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TAX COMPOSITION AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT:

The study examines the effect of tax composition on economic growth in Nigeria spanning from 2000 to 2020. The independent variable is tax composition measured by petroleum profit tax, and company income tax. Meanwhile, the dependent variable is economic growth measured by gross domestic product. Data for the study were sourced from the Central Bank of Nigeria Statistical Bulletin (various years), Central Bank of Nigeria Annual Report and Statement of Accounts, Bureau of National Statistics and Federal Inland Revenue Service (FIRS) reports of various years. The study adopted the Autoregressive Distributed Lag Model since the unit root test evidenced mixed integration (i.e. the study variables are integrated both at levels and first difference). The statistical package used to run the regression is STATA 16. The ARDL bond test reported that, tax composition has long run effect on economic growth in Nigeria. However, on the short run, Petroleum profit tax (LOGPPT) (Coef. = 10.659, t = 2.65 and P -value = 0.021)has a positive significant effect on economic growth in Nigeria. However, company income tax (LOGCIT) (Coef. = -0.603, t = -0.49 and P -value = 0.630) has a negative insignificant effect on economic growth in Nigeria. Hence, the study concludes that, while higher petroleum profit tax revenue promotes economic growth, higher company income tax revenue surprisingly stalled economic growth in Nigeria during the period under investigation. Asuch, the Nigerian government should embark on strategic pursuit of broadening the economy by engaging in a complete re-organization of the tax administrative machineries in order to reduce the loopholes of tax evasion and avoidance.

Key words: *Company income tax, Economic growth, Petroleum profit tax,*
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1. INTRODUCTION

The subject of tax policy continues to dominate discussions of economic policy in the media, in academia, and in civil society advocacy (Mcbride, 2012). This finding can be attributed to the fact that taxes are not only the main source of income for federal, state, and local governments, but they can also be used to influence fiscal policy and alter behavior (Cobham & Jansk, 2018; Merriman & David, 2015). The tax structure of a nation has a significant impact on other macroeconomic indicators (Pjesky & Rex 2006). There is a correlation between the structure of taxes and the rate of economic growth for both developed and emerging economies (Shuai, Xiaobing & Christine 2013). In fact, it has been suggested that a nation's tax base and tax policy goals form a very strong foundation for the amount of economic growth in that nation (Mbanefoh, 2012). Similar to how the proportional importance of each revenue source changes over time, so do the economic standards by which a tax structure is to be evaluated. For instance, the only purpose of taxation during the colonial era and immediately following Nigeria's political independence in 1960 was to earn money. Later, attention switched to protecting young industries and redistributing economic goals. Taxes may also be imposed at the state or local levels in many nations, in addition to the national level.

Without a question, the state requires revenue in order to fulfill the social contract and provide for the needs of its citizens.

While pursuing this goal, it is important to concentrate on the foundational principles that will help uncover the barriers to industrial development, job creation, and economic expansion. This is due to the fact that exceptional accomplishment that is unidirectional in terms of creating income for the state alone might promote deindustrialization and unemployment. Additionally, it may result in the dissatisfaction of both domestic and foreign investors, which could cause the latter to quickly liquidate their overseas holdings and move to nations with favorable tax policies for economic development and good investment returns. A tax system is therefore not just intended to raise a given quantity of money, as has been well established in literature, but the objective is to collect it from those groups of people and entities that can best handle the tax burden (Mankiw, Weinzierl & Yagan, 2009; Salanie, 2011). The goal is to ensure a fair distribution of the tax burden, which is obviously impossible unless an effort is made to identify each tax's incidence.

Numerous studies on the impact of taxes on economic growth in Nigeria have produced diverse results. For instance, Okeke, Mbonu, and Ndubuisi (2018) show that tax income and gross fixed capital formation have a statistically significant association. Similarly, (Ogundana, Ibidunni and Adetoyinbo, 2017; Egbunike, Emudainohwo, and Gunardi, 2018a; Stoilova, 2017) documented a positive impact of taxation on economic growth, however, on the flip side, (Amah, 2021; Ahmad, Sial, & Ahmad, 2016; Atems, 2015; Dladla & Khobai, 2018; International Monetary Fund, 2010) documented a negative association between taxation and economic growth. Meanwhile prior related scholarly works of Gale, Krupkin, and Rueben, (2015) showed that taxation have no significant relationship with economic growth. Due to the uncertainty surrounding how taxes affect economic growth, various empirical analyses have been conducted, and this study aims to add to those analyses. The most distinctive aspect of this analysis, however, stems from the observation that previous analogous studies in Nigeria that attempted to evaluate the impact of tax composition on economic growth only concentrated on a small number of tax structure components. But this study has focused on a wider range of tax components to include petroleum profit tax, company income tax, capital gains tax, stamp duty tax, and value added tax aimed at evaluating their effects on economic growth of Nigeria.

1.1 Objectives of the Study

The broad objective of this study is to examine the effect of tax composition on economic growth in Nigeria. However, the specific objectives are to:

1. Ascertain the effect of petroleum profit tax on economic growth in Nigeria.
2. Determine the effect of company income tax on economic growth in Nigeria

1.2 Research Hypotheses

H_{o1}: Petroleum profit tax has no significant effect on economic growth in Nigeria.
H_{o2}: Company income tax has no significant effect on economic growth in Nigeria

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Taxation and its Composition

Governments at all levels need money to expand their economies, and one way they can get this money is through the tax system. The term "tax" has had numerous definitions over time based on various viewpoints. For instance, tax revenue was defined as a flow of cash into a country or state's government by Khadijat and Kabi (2019). According to Akanbi (2015), taxes should not be mistaken with other mandatory contributions that look similar to them. Similar to this, ICAN (2009) in Ogbonna and Appah (2016) described taxation as a type of levy that is levied on all inhabitants who live in a tax jurisdiction as well as on non-residents who conduct business there. Paying taxes is a civic and patriotic obligation for citizens, they also serve as a source of cash or revenue for the government in order to pay for the provision of social, economic, and infrastructure amenities as well as to increase industrial productivity. When a tax is distinguished from a government service charge (such as paying a bridge toll), which is supplied directly to the individual, the standard for the compulsory nature of a tax becomes more apparent.

Tax revenues are used to fund a variety of government initiatives, such as Social Security and Medicare as well as public infrastructure and services like roads and schools. Tax, according to Adebao (2009), is "a mandatory charge levied by the government on individuals and commercial organizations. It is a payment in return for which no direct and specific “quid pro quo” is offered by the government and indirect benefit to different individual taxpayers cannot be determined.

2.1.2 Petroleum Profit Tax

The Petroleum Profit Tax Act is the tax law responsible for governing the taxation of companies engaged in petroleum operations (Adedeji & Oboh, 2012). The Act defines petroleum operations as “obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried on by the company engaged in such operations, and all operations incidental there to and sale of or any disposal of chargeable oil by or on behalf of the company”. Since only businesses in the upstream sector of the petroleum industry are subject to the petroleum profit tax, the definition only applies to the upstream sector of the petroleum industry (PPT). The Petroleum Profit Tax Act, Cap. P13 LFN 2004, governs Petroleum Profits Taxes (PPT) (as amended). The fact that companies that pay petroleum income tax are exempt from paying companies income tax on the same income should be noted in this context. Joint ventures that have been in existence for more than five years must pay 85% of chargeable profit at a rate of 65.75% for the first five years of operation. Additionally, businesses with production-sharing agreements are accountable for 50% of chargeable earnings. It is required to file the returns for each accounting period no later than two months following the period's start. Additionally, five months after the end of the accounting period, final returns for each accounting period are anticipated to be filed. Importantly, failing to submit the returns by the deadline results in fines of N10,000 for the first month and N2,000 for each additional day.

2.1.3 Company Income Tax

Firms Income Tax (CIT), according to Taiwo, Illori, and Emenike (2019), is a tax on the profits of Nigerian corporations as well as a tax on the profits of non-resident companies doing business in Nigeria. The tax, which is generally referred to as corporation tax, is paid by limited liability companies, including public limited liability firms. The Income Tax Management Act of 1961 served as the foundation for CIT, which was established by the Companies Income Tax Act (CITA) of 1979. It is one of the taxes that the Federal Inland Income Service (also known as "FIRS" or "the

Service") administers and collects, and it has greatly boosted the Service's revenue profile. A corporation must pay 30% of its total profits as Company Income Tax (CIT), which is administered by the Companies Income Tax Act (CITA), Cap. C21, LFN 2004 (as modified). Some gains are free from CIT as long as they don't come from the company's own trade or commercial operations, like cooperative societies.

Every corporation must pay provisional tax, which is equal to the tax paid in the preceding year of assessment, no later than three months from the start of each year of assessment, (Joseph & Omodero, 2020). For newly created companies, the deadline for filing returns is six months following the end of the accounting period or within eighteen months of the date of formation, whichever comes first. However, for already-existing businesses, the deadline for filing returns is six months after the end of the fiscal year. Except for those specifically exempted by the tax code, businesses that have been in operation for more than four years are subject to the minimum tax. Furthermore, Onoja and Ibrahim (2020) argued that Minimum Tax under CITA arises when a corporation has a loss, has no tax owed, or has tax obligations that are lower than the minimum tax. The Companies Income Tax income target in Nigeria for 2016 was N1.877 trillion, or around 40% of the overall estimated tax revenue of N4.957 trillion for that fiscal year (Akhor & Ekundayo, 2016).

2.2 Economic Growth

According to John (2022), economic growth is the process by which a country's wealth develops over time. The term, he said, is frequently employed in talks of short-term economic success, but in the context of economic theory, it typically refers to a gain in wealth over a long period of time. A society's ability to produce more economic goods and services of higher quality and quantity is referred to as economic growth, according to Roser (2021). Economic growth, according to Edeme (2018), is the ability to generate more products and services over time (gross domestic product). In the measuring economic growth, Amadeo (2021) notes that, the increase in Per-Capita income is the better measure because it is what reflects increase in the improvement of living standards of masses which should also reflect in terms of increase of output of goods and services.

2.3 Empirical Review

The impact of value added tax on economic development in Nigeria from 1994 to 2018 was studied by Egolum and Celestine (2021). They developed two hypotheses using a time series research approach, and they used data from the Federal Inland Revenue, Joint Tax Board, and CBN statistical bulletins for the study period. They used E-Views 9.0 statistical software to help them create their hypotheses, and then they used the Pearson coefficient of correlation and simple regression analysis to test them. As measured by Gross Domestic Product and Total Government Revenue, their findings showed that Value Added Tax had a positive and statistically significant link with economic development at a 5% significant level.

Similar to this, Joseph and Omodero (2020) looked at the connection between government income and Nigeria's economic expansion. When appropriate, they consulted secondary data covering the years 1981 to 2018 that were gathered from the Federal Inland Revenue Services (FIRS), National Bureau of Statistics, and CBN statistical bulletin. They also employed exploratory and ex-post facto research designs. Using the Ordinary Least Squares (OLS) regression approach, they evaluated the link. Their findings indicated a moderately positive association between Value Added Tax (VAT) and economic growth for both federal revenue and VAT. Their research also demonstrated the necessity for the government to develop pertinent revenue strategies that will increase government revenue and have a more positive impact on the economy.

Nweze, Ogbodo, and Ezejiofor (2021) looked into how tax revenue from 2000 to 2019 affected per capita income in Nigeria. This study used time series data and an ex-post facto research design.

According to the report, tax collection significantly increased Nigeria's per capita income. Ideh (2019) used an ex-post facto study design to analyze the connection between tax revenue components and economic growth of the Nigerian economy. Secondary time series data from (2003–2017) were gathered from pertinent records of authorized agencies. Value Added Tax, Petroleum Profit Tax, Personal Income Tax, Company Income Tax, and Custom and Excise Duties were the tax income sources investigated in the study. Real GDP and the Human Development Index were used to gauge economic development (HDI). The Autoregressive Distributed Lag approach was utilized in the study, along with other essential statistical techniques, to evaluate the data. The study's findings demonstrated that there are significant policy ramifications. In particular, the analysis found that while the petroleum profit tax was a significant source of tax income, it had a negative correlation with indicators of economic development like real GDP and HDI.

Okeke, Mbonu, and Ndubuisi (2018) used data from the Central Bank of Nigeria, Office of the Federal Inland Revenue Service, and Annual Abstract of Statistics of the National Bureau of Statistics to evaluate the connection between tax revenue and economic progress in Nigeria from 1994 to 2016. They used time series data for their investigation. In their examination of the data, they employed the Augmented Dickey Fuller test, multiple linear regression, Multicollinearity test, Granger Causality test, Johansen cointegration test, and Error Correction Model. Their research found that, at a 5% level of significance, the association between tax revenue and infant mortality, labor force participation, and gross fixed capital formation in Nigeria is statistically significant.

In their study, Erhirhie, Oraka, and Ezejiofor (2018) examined how corporation taxes affected how manufacturing companies choose to finance their operations. In an ex post facto study approach, data were extracted from the annual reports and accounts of three chosen manufacturing businesses and evaluated using the linear regression model. According to our research, there isn't much of a connection between corporation tax and dividends paid by companies like Nigerian Breweries Plc, Dangote Cement Plc, and PZ Cussons Plc, as well as fresh issues of common shares, retained earnings, and long-term debt.

The impact of the Tertiary Education Tax Fund (TETFUND) on management in Nigerian tertiary education was assessed by Oraka, Ogbodo, and Ezejiofor (2017). The study specifically aimed to ascertain whether the enrolment ratio at Nigerian Tertiary Institutions is considerably impacted by ETF fund allocations to Nigerian Tertiary Institutions. Financial ratios were used to gather data from the National Bureau of Statistics, which were then tested using regression analysis and the SPSS statistical software version 20.0. According to the data, there is no relationship between the allocation of ETF funds to Nigerian tertiary institutions and their enrolment rate.

From 1980 to 2013, Onakoya and Afintinni (2018) looked into the cointegration between tax revenue and economic growth in Nigeria. They used the Augmented Dickey Fuller (ADF) approach to conduct a number of preliminary tests, including descriptive statistics, trend analysis, and stationary testing. To ascertain whether there was a long-term link between the variables, they also applied the Engle-Granger Cointegration test. The long-term association between the variables was confirmed using a vector error correction model, and the short-term dynamics were identified using a heteroscedasticity and autocorrelation post estimation diagnostic test. Their research revealed that taxation and economic growth in Nigeria had a long-term (but no short-term) relationship. Additionally, their findings showed a substantial positive association between petroleum profit tax, corporate income tax, and economic growth at the 5% level of significance, but a negative relationship between economic growth and customs excise duties. However, the combined effect of the tax elements on Nigeria's economic growth is negligible.

3. MATERIAL AND METHOD

This study utilizes longitudinal research design. The choice of the design is based on the idea that the method provides discovery on trends and pattern of change. This will be important in establishing the possible effect of tax composition revenue on economic growth over a time.

The relevant data were collected from Central Bank of Nigeria Statistical Bulletin (various years), Central Bank of Nigeria Annual Report and Statement of Accounts, Bureau of National Statistics and Federal Inland Revenue Service (FIRS) reports of various years. Data involving Gross domestic product GDP and all the different tax composition for this study were retrieved from these various sources from 2000-2020.

All the relevant data which were employed in this study were manually retrieved (handpicked) from the various sources before analysis were conducted on them. The explanatory variables in this study consist of annual data on petroleum profit tax, company income tax, capital gain tax, stamp duty and value added tax with the dependent variable being growth in Gross Domestic Product (GDP) as a proxy for economic growth. Autoregressive Distributive Lag (ARDL) regression analysis technique developed by Pesaran, Schuermann, and Weiner (2004) is used in this study. This analysis technique calculates the impact and uses a limit testing strategy to determine whether the variables in the model have a long-term relationship. One benefit of the ARDL method is that it may be used to simulate a mixture of I (0) and I (1) in the same specification, which is not possible with classic methods like Johansson's and Engel Granger's. Further, the ARDL limits testing technique is more appropriate for small sample sizes and produces better estimates. The dynamics of both short-run and long-run parameters, as well as the speed of adjustment when there is a shock, are estimated simultaneously using this analysis technique. Since robust lag lengths are critical to this strategy, it avoids the problem of over-parameterization.

3.1 Model Specification

Mathematically, the econometric specification of the ARDL with the influence of structural breaks is given as:

$Y = X$

Where:

Y = Economic growth (dependent variable)
X = Tax composition (independent Variable)
β_0 = constant term (intercept)
β_1- β_2 = Coefficients of economic growth
μ = Error term (stochastic term)

Explicitly, the equation can be defined as:

Tax composition = f (Economic growth) + μ

Representing the equations with the variables of the construct, hence the equations below are formulated:

$GDPG_{it} = \beta_0 + \beta_1 LOGPPT_{it} + \mu_{it}$ - - - - - i

$GDPG_{it} = \beta_0 + \beta_2 LOGCITT_{it} + \mu_{it}$ - - - - - ii

Where:

GDPG = Gross Domestic Product Growth Rate
LOGPPT = Natural Logarithm of Petroleum Profit Tax
LOGCIT = Natural Logarithm of Company Income Tax
Δ = First Difference Operator
μ_t = White-noise Disturbance Error Term
t = Time
i = Denotes the lag(s) being considered:
β_0-β_2 = Parameter Coefficients

Apriori expectation; $\beta_1, \beta_2 > 0$

3.2 Operationalization of Study

The variables under consideration are categorized into two which are: independent and dependent variable. The independent variable in this study is tax composition measured by petroleum profit tax, company income tax, capital gains tax, stamp duty tax, and value added tax. Meanwhile, the dependent variable is economic growth and was measured by gross domestic product growth rate. Explicitly, table 3.1 below accounted for operationalization of study variable:

Table 1: Operationalization of Study Variable

S/N	Variables	Symbol	Nature of Variable	Measures	Apriori Expectation
	Gross Domestic Product Growth Rate	GDPG	Dependent	Percentage Change in Annual GDP	Nil
	Natural Logarithm of Petroleum Profit Tax	LOGPPT	Independent	Natural Logarithm of PPT on Annual Basis	Positive
	Natural Logarithm of Company Income Tax	LOGCIT	Independent	Natural Logarithm of CIT on Annual Basis	Positive

Source: Researcher's Compilation (2022)

4. RESULT AND DISCUSSIONS

4.1Data Analysis

4.1.1 Unit Root Test

This pre-regression analysis assumes that the means and variances of these variables being tested are constant over the time. Variables whose means and variances change over time are known as non-stationary or unit root variables. Therefore, incorporating non-stationary or unit root variables in estimating the regression equations using Ordinary Least Square regression technique gives misleading inferences. Instead, if variables are non-stationary, the estimation of long-run relationship between those variables should be based on the cointegration method. Since the testing of the unit roots of a series is a precondition to the existence of cointegration relationship, the Dickey-Fuller (1979) test is widely used to test for stationarity. From the foregoing, the researcher employs the Dickey-Fuller (1979) test for Unit Root and the results is presented below:

Table 2: Unit Root Test Result

H0: There is no Stationarity					
At Levels-I(0)			**Interpolated Dickey-Fuller Critical Values**		
Variables	**DF t-statistics**	**MacKinnon p-value**	**1%**	**5%**	**Decision**
GDP Growth	-2.060	0.2608	-3.750	-3.000	Accept H0
Petroleum Profit Tax	-0.835	0.8087	-3.750	-3.000	Accept H0
Company Income Tax.	-1.227	0.6621	-3.750	-3.000	Accept H0
At 1st difference - I(1)					
GDP Growth	-3.154	0.0228	-3.750	-3.000	Reject H0
Petroleum Profit Tax	-3.154	0.0228	-3.750	-3.000	Reject H0
Company Income Tax.	-3.310	0.0144	-3.750	-3.000	Reject H0

Source: Author's compilation 2021 from STATA 16 Output

In testing for time series properties of the variables in the model, we performed a univariate regression analysis using conventional Dickey Fuller Unit Root Tests in order to ascertain whether each of these variables has unit root (non-stationary) or does not have unit root (stationary series).

Following the summary results of the unit root tests presented in Table 1 above, it is clearly shown that the variables considered are a mixture of stationary at levels {I(0)} and non-stationary at difference {I(1)} series. Therefore, given this scenario, there is need to test for the presence of long-run relationship among the variables in the model, which the ARDL regression technique is capable of capturing.

Table 3 : ARDL Regression Analysis Result

Variables	**LOGPPT**	**LOGCIT**
Gross Domestic Product Growth Model		
Long Run Effect		
Coefficient t_ Statistics Probability_t	10.659 (2.65) {0.021)	-0.603 (-0.49) {0.630)
Short Run Effect		
Coefficient t_ Statistics Probability_t		
No. of Obs = 20 Prob. F statistics = 0.0000 R^2 = 0.8833		

Note: t -statistics and its associated probabilities are represented in () and {}
Source: Author's compilation 2021 from STATA 16 Output (Appendix A)

4.1.2 Serial Correlation

When error terms from different (usually adjacent) time periods (or cross-section observations) are correlated, we say that the error term is serially correlated. Serial correlation occurs in time-series studies when the errors associated with a given time period carry over into future time periods. Serial correlation will not affect the unbiasedness or consistency of ARDL estimator, but it does affect their efficiency. With positive serial correlation, the ARDL estimates of the standard errors will be smaller than the true standard errors. This will lead to the conclusion that the parameter estimates are more precise than they really are. There will be a tendency to reject the null hypothesis when it should not be rejected. However, this study adopts Breusch-Godfrey (BG) test, also known as the LM test which is a more powerful test that is also commonly used in empirical applications. The results obtain from the LM Test for serial correlation reveals p-value of 0.3971 which is not statistically significant at 5% nor 1%, hence, we accept the null hypothesis of no serial correlation.

4.1.3 Heteroscedasticity

The assumption of homoscedasticity states that if the errors are heteroscedastic then it will be difficult to trust the standard errors of the estimates. Hence, the confidence intervals will be either too narrow or too wide. The presence of heteroscedasticity tends to produce p-values that are smaller than they should be due to increased variances of the coefficient estimates which unfortunately least squares' estimators does not detect this increase. The result obtained from the regression reveals a probability value of (P-value: 0.3971) obtained from the White's test. This result indicates that the assumption of homoscedasticity has not been violated due to high P-values which is statistically insignificant at 5% or 1% level.

4.2 Test of Hypotheses

Specifically, we provide interpretation for the ARDL estimator as recommended Pesaran, Shin, & Smith (2001). The model goodness of fit as captured by the Fisher Statistics (15.52) and the corresponding probability value (0.000) shows a 1% statistically significant level suggesting that the entire model is fit and can be employed for interpretation and policy recommendation. More than

this, an R^2 value of 0.8833 indicates that about 88% of the variation in the dependent variable is being explained by all the independent variables in the model. This also means that only about 22% of the variation in the dependent variables is left unexplained but have been captured by the error term.

4.2.1 Hypotheses 1

Ho: Petroleum profit tax has no significant effect on economic growth of Nigeria.

The ARDL model presented in Table 3 above reveal the result of the variable of petroleum profit tax (LOGPPT) as follows: for the long run effect (Coef. = 10.659, t = 2.65 and P -value = 0.021); and no short run effect. Following the results above, it is revealed that the effect of petroleum profit tax on economic growth is positive and statistically significant in the long run at 5% level. We also find from the results that there is no short run effect of petroleum profit tax on economic growth. This finding is inconsistent with the stated null hypothesis which leads to its rejection. Hence, *petroleum profit tax has a significant positive effect on economic growth of Nigeria during the period under study.* This finding aligns with that of Etale and Bingilar (2016); and Ogbonna and Appah (2012) who analyzed the relationship between Nigeria's petroleum profit tax and economic growth and conclude that there was a significant positive relationship between petroleum profit tax and economic growth. Furthermore, Jibrin, Ejura and Ifurueze, (2012) reported a positive significant effect of petroleum profit tax on economic growth in Nigeria. However, we contradict the studies of Iyoha and Oriakhi, (2002) who found an insignificant relationship between Petroleum Profits tax and economic growth. Particularly, this study from a realistic point of view shows the high dependence of the Nigerian economy on oil for growth.

4.2.2 Hypotheses 2

Ho: Company income tax has no significant effect on economic growth of Nigeria.

The ARDL result presented in Table 3 above reveal the result of the variable of company income tax (LOGCIT) as follows: for the long run effect (Coef. = -0.603, t = -0.49 and P -value = 0.630); and no short run effect. Following the results above, it is revealed that the effect of company income tax on economic growth is negative and statistically insignificant weather at 5% nor 1% level. We also find from the results that there is no short run effect of company income tax on economic growth. This finding is consistent with the stated null hypothesis which leads to its acceptance. Hence, *company income tax has no significant effect on economic growth of Nigeria during the period under study.* The results, however, differ from those of Okafor (2012), who found a substantial correlation between the components of tax revenue and the expansion of the Nigerian economy.

CONCLUSION AND RECOMMENDATIONS

Oil revenue has long been Nigeria's government's main source of income. The government has neglected the non-oil sector despite it providing more than half of the annual total revenue up to 85%. Despite the considerable but fluctuating oil revenue, the scale of government initiatives has fluctuated proportionately. Evidence suggested that the recent drop in the price of oil has reduced the amount of money that Nigeria's federal, state, and local governments have available for distribution. As a result, Nigeria's over reliance on oil revenue is facing a significant setback for long-term economic progress. This raises the critical issue of the necessity for economic diversification for Nigerians and the government. Therefore, higher tax rates deter saving, which results in development that is stagnant. Therefore, this study concluded that while higher petroleum profit tax revenue promotes economic growth, higher company income tax revenue surprisingly stall economic growth of Nigeria during the period under investigation.

Based on the findings of this study, it is strongly advised that the Federal Inland Revenue Service (FIRS), the agency in charge of collecting taxes owed to the federal government of Nigeria, undertake a comprehensive reorganization of the tax administrative infrastructure in order to close

tax avoidance and evasion loopholes. The performance of Nigeria's corporation income tax administration will significantly improve as a result of this policy.

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