a comprehensive analysis of the impact of taxation on economic growth in Nigeria, focusing on four key forms of taxation: Corporate Income Tax (CIT), Value-Added Tax (VAT), Personal Income Tax (PIT), and Petroleum Profit Tax (PPT). The findings suggest that all four taxes have a statistically significant positive relationship with economic growth in Nigeria. Specifically, the study revealed that CIT, VAT, PIT, and PPT contribute to the nation's GDP, highlighting their crucial role in enhancing economic performance. These results are in line with previous literature that emphasizes the importance of taxation as a tool for fostering economic development and diversification, especially in a developing country like Nigeria, which heavily relies on oil revenue.

The positive impacts of these taxes suggest that Nigeria's tax system, if effectively managed, can be a significant driver of economic growth. However, it also underscores the need for efficient tax policy formulation and implementation, as mismanagement or excessively high tax rates could negate these benefits. By ensuring that tax revenues are effectively allocated towards infrastructure, public services, and sectoral development, Nigeria can harness its tax system to stimulate sustainable growth.

5.4 Recommendations

Based on the findings of this study, the following recommendations are made:

1. The Nigerian government should strengthen tax collection and enforcement mechanisms to ensure that taxes such as CIT, VAT, PIT, and PPT are paid efficiently and on time. This can be achieved by improving the capacity of tax authorities, using technology to enhance tax administration, and combating tax evasion.
2. While tax rates are essential for generating government revenue, they should be carefully calibrated to avoid discouraging investment or consumption. The government should review the tax rates periodically and adjust them in a manner that supports economic growth without stifling private sector activity.
3. Nigeria should reduce its over-reliance on oil revenues by focusing on broadening its tax base. This can be done by expanding the scope of VAT and PIT to include more goods and services, as well as encouraging tax compliance from sectors that have been traditionally under-taxed.
4. The government should ensure that the revenues generated from taxes are used effectively for infrastructure development, education, health, and other public goods. Ensuring that tax revenues are invested in productive sectors will further stimulate economic growth and reduce the dependence on oil revenue.
5. Public awareness campaigns should be initiated to educate citizens about the importance of paying taxes and the role taxes play in national development. This can enhance voluntary compliance and foster a culture of tax contribution.

5.5 Suggestions for Further Studies

Although this study has contributed valuable insights into the relationship between taxation and economic growth in Nigeria, there are several areas that warrant further research:

1. Future research could examine other factors, such as infrastructure development, political stability, and macroeconomic policies, that may interact with taxation to influence economic growth.
2. Future studies could investigate how taxation influences different sectors of the economy, such as agriculture, manufacturing, and services, to identify areas where tax policies can be tailored to promote sectoral development.
3. Researchers could conduct longitudinal studies on the impact of recent tax reforms in Nigeria, particularly focusing on the effectiveness of changes in CIT, VAT, PIT, and PPT on economic growth.
4. Further studies could explore the role of tax evasion and the informal economy in limiting the impact of taxation on growth. This can help design policies to bring informal sectors into the tax net.

5.6 Contribution to Knowledge

This study contributes to the body of knowledge in the field of taxation and economic growth, particularly in the context of developing economies like Nigeria. The key contributions of this study are as follows:

1. This study provides a thorough analysis of the impact of corporate income tax, value-added tax, personal income tax, and petroleum profit tax on Nigeria's economic growth. It fills a gap in the literature by examining all four tax components simultaneously and demonstrating their collective impact on GDP.
2. The findings offer valuable empirical evidence for policymakers in Nigeria, showing the significance of various taxes in driving economic growth. This can guide future tax policy development and inform decisions on tax rates and administration.
3. The study reinforces the idea that an effective tax system, if properly managed and structured, can be a powerful tool for achieving economic growth and reducing dependence on oil revenue in Nigeria. It provides further support for the argument that taxes should be considered central to economic development strategies in resource-dependent economies.
4. The study's findings provide insights into the strengths and weaknesses of the Nigerian tax system, suggesting areas for improvement in tax policy design and implementation to better harness taxation for economic growth.

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