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Original Research Article

Impact of Companies Income Tax, Petroleum Profits Tax and Value-Added Tax in Nigeria

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The study examined the impact of company income tax, petroleum profits tax, and value-added tax in Nigeria, over the study period (1981 to 2021). The study adopted descriptive and inferential statistics using tables and econometric models to achieve the result. Petroleum profit Tax (PPT), Value Added Tax (VAT) and Companies Income Tax (CIT), Gross Domestic Product (GDP) are the major variables used in the study. Secondary data was used and sourced from CBN Statistical Bulletin and Federal Inland Revenue Service. The results of the unit root test obtained showed that the variables were both at levels and at first difference, as such portend the need for ARDL long run relationship among the variables. While in the bounds testing approach, there was a long run relationship between government financing, economic growth and infrastructural development. Furthermore, in the relationship of government financing and infrastructural development the result revealed that there is long run relationship between disaggregated variables of government financing on economic growth and infrastructural development in Nigeria. The coefficient of the error correction model is the speed of the adjustment of infrastructural development to shocks in exogenous variables in the model. The study therefore concluded that companies' income tax, petroleum profits tax, and value added tax have a significant effect on economic growth and development in Nigeria. Therefore, the study recommends that government should engage in a complete re-organization of the tax administrative machineries in order to reduce to tolerable levels the problem of tax evasion and avoidance, and to enhance the tax base of government; employment opportunities should be created; and a good environment for entrepreneurship and innovation to thrive should be made available, using tax proceeds.

Keywords: Taxation, Economic Growth, Tax authority, Tax base, Tax administration.

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INTRODUCTION

The economic growth of a country is tied to the revenue generation of the country within a particular period of time. Revenue generation is a core determinant of economic growth and development. And one major means of generating the revenue for

providing needed infrastructure is through a well-structured tax-system (Ogbonna and Ebimobowei, 2012). Aguolu (2004) stated that taxation is the most important source of revenue to the government; owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstances. Azubike (2009) agreed to the above fact when he stated that tax is a major player in every society of the world. The tax system is an opportunity for government to collect additional revenue needed in discharging its pressuring obligation. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself as to creating an environment conducive to the promotion of economic growth and development.

The uniqueness and centrality of taxation as a major source of revenue generation to a nation's finances cannot be over-emphasized. Tax is also an important economic instrument. This is established by many authors (Ogbonna and Ebimobowei, 2012). These studies concentrated on how tax revenue is a driver of economic development. Concisely, economic development and sustainability goals depend on the ability to raise financial prowess to address developmental projects. Through fiscal policy, the government controls economic activities to stabilize the economy. Tax revenue has been seen as the major source of government revenue all over the world. Government use tax proceeds to render their traditional functions, such as the provision of public goods, maintenance of law and order, defense against external aggression, regulation of trade and business to ensure social and economic maintenance. These concepts are vital in tax management and compliance. They are, tax policies; these refer to various reforms and machineries instituted in a tax regime for the effective assessment and collection of taxes in Nigeria, tax laws; these are body of rules and regulations that guide the imposition of taxes in Nigeria, and tax administration; this is the body saddled with the responsibility to identify, assess and collect taxes as well as enforce tax compliant in Nigeria.

Effective tax administration is an issue as old as taxation itself. The balancing act between maximizing tax revenues and minimizing the impact on the populace in which the state must engage, was evident as early as 2350 BC. The responsibility shouldered by the government of any nation, particularly the developing nations, is enormous. The need to fulfil these responsibilities largely depends on the amount of revenue generated by the government through various means (Aliyu and Mustapha, 2020). Taxation is one of the oldest means by which the cost of providing essential services for the generality of people living in a given geographical area is funded. Globally, governments are saddled with the responsibility of providing some basic infrastructures for their citizens. Taxation is a major source of government revenue all over the world and governments use tax proceeds to render their traditional functions, such as: the provision of roads, maintenance of law and order, defense against external aggression, regulation of trade and business to ensure social and economic stability (Appah and Eze, 2013).

Nigeria is a middle-income mixed economy with emerging market and burgeoning manufacturing, financial and service sectors. It is ranked as the 26th largest economy in the world in terms of nominal GDP and the 24th largest in terms of PPP (World Bank 2021). However, the World Bank has listed Nigeria as one of the world's poorest countries despite its position as the largest economy in Africa. Nigeria, the second biggest oil producer in Africa, rose to become the 26th largest economy in the world as at the year 2021. In spite of this, 70% of the population (about 211 million people) in Nigeria are living on less than $1.25 per day, while only 1% (about 1.8 million people) are living on over $30 a day. An economic recession is typically defined as a decline in GDP for two or more consecutive quarters, which happened to Nigeria in 2021. It can be noticed that the performance of Nigeria's economy, as measured by its GDP, recorded a contraction (recession) in 2020 by about -5% which is Nigeria's other negative annual GDP growth rate after 2016. The country's highest growth rate remains 15.33% in 2002. According to data obtained from the Nigerian Bureau of Statistics (NBS), the recent recession witnessed in 2020 was majorly as a result of the Covid 19 pandemic which resulted to global economic meltdown as economic activities were halted, which led to reduced foreign reserves which also reduced the nation's currency concomitantly.

One of the most frequently discussed issues in Nigeria is how to solve the economic hardship in the country and how to create an industrial base that can guarantee self-sustaining economic development. Also, one wonders why a country which is richly endowed with the necessary human and material resources experiences a weak tax administration structure which is telling on the economic in the country. The need for tax payments has been a phenomenon of global significance as it affects every economy irrespective of the national differences. There is a paradigm shift to tax revenue as an alternative source of revenue. Nigeria is not an exception.

Revenue generation through tax is not vehemently absent, the effect it has on economic development is the bane of discussion. The economic history of both developed and developing countries reveal that tax is an important tool in the hand of the government; not only to generate revenue but also to achieve goals such as influencing the direction of investment and taming the consumption of certain goods and services (Ibanichuka, et al., 2016).

Previous studies have been carried out on the effect of taxation on economic development focusing on certain types of taxes. Either direct or indirect taxation have been concentrated on in their studies (Ogbonna and Ebimobowei, 2012a; Izedonmi and Okunbor, 2014). Taxes like Company income

tax, Value added tax, Custom, Petroleum profit tax and Excise duties were examined. Achor and Ekundayo (2016) in their studies assert a positive result and showed a significant impact of tax revenue on economic growth. However, the impact of tax in the Nigeria economy is debatable.

Hence, the motivation for this study is the observed tax revenue over the nation's GDP that seems not to be impressive in developing nations. It is against this backdrop that the study focuses on the effect of taxation on the Nigerian economy. The broad objective of the study is to examine the effect and identify the impact of tax revenue on the Nigerian economic growth. Specifically, the study seeks,

a. To ascertain the impact of Companies Income Tax on Nigerian economic growth,
b. To determine the influence of Petroleum Profits Tax on Nigerian economic growth,
c. To examine the effect of Value Added Tax on Nigerian economic growth.

In order to achieve the research objectives and answer the research questions in the study, the following hypotheses were formulated and will be tested.

Ho_1: There is no significant impact of Company Income tax on Nigerian economic growth.
Ho_2: There is no significant influence of Petroleum Profits Tax on Nigerian economic growth.
Ho_3: There is no significant effect of Value Added Tax on Nigerian economic growth.

The study focuses on three (3) types of taxes collectible by federal government through the Federal Inland Revenue Services (FIRS) in Nigeria. This study deals with how federal taxes collection through the FIRS particularly the Companies Income Tax, the Petroleum Profits Tax and the Value Added tax enhance economic growth in Nigeria. The time frame covered in this study is from 1981-2021.

LITERATURE REVIEW

Theoretical Framework

Expediency Theory

The study anchored on the expediency theory which enables us to assess the extent to which the Nigerian tax system conforms to this scenario where the link between tax liability and economic activities are linked. Expediency theory is based on a link between tax liability and economy activities (Bhartia, 2009). The Expediency theory of taxation is of significance to the study due to its pragmatic nature towards tax proposal by tax authorities and the government. This is because it allows for easy economic and social objectives analysis of the tax structure, system and dynamics. Therefore, this theory helps to shed light to curing the economic and social ills through setting effective tax and fiscal policies by the government.

An approach to tax policy that addresses practicality is known as the expediency theory. Only after it has been carefully reviewed by the authorities, a tax proposal can be deemed a wise decision. The impacts of a tax system and its effects on the state's economic and social objectives must be regarded as irrelevant (Bhartia, 2009). Otu and Adejumo (2013) argued that every tax proposal normally passes the test of practicality and is the only consideration for government authority to choose a tax policy. This theory which is embedded in the canon of taxation explains the economy, effectiveness and efficiency of tax collection instruments. Taxation provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequality, regional disparities, and unemployment (Afuberoh and Okoye, 2014). Economic and social objective of the state is to put in place an effective tax system which should be relevant to the economic growth of a nation (Kiabel and Nwokah, 2009). Kiabel and Nwokah further added that this proposition has a truth in it, since is useless to have a tax system which cannot be levied and collected efficiently. Since there are pressures from economic, social and political groups, and every group tries to protect and promote its own interests, hence, the authorities are often forced to reshape tax structure to accommodate these pressures. In addition, the administrative set up may not be efficient to collect the tax revenue at a reasonable cost. Ihenyen and Ebipanipre (2014) posited that taxation provides a powerful set of policy tools to the authorities and should be effectively utilized for remedying economic and social disturbance in the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations.

Conceptual Review

Taxation

The concept of taxation is a very interesting one and like many events in the affairs of men, has undergone several modification and changes. Taxation is now comparatively very sophisticated in most part of the world. In Nigeria, some of the types of taxation we have include personal income tax (Pay-As-You-Earn), companies' income tax, capital gain tax, sales tax, petroleum profit tax and modified value added tax. There is one element, which remains very clear, taxation, in every sense, is a tool of economic information. Government, the world over, have always found ways of imposing various levies (Taxes) on their subjects. This is done in a view of raising revenue for its expenditure. Tax reduction or tax holiday may, on the other hand, be granted to certain sectors in order to stimulate economic growth and also formulate tax laws to effectively prescribe penalties for tax evasion to

ensure compliance. It should be noted that an increased in government spending naturally implies the opposite (i.e., a reduction) in private spending of the citizens. The corollary is also true.

Hence, taxation is a method of transferring resources from the private sector or effecting a reshuffling within different parts of the public and private sectors. Though there are other methods by which government generates money (for instance through currency devaluation, raising of loans or charging for goods and services they produce or provide), taxation is often the most important, dependable and regular source of their revenue. This is why it constitutes a veritable instrument of shaping and directing economic activities. Increased taxation withdraws money from circulation in the private sector. On the other hand, reduced tax or tax abolition for certain areas automatically increases or stimulates activities or investment in the areas attended with the attendant benefits.

According to Anyanwu (1997), a tax is a compulsory levy imposed by the government on individuals, companies, goods and services to raise revenue for its operations and to promote social equity through the redistribution of income effect of taxation. In line with this frame of thought, taxation is a source of government revenue by which individuals and corporate bodies are mandatorily required to pay certain proportion of their earnings to the government for the course of development. In addition, Bhatia (1976) defined tax as a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite and direct benefit from the government. Note, the word direct here does not mean a price paid by the tax payer for any definite service rendered or a commodity supplied by the government. Rather it means that the benefits received by tax payers from the government are not related to or based upon the tax paid by the tax payers. This in effect implies that tax is a generalized exaction, which may be levied on one or more criteria upon individuals, groups, or the legal entities.

Chartered Institute of Taxation of Nigeria (2002) defined tax as an enforced contribution of money to government pursuant to a defined authorized legislation. Appah (2004) defined tax as a “compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society”. In his own view, Bhartia (2009) argues that a “tax is a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite and direct quid pro quo from the government”. Wikipedia defined tax as a “financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state such that failure to pay is punishable by law”.

Going by the definition of tax, Nzotta (2007) identified four key issues which must be understood for taxation to play its functions in any society. First, a tax is a compulsory contribution made by the citizens to the government and this contribution is for general common use. Secondly, a tax imposes a general obligation on the tax payer. Thirdly, there is a presumption that the contribution to the public revenue made by the tax payer may not be equivalent to the benefits received. Finally, a tax is not imposed on a citizen by the government because it has rendered specific services to him or his family. Thus, it is evident that a good tax structure plays a multiple role in the process of economic development of any nation which Nigeria is not an exception (Appah, 2010).

Taxes can be structured into direct and indirect forms. There are different components of direct taxation. These include the personal income tax, petroleum profit tax, companies’ income tax, and educational tax. The different prominent components of indirect taxation in Nigeria include, Value Added Tax and Custom and Excise Duty (Umoru and Anyiwe, 2013).

Purposes/ Objectives of Taxation

From the definition above, taxes are paid to the government for different purposes; some of these are highlighted as follows:

i. **Revenue Generation:** The primary objective of tax is the generation of revenue to help the government to run the administration and provide basic facilities for the citizens of the country, that is, to finance the ever-increasing public-sector expenditure.
ii. **Provision of merit goods:** Merit goods include health and education. This must not be left entirely in private hands though private participation should be encouraged.
iii. **Control the level of inflation:** This function is performed in situations where people are taxed heavily, their disposable income will be reduced, and they will have less purchasing power, therefore reducing the level of inflation.
iv. **Redistribution of income:** Tax system is a means of ensuring the redistribution of income and wealth in order to reduce poverty and promote social welfare. This can be achieved when people earning more pay higher tax than those earning less.
v. **To solve balance of payments problems:** Where the import is more than the export, the government can raise taxes to take care of the deficit that arises from such.
vi. **To discourage businesses and consumption of “harmful goods:** Taxes can be used to discourage businesses that are harmful to the growth of the economy of the country. Also to discourage the consumption of harmful goods such as cigarette and alcohol, heavy taxes are further imposed.

Types of Tax

1. Personal Income Tax

Personal Income Tax (PIT) is a type of tax charged on the income of individual. The chargeable income of an individual is the aggregate amount from all sources (whether from employment, investment, profit from trade, profession or vocation etc) after deducting all non-taxable incomes and relief granted (Ogbonna and Ebimobowei, 2016). PIT according to Anyanfo (1996) is a direct tax levied on income of a person. Lababatu (2014) defined personal income tax as a tax on the Pay As you Earn (PAYE) basis, that is, the tax payable depends on how much is earned by the tax payer.

According to Akintoye and Tashie (2013), Personal income tax is tax paid on one's personal income as distinct from the tax paid on the firm's earnings. In an incorporated firm, the owners (shareholders) pay taxes on both their income (salary or dividend from the firm) firm's income (profits). In partnerships and sole-ownerships, the tax is paid only once on the firm's profits. Personal Income Tax Rate in Nigeria is reported by the Federal Inland Revenue Service, Nigeria. The Personal Income Tax is a tax collected from individuals and is imposed on different sources of income like labor, pensions, interest and dividends. Revenues from the Personal Income Tax Rate are an important source of income for the government of Nigeria (Anyanfo, 1996).

The personal Income Tax Act; Cap P8 Volume 13 LFN 2004 provides the legal backing for the collection of Personal Income Tax (PIT) in Nigeria. The act was amended by the Personal Income Tax (Amendment) Act, 2011. Section 3 of PITA provides that every tax payer in Nigeria is liable to pay tax on the totality of his income whether derived from within or outside Nigeria. The salaries, wages, fees, allowances, and other gains or benefits, given or granted to an employee are chargeable to tax. An employer under the Act is expected to register with the relevant tax authority for the purpose of deducting income tax from his employees' salaries with or without formal notification or direction by the relevant tax authority (Section 80(6)). Section 1 and 2 of the Act provides that PIT shall be collected on income of individuals, a corporate sole or body of individuals, communities, families and trustees or executors of any settlement. PIT is a direct tax payable by the tax payers in the state in which they reside.

Tax Returns on Personal Income Tax

The due date of filling returns for PIT is 31st March of every year. The due date of remittance of PAYE is the 10th day of every succeeding month. An employer is expected to file the return of emoluments and tax deduced from employees in the preceding year not later than 31st of January of every year (FIRS, n.d.). An individual who fails to file a return shall be liable on conviction to a fine of N5,000 and further sum of N100 for every day during which the failure continues or imprisonment of 6 months or both. Any employer who fails to file a return shall be liable on conviction to a penalty of N500,000 for a corporate body and N50,000 in the case of an individual employer.

2. Petroleum Profits Tax

Petroleum Profit Tax (PPT) involves the charging of tax on the income accruing from petroleum operations (Ogbonna and Ebimobowei, 2016). Odusola (2006) sees petroleum profit tax as a tax applicable to upstream operations in the oil industry. PPT is the tax imposed on companies which are engaged in the extraction and transportation of petroleum products. It is particularly related to rents, royalties, margins and profit-sharing elements associated with oil mining, prospecting and exploration leases.

Petroleum profit tax is the most important tax in Nigeria in terms of its share of total revenue, contributing over 70% of government revenue and 95% of foreign exchange earnings (Odusola, 2006). This is a tax levied on the profit of oil companies. According to Akintoye and Tashie (2013), petroleum profit tax is singled out because of the significance of oil in the Nigerian public revenue performance. The petroleum profit tax act 1959 No. 15 imposes with effect from January 1st 1959, a tax on the profits from the mining of petroleum in Nigeria. This is to take care of economic rent on the land used for mining. The PPT is applicable to upstream operation in the oil sector i.e., production of crude oil and gas and sale of these as primary products to downstream operations.

The Petroleum Profit Tax Act; Cap P13 Volume 13 LFN 2004 (as amended) governs the taxation of companies engaged in the core activities of exploration and production of oil and gas under the ground or sea bed (i.e., upstream operations) in Nigeria. Tax Rate Section 21(1) of the Act imposes 85% tax rate on the chargeable profit of an upstream company that had been in operation for more than five (5) years. For those in operation for less than 5 years, their tax rate shall be 65.75% as contained under Section 21(2) of the Act. Section 22(2) also puts the tax rate for companies under production sharing contract at 50% of their chargeable profit for the contract period. Companies dealing in downstream petroleum sector are however charged 30% on their profits. Aside the above taxes, as provided under section 1 of the Education Tax Act 2004 (as amended), all such companies are as well to pay 2% EDT on their chargeable profit. The EDT is however a deductible expense in computing the assessable profits of upstream petroleum companies.

Tax Returns on Petroleum Profit Tax

Estimated tax returns for each accounting period are to be submitted not later than two months after the commencement of the accounting period. Final returns for each accounting period shall be filed within five months after the expiration of the accounting period. As provided under

section 51 of the Act, penalty for late submission of a return is N10,000 and further sum of N2,000 for each and every day the failure continues. Any instalment of tax not paid on the due date shall attract a penalty of 10% and interest at prevailing minimum rediscount rate of CBN and if payment is not made within one month, enforcement shall take place.

3. Company Income Tax

Ogbonna and Ebimobowei (2016) defined Companies Income Tax (CIT) as a tax imposed on the profit of companies (excluding profit from companies engaged in petroleum operations) accruing in, derived from, brought into or received in Nigeria in respect of any trade or business, rent, premium, dividends, interest, loyalties and any other source of annual profit. Chigbu et al. (2012) saw company income tax as a tax on the profit made by companies. It was introduced in Nigeria in1961 and administered by the Federal Internal Revenue Services. Since enactment, the law on CIT has passed through series of amendment. The rate of CIT varies according to operation and size of turnover per annum. This is also known as company profit tax or corporation tax. Company income tax is a tax on the profit made by companies. It was introduced in Nigeria in 1961 and administered by the Federal Internal Revenue. Since enactment, the law on CIT has passed through series of amendment. The rate of CIT varies according to operation and size of turnover per annum. According to Onaolapo (2013), Companies condemn this Services Company taxes on profit as it is seen as a penalty for success without compensation for failure. Company taxes are designed to collect revenue from firm's economic profit. The tax is on the net accounting profit: gross profit less administrating, operating and interest expenses. The revenue from company income tax has been low due to tax concessions, rebates and tax holidays allowed to newly established companies.

The Company Income Tax Act; Cap C 21 Volume 3 Law of the Federation (LFN) 2004 (as amended), provides legal backing to the imposition of Income tax on companies in Nigeria. Section 9(1) of the act provide that Company Income Tax (CIT) is an annual tax, and for each year of assessment the tax shall be payable at the rate contained under Section 40 of the Act upon the profits of company accruing in, derived from, brought into, or received in, Nigeria.

Tax rate on Company Income Tax

The rate for Companies Income Tax as provided under section 40(1) of CITA is thirty Kobo for every naira (i.e., 30%) of a company's assessable profit. Section 29 of the Act provides the basis of computing assessable profit of a company. Companies that have been in operation for at least 4 calendar years are subjected to the minimum tax rule, except those specifically exempted by the law. Section 33(1) of Act provides that the Minimum tax rule comes into play when: (i) a company has made a tax loss; (ii) total profits result in no tax payable; or (iii) tax payable is less than the minimum tax.

Petroleum Profit Tax (PPT) and Nigeria's Economic Growth

Odusola (2006) documented that Petroleum Profit Tax (PPT) is a tax applicable to upstream operations in the oil industry. He continued that PPT is particularly related to rents, royalties, margins, and profit-sharing elements associated with oil mining, prospecting and exploration leases. According to the definition of the Petroleum Profit Tax Act (PPTA), Petroleum operations essentially involve petroleum exploration, development, production and sale of crude oil.

The importance of Petroleum Profit Tax (PPT) to Nigeria's economic growth cannot be over-emphasized. Ogbonna and Ebimobowei (2012a) documented that Nigeria's petroleum industry constitutes a major source of revenue to the government, and occupies a strategic position in the economic growth of Nigeria. According to Onaolopo, et al., (2013), Petroleum Profit Tax (PPT) is the most important tax in Nigeria in terms of its share of total revenue, contributing 95% and 70% of foreign exchange earnings and government revenue; and the importance of foreign exchange to Nigeria's import-dependent economy cannot be over-emphasized. Onaolapo, et al., (2013) continued that the petroleum industry is the largest generator of Gross Domestic Product (GDP) in Nigeria, which is Africa's most populous nation, and contributed to national economic growth in varied ways through employment generation, income generation, industrialization, as well as improvements in other economic variables.

Value Added Tax (VAT) and Nigeria's Economic Growth

Okoye and Ani (2004) defined VAT as "an indirect form of taxation based on the general consumption behaviour of the people". This definition is in line with the Statements of Standard Accounting Practice (SAAP) number five (5), issued in the United Kingdom in 1974, to be a tax on the supply of goods and services which is eventually borne by the final consumers, but collected at each stage of production and distribution chain.

Margaret et al. (2014) believed that the impressive performance of VAT in all the countries it was introduced actually influenced the decision of the government to introduce VAT in Nigeria in 1994. The Federal Inland Revenue Service (FIRS) documented that VAT, which replaced the old sales tax, is a consumption tax which is relatively easy to administer, easy to collect and difficult to evade, thus increasing government revenue thereby aiding Nigeria's economic growth. The FIRS is responsible for the administration of VAT in Nigeria.

Companies Income Tax and Nigeria's Economic Growth

According to Ani (2004), CIT is a direct tax levied on the

profits of companies. Companies Income Tax is derivable from the taxable profits of companies which are incorporated under the Companies and Allied Matters Act, 1990 as amended till date or any other law that may replace it dealing with the incorporation of companies. In line with section 8(1) of the Companies Income Tax Act (CITA), CIT are payable upon profits of any company accruing in, derived from, brought into, or received in Nigeria in respect of any trade or business that may have been carried out. Currently, the rate of CIT is 30% of assessable profit.

Oriakhi and Ahuru (2014) posited that government often use CIT incentives such as tax exemptions to attract and retain local and foreign investors to engage in productive activities thereby increasing economic growth, and also influence a favourable balance of payment with other countries. Since companies' income tax is progressive (the higher the earnings, the higher the CIT), it encourages economic growth. Ani (2004) mentions the objectives of CIT which aids Nigeria's economic growth to include: Source of government revenue to finance infrastructural projects, equitable distribution of income/wealth, and achievement of favourable balance of payment, as an instrument of fiscal policy to regulate the economy and influence economic growth, to discourage the manufacture and consumption of undesirable goods inimical to public health so as to maintain a health society and work force to aid economic growth.

Tax and Tax Structure in Nigeria

Taxation in Nigeria following the extant laws is enforced by the 3 tiers of government, that is, federal, state, and local governments with each having its sphere clearly spelt out in the Taxes and Levies (approved list for collection) Decree, 1998. However, Nigeria runs a largely centralized revenue collection system, with the federal government collecting the major revenue (petroleum revenue – profit taxes, royalties, crude oil sales; company income tax, value added tax, customs and excise duties) on behalf of the constituent governments (Emmanuel, 2013). Taxation is an important part of public and business finance; its principle has received attention from the earliest day of economic analysis. Like many others, no rational human being would subject his earnings to tax. People pay tax because the law so stipulates. Also, it is the same fact that makes people look for ways and means to prone down their taxable income and consequently their taxes from time to time.

Economic Growth

Economic growth can be seen as the increase in the size of an economy between two time periods measured by the Gross Domestic Product (GDP). GDP is defined as the final value of all finished goods and services produced within a country's borders during a specific time period. It is calculated as the sum of private consumption, government expenditures, private capital investment and net exports at market prices in an open economy. The equation for GDP is shown below (Hannafi, 2016).

$$Y = C+I+G+NX$$

Where; Y is the total output (GDP), C represents private consumption, I represent investment expenditure, while G is the sum of government spending and NX is the total net exports which can be negative or positive depending on the balance of trade position, Economic growth is the basis of future standard of living and prosperity among different nations (Hannafi, 2016).

According to Hendrik (2011) economic growth involves increasing the capacity of a country's economy to satisfy the wants and needs of inhabitants of that nation. Hendrik (2011) continued that economic growth refers to increase in output, while economic development refers to all the changes in the economy, including the social, political and institutional changes that accompany changes in output.

In his ageless book, The Wealth of Nations, Adams Smith documented that the economic growth of a nation deals with sustained increase in real gross domestic product (GDP), per capita income, and expansion of the production possibilities of an economy. Economic growth is the long run process that results from the compounding of economic events over time. Similarly, Dwivedi (2012) posited that economic growth means a sustained increase in per capita national output or net national product over a long period of time. It means that the rate of increase in total output must be greater than the rate of growth of the population.

Economic development is a policy intervention effort targeted at the economic and social wellbeing of people. Its concern is on improvement in the quality of life of people, introduction of new goods and services using modem technological, mitigation of risk and dynamics of innovation and entrepreneurship (Jhingan, 2007). The objective of economic development is to create an enabling environment for local communities and regions to develop new ways of production of goods in such quantities that may lead to exportation to other countries. Availability of financial resources from exportation leads to more investment in infrastructure for the benefit of the society and improvement in living conditions of the people, in education, transportation networks, health conditions, water supply, sewage and sanitation conditions (Jhingan, 2007). The changes create the conditions for long-run economic growth by positioning the economy on a higher growth trajectory.

Economic development differs from economic growth. Economic growth specifically means an increase in the value of goods and services produced by a country over a period and Economists use an increase in country's GDP to measure it. Thus, it is possible to have economic growth without economic development in the short or even medium term (Jhingan, 2007). In other words, there could be an

increase in GDP without any increase in standard of living of people in a state. Environmental conditions that would enhance economic growth must be created through an investment of the national income in infrastructural development for subsequently improvement in the standard of life of the population of a country. Writers use economic growth and development interchangeably and also use GDP as measurement indicator for both.

Empirical Framework

Aliyu and Mustapha (2020) carried out a study on impact of tax revenue on economic growth in Nigeria (1981-2017). The main objective of the research is to assess empirically the impact of tax revenue on economic growth in Nigeria, spanning from 1981 to 2017. The study employed time series data obtained from the CBN statistical bulletins, FIRS annual publications and National Bureau of Statistics (NBS) portal. To achieve the objectives of the study, Ordinary Least Square (OLS) and Auto Regressive Distributed Lag (ARDL) techniques were employed to estimate the relationships and the dynamics and long run effects of independent variables on dependent variable. ARDL bound test revealed that the variables are cointegrated while ARDL long-run estimation indicated that petroleum profit, value added tax and government domestic debt are significant and positively related to GDP. In addition, company income tax and customs and excise duties were significant but have negative impact on economic growth.

Asaolu et al. (2018) carried out a study on tax revenue and economic growth in Nigeria. The study examined the relationship between tax revenue and economic growth in Nigeria. The study adopted a descriptive and historical research design; secondary data for twenty-two years (1994 -2015) were collected from various issues of the Central Bank of Nigeria (CBN) statistical bulletin and annual reports. Tax revenue as an independent variable was measured with Value Added Tax (VAT); Petroleum Profit Tax (PPT); Company Income Tax (CIT) and Custom and Excise Duties (CED) while the dependent variable was Economic Growth (EG) proxied by the Gross Domestic Product (GDP). Analysis was performed on data collected using ARDL Regression and other post estimations (Jarque-Bera test; Breusch-Godfrey LM and Ramsey Reset Test) to determine the existence of relationship between the variables. The results of the study showed that VAT and CED had a significant relationship with economic growth ($p<0.05$), while CIT has negative significant relationship with economic growth ($P<0.05$). The study showed that PPT had no significant relationship with economic growth. The study concluded that the role of taxation in nation's building is irreplaceable. Taxation remains a strong socio political and economic tool for economic prosperity.

Achor and Ekundayo (2016) examined the impact of indirect tax revenue on economic growth in Nigeria. The study uses value added tax revenue and customs & excise duty revenue as independent variables, and economic growth was proxy with real Gross Domestic Product as the dependent variable. The study employed secondary data collected from Central Bank of Nigeria's statistical bulletin for the period covering 1993 to 2013 for the empirical analysis using the convenient sampling technique. The research design is time series and the data were analyzed using descriptive statistics, correlation, unit root test, co-integration test and error correction model regression. The result revealed that value added tax had significant impact on real Gross Domestic Product.

Ibanichuka et al. (2016) carried out a study on a time series analysis of effect of tax revenue on economic development of Nigeria. The study investigated the effect of tax revenue on the Economic development of Nigeria for the period of 1995-2014, with the purpose of finding out if tax revenue represented by Value Added Tax (VAT), Company Income Tax (CIT) and Customs and Excise Duties (CED) could affect economic development proxied by Human Development Index for the period of the study. The data were analysed using Multiple Regression Analyses in line with the research objectives of the study. The findings revealed that revenues collected by the federal government through CIT, VAT and CED have a positive relationship with Human Development Index. Based on the findings, it was concluded that revenues collected by the federal government through company income tax, value added tax, customs and excise duties help to improve the human development index of Nigeria.

Ojong et al. (2016) examined the impact of tax revenue on the Nigerian economy. The objectives of their study were; to examine the relationship between petroleum profit tax and the Nigerian economy, the impact of company income tax on the Nigerian economy, and the effectiveness of non-oil revenue on the Nigerian economy. Data were sourced from Central Bank of Nigeria's Statistical Bulletin and extracted through desk survey method. Ordinary least square of multiple regression models was used to establish the relationship between dependent and independent variables. The finding revealed that there is a significant relationship between petroleum profit tax and the growth of Nigeria economy. It also showed that there is a significant relationship between non-oil revenue and the growth of Nigeria's economy. The finding equally revealed that there is no significant relationship between company income tax and the growth of Nigeria economy.

Edame and Okoi (2014) examined the impact of taxation on investment and economic growth in Nigeria from 1980 to 2010 using the ordinary least square method of multiple regression analysis to analyze the data which were sourced from the CBN statistical bulletin. The result of the analysis conformed to prior expectation because the parameter estimates of Company Income Tax had an inverse

relationship with economic growth. Finally, the result showed that taxation is negatively related to the level of investment and GDP and is positively related to government expenditure in Nigeria. The study also observed that taxation is a statistically significant factor influencing investment, GDP, and government expenditure in Nigeria. Abata (2014) studied the impact of tax revenue on Nigeria economy using descriptive survey design and Chi Square to analyze the data collected. The study found that tax revenue significantly impact on federal government budget implementation in Nigeria, tax evasion significantly affected government revenue in Nigeria, and lack of training on the part of tax officers significantly affected the generation of government revenue in Nigeria.

The study extended the examined year to 2021. This is a major gap identified in the study, as it evaluated current happenings in the economy. In addition, comparison between the types of taxes identified in the study was examined. The study being anchored on expediency theory postulates another gap identified in the study. This is because it allows for easy economic and social objectives analysis of the tax structure, system and dynamics.

MATERIALS AND METHODS

Ex-post facto research method was used in this study to gather pertinent data on taxation (represented by Petroleum profit Tax (PPT), Value Added Tax (VAT) and Companies Income Tax (CIT)) and economic growth in Nigeria (represented by Gross Domestic Product (GDP)). The study used this method because it appears to limit the study's ability to control the variables because the variables already existed and could not be changed. It also tends to be effective when it comes to gaining insight into a particular phenomenon and understanding the relationship and effect between two variables. Data were gathered from secondary sources majorly from CBN Statistical Bulletin and Federal Inland Revenue Service

Time series secondary data from the years 1981 to 2021 are used in this study. The FIRS and CBN statistical bulletin were used to compile data. Time series data on VAT, PPT and CIT were gathered from FIRS report for the stipulated years. CBN statistical bulletin was used to gather data on GDP. The study adopted descriptive and inferential techniques to analyse the data that was obtained. Detail of the data set is given in the appendix. The descriptive statistics technique was used to analyse the data in order to measure the mean, minimum and maximum statistics and standard deviation of the data set. The inferential technique used is Auto Regression Distributed Lag (ARDL) analysis to explain the effect and relationship of the variables identified in the study. The parameter estimates observed from the ADRL possess some desirable properties such as efficiency, sufficiency, consistency, and unbiased.

More so, to obtain stationarity of the series in order to make the data reliable, a unit roots investigation through application of Augmented Dickey-Fuller that is practically available on E-views econometric package is performed. Finally, any other statistical analysis that seems to contribute positively to proper understanding and further interpretation of result is conducted.

The functional relationship between tax revenue and the economic growth of Nigeria is expressed thus;

$$GDP = f(TR) \quad \text{(i)}$$

$$TR = (CIT, PPT, VAT) \quad \text{(ii)}$$

Therefore;

$$GDP = f(CIT, PPT, VAT) \quad \text{(iii)}$$

The mathematical form of the model is specified as follow:

$$GDP = \beta_0 + \beta_1 CIT + \beta_2 PPT + \beta_3 VAT \quad \text{(iv)}$$

The stochastic form of the model is specified as follows:

$$RGDP = \beta_0 + \beta_1 CIT + \beta_2 PPT + \beta_3 VAT + \mu \quad \text{(v)}$$

Where:
f = functional Notations
GDP = Gross Domestic Product
TR = Tax Revenue
VAT = Value Added Tax
CIT = Company Income Tax
PPT = Petroleum Profit Tax
β_0 = constant
$\beta_1, \beta_2, \beta_3$ = Coefficient of regressors
μ = Stochastic term.

RESULTS AND DISCUSSION

Description Statistics

The descriptive statistics employed in the study is the summary of the mean, median, minimum range, maximum range, variance, skewness, Kurtosis and Jarque-Bera, sum and the standard deviation of the data.

The descriptive statistics show the test that determines the normal distribution of the data. The result from the descriptive statistics shows that all the variables are positively skewed i.e., they all have longer tail to the right. This depicts an uptrend of the variables identified in the study. Result further showed that VAT (Value Added Tax) is more positively skewed than the other variables with the skewness value showing (1.658398) (Table 1). This means that value added tax in the country is consistently increasing.

Table 1. Descriptive Statistics Result.

	RGDP	CIT	PPT	VAT
Mean	199.0167	390.5829	835.7586	342.1592
Median	101.0000	79.25000	279.4500	74.85000
Maximum	546.6800	1747.990	3201.300	2072.850
Minimum	27.75000	3.000000	10.60000	0.000000
Std. Dev.	170.9193	528.5889	978.9309	488.7325
Skewness	0.650884	1.155816	0.943012	1.658398
Kurtosis	1.803220	2.927403	2.636667	5.458717
Jarque-Bera	5.472039	9.360600	6.455921	29.83125
Probability	0.064828	0.009276	0.039638	0.000000
Sum	8358.700	16404.48	35101.86	14370.69
Sum Sq. Dev.	1197750.	11455656	39290537	9793236.
Observations	42	42	42	42

Source: Author's compilation, using E view 9

Table 2. Unit Root Test Result.

Variable	ADF value	1%	5%	10%	Prob	Co-integration
CIT	-3.393625	-2.625606	-1.949609	-1.611593	0.0012	I(1)
PPT	-6.019994	-3.610453	-2.938987	-2.607932	0.0000	I(1)
VAT	2.914934	-2.624057	-1.949319	-1.611711	0.9988	I(1)
RGDP	-5.055248	-3.605593	-2.936942	-2.606857	0.0002	I(0)

Source: Author's compilation, using E-view 9, (2022)

The next is CIT (Company Income Tax) with 1.155816 as the skewness value, followed by PPT (Petroleum Profit Tax) showing 0.943012, then RGDP (Real Gross Domestic Product) 0.650884 having the least.

This is the measure of the tails of distribution. It is a measure of tail extremity reflecting either the presence of outliers in a distribution or a distribution's propensity for producing outliers. Thus, the normal distribution and the optimal threshold for Kurtosis is 3, therefore observing from the result shown in the Table 1 only VAT (Value Added Tax) is leptokurtic as the kurtosis value show 5.458717 i.e., it produces more outliers than the normal distribution, and the other variables are flat i.e., platykurtic, they produce fewer and less extreme outliers than does of the normal. CIT show 2.927403, PPT 2.636667, and RGDP 1.803220.

This is a test statistic for testing whether the series is normally distributed; the test statistics measures the differences of the skewness and kurtosis of the series with those from the normal distribution. From the descriptive statistics in Table 1, it can be seen that the variables are statistically significant and they are not normally distribution based on their Jarque-Bera value being higher than zero, the result also shows that MR is far from being normally distributed, with a value of 29.83125.

Unit Root Test

The unit root test is to ascertain whether a time series variable is non-stationary and possesses a unit root. The null hypothesis is generally defined as the presence of a unit root and the alternate hypothesis is stationary, trend stationary or explosive root depending on the test used. The most appropriate technique for larger sample is the Augmented Dickey-Fuller test, on this note the researcher base the decision on the ADF t-Statistic value.

The result of the unit root test as represented in Table 2 shows that variable CIT, PPT and VAT are stationary at first differencing while observing their *p-value* at the different orders. On the other hand, RGDP is stationary at level, i.e., the *t statistic value is greater than the 5% critical value of the unit root result*. RGDP is therefore stationary at level order. The Autoregressive Distributed Lag model is then used to determine the relationship between the variables and to estimate the effect of the independent variables on the dependent variables based on the mixed stationarity results.

Test of Hypotheses

The hypotheses were tested using Autoregressive Distributed Lag (ARDL) Analysis. This is conducted to determine the significant effect of each independent variable

identified in the model on the dependent variable. The decision is that at 5% confidence level, if *p-value* > *0.05* accepts the null hypothesis and vice-versa.

Hypothesis One

H_0: There is no significant impact of Company Income tax on Nigerian economic growth.

Discussion/Decision

From the Regression Result table (ARDL Analysis, short-run) the *p-value* of CIT is 0.0004. Therefore, since *0.0004* < *0.05,* we reject the null hypothesis and accepts the alternate hypothesis that there is significant impact of Company Income tax on Nigerian economic growth.

Hypothesis Two

Ho: There is no significant influence of Petroleum Profits Tax on Nigerian economic growth.

Discussion/Decision

From the Regression Result table (ARDL Analysis, short-run) the *p-value* of PPT is 0.0000. Therefore, since *0.0000* < *0.05,* we reject the null hypothesis and accepts the alternate hypothesis that there is significant influence of Petroleum Profits Tax on Nigerian economic growth.

Hypothesis Three

Ho: There is no significant effect of Value Added Tax on Nigerian economic growth.

Discussion/Decision

From the Regression Result table (ARDL Analysis, short-run) the *p-value* of PPT is 0.6788. Therefore, since *0.6788*>*0.05,* we reject the alternate hypothesis and accept the null hypothesis that there is no significant effect of Value Added Tax on Nigerian economic growth.

Discussion of Finding

The study examined the impact of tax revenue on economic growth in Nigeria. The impact of three specific tax revenue (Company Income Tax, Petroleum Profit Tax and Value Added Tax) were examined in the study, this constitutes the objectives of the study. In order to achieve the objectives, three hypotheses were tested.

Hypothesis one was tested to achieve objective one, which is to ascertain the impact of company income tax (CIT) on Nigeria economic growth. The ARDL analysis was used to test the hypothesis. The ARDL analysis examined the effect of company income tax on real gross domestic product (RGDP) both on the short and long run. Finding showed that CIT has a positive contribution to RGDP in the short run. This is revealed in the coefficient result and *p-value* (0.082416, 0.0004) respectively. This explains that a unit increase in company income tax will result to corresponding increase in the economic growth of Nigeria by 0.082416 units. The *p-value*, 0.0004<0.05 indicates the statistical significance of the CIT in the regression model, as it less than 5% critical value. However, on the long run, finding showed that CIT does not have impact on RGDP. The *p-value* result showed 0.2688>0.05, which revealed the insignificance of CIT on RGDP on the long run.

This finding supports the finding of Ojong et al. (2016) they examined the impact of tax revenue on the Nigerian economy. Their finding showed that there is no significant relationship between company income tax and the growth of Nigeria economy. On the other hand, the finding differs from that of Ibanichuka et al. (2016) they found that those revenues collected by the federal government through CIT, VAT and CED have a positive relationship with Human Development Index. However, the unconformity of the finding can be pinned on the measurement of economic growth adopted in their study which is human development index. The finding of Asaolu et al. (2018) also negates this study's findings. In their study it was revealed that CIT has negative significant relationship with economic growth although their study examined the time period of 1994-2015. From Figure 1 the concept of the various tax and how they affect economic growth is also revealed. However, VAT management needs to be emphasized in Nigeria.

Hypothesis 2 was tested to achieve objective two stated in the study, which is to ascertain the influence of petroleum profit tax (PPT) on Nigeria economic growth. The ARDL analysis was used to test the hypothesis. The ARDL analysis examined the effect of petroleum profit tax on real gross domestic product (RGDP) both on the short and long run. Finding from Table 3 showed that PPT has a positive contribution to RGDP in the short run. This is revealed in the coefficient result and *p-value* (0.052932, 0.0000) respectively. This explains that a unit increase in petroleum profit tax will result to corresponding increase in the economic growth of Nigeria by 0.052932 units. The *p-value*, 0.0000<0.05 indicates the statistical significance of the PPT in the regression model, as it less than 5% critical value. Also, on the long run, finding from Table 4 showed that PPT has significant influence on RGDP. The *p-value* result showed 0.0000<0.05, which revealed the significance of PPT on RGDP on the long run.

This finding conforms to the finding of Aliyu and Mustapha (2020), they assessed empirically the impact of tax revenue on economic growth in Nigeria, spanning from 1981 to 2017. Their finding revealed that petroleum profit is significant and positively related to GDP. More so, Ojong et al. (2016) examined the impact of tax revenue on the Nigerian economy and they found that there is a significant relationship between petroleum profit tax and the growth of Nigeria economy. Onaolapo, et al. (2013) also examined the effect of petroleum profit tax (PPT) on Nigeria Economy, and they found that concluded that the abundance of petroleum

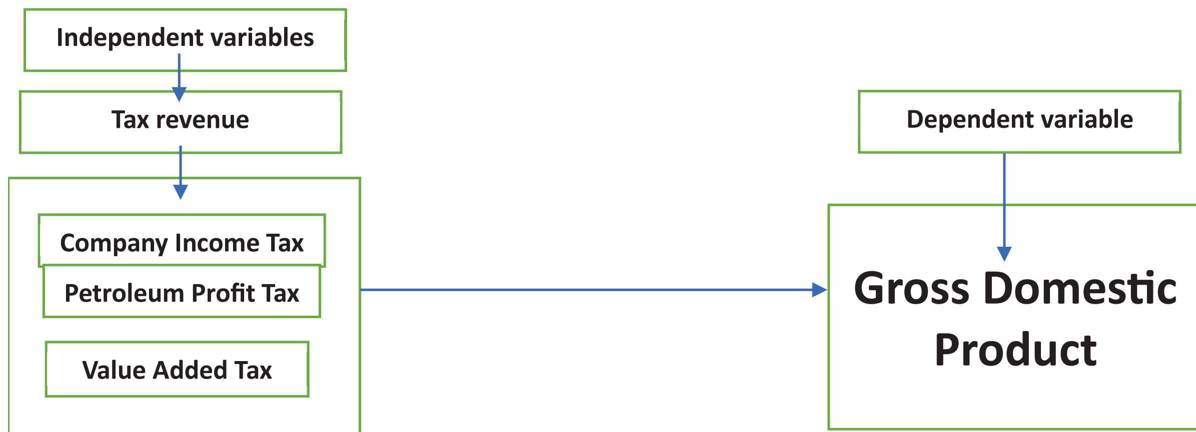

Figure 1. The Diagrammatical Representation of the Relationship between the variables.
Source: Author's computation, (2022)

ARDL Analysis (Short-run)

Table 3. Short Run Estimate of the dependent and independent variable.

Dependent Variable: RGDP
Method: ARDL
Included observations: 39 after adjustments
Maximum dependent lags: 4 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (4 lags, automatic): CIT PPT VAT
Fixed regressors: C
Number of models evalulated: 500
Selected Model: ARDL(1, 3, 2, 0)
Note: final equation sample is larger than selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
GDP(-1)	0.467495	0.057128	8.183336	0.0000
CIT	0.082416	0.020698	3.981794	0.0004
CIT(-1)	0.008908	0.020390	0.436877	0.6654
CIT(-2)	-0.020948	0.027940	-0.749754	0.4594
CIT(-3)	-0.047161	0.023817	-1.980149	0.0572
PPT	0.052932	0.004383	12.07722	0.0000
PPT(-1)	-0.003422	0.005891	-0.580811	0.5659
PPT(-2)	0.038611	0.005895	6.549780	0.0000
VAT	-0.007009	0.016753	-0.418381	0.6788
C	22.91671	3.787393	6.050788	0.0000

R-squared	0.997122	Mean dependent var	204.8013
Adjusted R-squared	0.996229	S.D. dependent var	175.7624
S.E. of regression	10.79379	Akaike info criterion	7.812374
Sum squared resid	3378.673	Schwarz criterion	8.238928
Log likelihood	-142.3413	Hannan-Quinn criter.	7.965418
F-statistic	1116.332	Durbin-Watson stat	1.888709
Prob(F-statistic)	0.000000		

***Note:** p-values and any subsequent tests do not account for model selection.

ARDL Analysis (Long-run)

Table 4. Long Run Estimate of the dependent and independent variable.
ARDL Cointegrating And Long Run Form
Dependent Variable: GDP
Selected Model: ARDL(1, 3, 2, 0)
Included observations: 39

Cointegrating Form				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(CIT)	0.082416	0.020698	3.981794	0.0004
D(CIT(-1))	0.020948	0.027940	0.749754	0.4594
D(CIT(-2))	0.047161	0.023817	1.980149	0.0572
D(PPT)	0.052932	0.004383	12.077220	0.0000
D(PPT(-1))	-0.038611	0.005895	-6.549780	0.0000
D(VAT)	-0.007009	0.016753	-0.418381	0.6788
CointEq(-1)	-0.532505	0.057128	-9.321323	0.0000

Cointeq = GDP - (0.0436*CIT + 0.1655* PPT -0.0132*VAT + 43.0357)

Long Run Coefficients				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
CIT	0.043596	0.038671	1.127347	0.2688
PPT	0.165486	0.010217	16.197310	0.0000
VAT	-0.013162	0.030862	-0.426491	0.6729
C	43.035652	4.547724	9.463119	0.0000

R-squared	0.922994	Mean dependent var	7.641282
Adjusted R-squared	0.899096	S.D. dependent var	33.89850
S.E. of regression	10.76800	Akaike info criterion	7.807589
Sum squared resid	3362.545	Schwarz criterion	8.234144
Log likelihood	-142.2480	Hannan-Quinn criter.	7.960633
F-statistic	38.62167	Durbin-Watson stat	1.871738
Prob(F-statistic)	0.000000		

***Note:** p-values and any subsequent tests do not account for model selection.

and its associated income has been beneficial to the Nigerian Economy for the period 1970 to 2010.

However, this finding negates the finding of Asaolu et al. (2018) on their study on tax revenue and economic growth in Nigeria from 1994-2015. The study showed that PPT had no significant relationship with economic growth.

Hypothesis 3 was tested to achieve objective three stated in the study, which is to ascertain the influence of value added tax (VAT) on Nigeria economic growth. The ARDL analysis was also used to test the hypothesis. The ARDL analysis examined the effect of value added tax on real gross domestic product (RGDP) both on the short and long run. Finding in Tables 3 and 4 showed that VAT is not statistically significant both on the short and long run. This is revealed in the ARDL result for both periods, (p = 0.6788, 0.6729 > 0.05). This further denotes that VAT as tax revenue has no contribution to economic growth of Nigeria. Increase or decrease in VAT has no significance on real gross domestic product of Nigeria.

This finding negates the finding of Adesina (2011), who studied Value Added Tax and Economic growth in Nigeria from 1994-2008. His finding showed a positive relationship between VAT and economic growth. The finding also opposes the finding of Achor and Ekundayo (2016) as they examined the impact of indirect tax revenue on economic growth in Nigeria. Their finding revealed that value added tax had significant impact on real Gross Domestic Product, the study covered a time period of 1993-2013.

F Statistics Bound Test

Table 5. ARDL Bound Testing of Co-Integration.

ARDL BOUND TESTING					
Test Statistic	Value	K	**Critical value bounds**		
F-statistic	39.84129	3	**Significance**	**1(0) bound**	**1(1) bound**
			10%	2.72	3.77
			5%	3.23	4.35
			2.5%	3.69	4.89
			1%	4.29	5.61

In general, finding revealed that tax revenue has a very strong influence on economic growth both in the short run and long run. In the short run, finding showed that the economic growth of Nigeria is basically influenced by tax revenue, which includes Company income tax, Petroleum Profit tax and Value Added tax, as the r^2 value in Table 3 showed 0.997122 (99.7%). The F-statistics value 1116.332, further explains the relevance of the tax revenues identified in the study on real gross domestic product. Among the tax revenue identified in the study, petroleum profit tax is revealed to have the highest impact on real gross domestic product, this is revealed in Tables 4 and 5, where *p-value* showed 0.0000 for both short and long run.

CONCLUSION

From the findings, the study concluded that;

1. Tax revenue has a strong contribution to the growth of Nigerian economy.
2. Taxation remains a strong socio political and economic tool for economic prosperity.
3. The study concluded that petroleum profit tax is one of the most important direct taxes in Nigeria that affects the economic growth of the country.
4. Company Income tax influences the economic growth of the country in the short run, but eventually in the long run loses its influence.
5. Value Added Tax has no significant contribution to the economic growth of the country. Increase or decrease in VAT does not tell on the growth of the company.

Recommendations

From the conclusions the study recommended the following;

1. Nigerian government should ensure that Petroleum Profit tax should be properly managed to reduce the level of evasion by petroleum exploration companies in Nigeria.
2. Companies involved in petroleum operations should be properly supervised by the relevant tax authority (FIRS) to reduce the level of tax evasion; government should show more accountability in the management of tax revenue and finally, the level of corruption in Nigeria and that of government officials should be drastically reduced to win the confidence of tax payers for voluntary tax compliance, thereby increasing government tax revenue.
3. Government should transparently and judiciously account for the revenue it generates through Petroleum Profit Tax by investing in the provision of infrastructure and other public goods and services, and that government should more effectively and efficiently utilize revenue generated from PPT to create growth, employment opportunities and wealth in the economy so as to encourage tax payers to be more willing to meet their tax obligations to the Government.
4. It was recommended that government should endeavour to provide social amenities to all nooks and crannies of the country.
5. It was further recommended that government should engage in a complete re-organization of the tax administrative machineries in order to reduce to tolerable levels the problem of tax evasion and avoidance, and to enhance the tax base of government, employment opportunities should be created, and a good environment for entrepreneurship and innovation to thrive should be made available, using tax proceeds.
6. Less attention should be given to Value added tax as it showed to be insignificant in explaining economic growth.

Conflict of Interests

The authors declare no conflict of interest.

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APPENDIX

Dataset of Variables

YEAR	RGDP ($Billion)	PPT	CIT	VAT
1980	64.20	51.84	3.15	0
1981	164.48	63.26	4.03	0
1982	142.77	48.47	5.5	0
1983	97.09	37.47	5.62	0
1984	73.48	47.62	7.87	0
1985	73.75	67.11	10.04	0
1986	54.81	48.11	11.01	0
1987	52.68	125.04	122.35	0
1988	49.65	68.15	15.51	0
1989	44.00	10.6	19.14	0
1990	54.04	26.9	3	0
1991	49.12	38.6	3.8	0
1992	47.79	51.5	5.4	0
1993	27.75	59.2	9.6	0
1994	33.83	42.8	12.3	7.3
1995	44.06	42.9	21.9	20.8
1996	51.08	47.5	23.1	32.5
1997	54.46	64.3	27.8	35.3
1998	54.60	24.6	33.3	37.6
1999	59.37	71.1	46.2	47.8
2000	69.45	334.5	53.3	58
2001	74.03	407.1	69.4	91.7
2002	95.39	224.4	89.1	108.6
2003	104.91	438	114.8	136.4
2004	136.39	878.6	130.8	163.3
2005	176.13	1352.2	170.2	192.7
2006	236.10	1349.5	246.7	232.7
2007	275.63	1132	332.4	312.6
2008	339.48	2060.9	420.6	401.7
2009	295.01	939.4	600.6	481.4
2010	361.46	1480.4	666.1	564.9
2011	404.99	3070.6	715.4	659.2
2012	455.50	3201.3	846.6	710.6
2013	508.96	2666.4	998.4	802.7
2014	546.68	2453.947	1173.491	802.9647
2015	486.80	1289.961	1268.977	767.3335
2016	404.65	1157.808	933.5373	828.1991
2017	375.75	1520.482	1215.057	972.3484
2018	397.19	2467.581	1340.329	1108.04
2019	448.12	2114.268	1604.699	1189.981
2020	432.29	1516.993	1275.381	1531.171
2021	440.78	2008.45	1747.99	2072.85

Source: Author's compilation, from FIRS Report and CBN Statistical Bulletin (2022)