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# EFFECT OF TAXATION ON ECONOMIC GROWTH IN NIGERIA

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## ABSTRACT:

*This study assessed the effect of taxation on economic growth in Nigeria. There is the issue of under assessment of tax payers, poor administration of tax and connivance of tax payers and collectors leading to collecting less amount than expected. These amongst others are challenges hampering the adequate tax revenue generation to government that could help fund infrastructures that will spur economic growth. The specific objectives were to assess: the effect of petroleum profit tax (PPT), company income tax (CIT), value added tax (VAT), education tax (EDUTAX) and gas income (GASINC) on gross domestic product (GDP) of Nigeria. Taxation proxies were PPT, CIT, VAT, EDUTAX and GASINC, while the dependent variable was GDP. Five hypotheses guided the study and were tested at 5% level of significance. The research design was ex-post-facto, while descriptive statistics and multiple regression were used to analyze the data. The regression output showed that PPT had negative but significant effect on GDP; CIT had positive and non-significant effect on GDP; VAT had positive and significant effect on GDP; EDUTAX had positive but non-significant effect on GDP while GASINC had negative and non-significant effect on GDP. The prob (F-stat) was 0.000192 while R-squared value was 0.942871. The study recommended among others that the government should improve petroleum profit tax administration, blockage of leakages and judicious use of the revenue in productive sectors of the economy. Also, the government should properly harness the income from company tax as a macro-economic tool for economic growth. Furthermore, the government should continue to sustain the value added tax collection and investment measures so as to maintain its positive and significant effect on gross domestic product.*

## 1. INTRODUCTION

Tax is a compulsory levy collected by the government from her citizens. These compulsory levies that individuals and businesses must pay to government are meant to generate revenue to finance various government expenditures. Taxes are usually levied on income, property, goods and services. The types of taxes collected in Nigeria include personal income tax, company income tax, value added tax, withholding tax, petroleum profit tax, capital gains tax, stamp duties, education tax. In Uzochukwu et al. (2021), tax has been ranked as the main supply of revenue in international locations. Aliyu and Mustapha (2020) opined that 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. The federally collected taxes is done through the Federal Inland Revenue Service (FIRS), while the State Board of Internal Revenue Service administers the taxes collectible by the state governments. The revenue so collected is used by the government to deliver on its various infrastructure and socio-economic amenities provision for the comfortable existence of her citizens and successful operation of businesses for growth of the economy.

The revenue heads in Nigeria are divided into oil revenue and non-oil revenue. Tax falls under the non-oil revenue with its various types. The tax revenue to government seems inadequate compared to her needs, hence there is continuous expansion of the tax cum levy options and rate. This is done either by increase of tax rates or introduction of new tax or levy. The value added tax for instance was increased from 5% to 7.5% on 1st February, 2020 as a means to increase government revenue. Also, the Electronic Money Transfer Levy Regulations, 2022 was signed into law to provide guidance for the imposition, administration, collection and remittance of the Electronic Money Transfer Levy introduced by the Finance Act, 2020. This regulation provided for a singular and one-off levy of N50.00 on the receipt or transfer of any electronic transfer of N10,000.00 or above. The banks are to collect this levy and remit to the Federal Inland Revenue Service. These among others are ways the government is expanding her revenue source so as to be able to finance the provision of the needs of her teeming citizens and businesses operating in Nigeria.

According to Anisere-Hameed (2021), tax refers to compulsory payments by individuals and organizations to relevant government agencies and departments. Taxation is the collection of a share of individual and organization income and wealth by the government under the authority of the law (Ngwoke, 2019). The tax system being a major revenue source for government helps determine the economic outlook of the country. The government revenue is a determinant of government expenditure. The tax system helps the government to generate the revenue required for financing her various social and economic activities. It is important to note that it cannot be determined what an individual or business benefit directly on quid pro quo basis. Taxation helps the government to achieve her set goals towards providing basic amenities for improved productivity. The eventual increased production of goods and services in the economy over a given period of time translates to economy growth.

Etim et al. (2020) opined that tax is a compulsory or mandatory levy charged by any authority or government on individuals or corporate income with a view to generating revenue for the provision of goods, services, and other social development to the citizenry. Anisere-Hameed (2021) highlighted four key things people must understand about taxation as: (i) Tax is a compulsory contribution made by the citizens to the government and this contribution is for general and common use. (ii) Tax imposes a general obligation on the tax payer to comply. (iii) Tax have the presumption that the contribution to the public revenue made by the taxpayer may not be equivalent to the benefits the taxpayer receives. (iv) Tax is not imposed on a citizen by the government because it has rendered specific services to him or his family.

The importance of taxation in Nigeria can be briefly highlighted as follows:

1) Source of income for the government: Tax is a major source of revenue to the government hence helping to fund the cost of governance.
2) Infrastructural development: The payment of taxes helps government to generate fund to finance her infrastructural or capital projects.
3) Educational support: The companies in Nigeria pay education tax to help the government raise fund to support the needs in the education sector.
4) Economic stabilization: Taxes help the government to raise funds to finance productive activities that will enhance economic growth and development.

Despite the various importance of taxation, the revenue growth is being hampered by paucity of data on those to be taxed, evasion of tax by citizens and businesses, inefficient monitoring and administration, corruption among others. It is important to note that although tax is mainly seen as a major revenue source to government, some may be imposed for other reasons. Tax in some cases is used to achieve income re-distribution, as fiscal policy tool, to discourage the production and consumption of certain commodities, for protection of infant industries by discouraging importation, curb inflation and reduce income differences among citizens. Despite the reasons adduced for tax imposition, the bottom-line is that revenue will accrue and eventually used by the government for socio-economic purposes. It is this provision of social amenities and infrastructure that spur productivity in the economy leading to increased gross domestic product. This could account for the argument by scholars that taxation is one of the budgetary tools that can be used to achieve economic growth.

 

Uzochukwu et al. (2021) stated that one of the major problems facing the taxation system in Nigeria is non-compliance among tax payers. Tax non-compliance comes in various forms inclusive of tax evasion or avoidance. Some tax payers keep exploiting every avenue available to avoid paying taxes, not minding that it is the major source of revenue for government expenditure. Also, while some see it as extortion others see the tax burden as being too high for them to bear either as individuals or as businesses. Furthermore, the unfavorable economic situation in the country over the years have made some businesses to shut down, while some incur more operating cost hence reducing their profit from which tax is payable. Anisere-Hameed (2021) stated that the role of tax revenue in promoting economic growth and development in Nigeria is not felt, primarily because of its poor administration, lack of awareness of the general public on the imperatives and maximum benefits of taxation, corruption of tax officials, tax avoidance and tax evasion by taxpayers, connivance of tax officials with taxing population, poor method of tax collection etc. The infrastructures (road, electricity, hospitals, water etc) which should be put in place from government revenue so as to support industries and achieve increased output of goods and services are lacking. There is also the issue of under assessment of tax payers, poor administration of tax and connivance of tax payers and collectors leading to collecting less amount than expected. These amongst others are challenges hampering the adequate tax revenue generation to government that could help in economic growth. Hence there is the need to have an up to date assessment of the effect of various tax components on economic growth in Nigeria.

### 1.1 Objectives of the Study

The broad objective of the study is to assess the effect of taxation on economic growth in Nigeria. This study specifically had the following objectives:

1. To assess the effect of petroleum profit tax on gross domestic product in Nigeria.
2. To ascertain the effect of company income tax on gross domestic product in Nigeria.
3. To examine the effect of value added tax on gross domestic product in Nigeria.
4. To assess the effect of education tax on gross domestic product in Nigeria.
5. To ascertain the effect of gas income tax on gross domestic product in Nigeria.

### 1.2 Research Hypotheses

The following hypotheses were accordingly formulated in their null forms:

$H_{01}$: Petroleum profit tax had no significant effect on gross domestic product in Nigeria.

$H_{02}$: Company income tax had no significant effect on gross domestic product in Nigeria.

$H_{03}$: Value added tax had no significant effect on gross domestic product in Nigeria.

$H_{04}$: Education tax had no significant effect on gross domestic product in Nigeria.

$H_{05}$: Gas income tax had no significant effect on gross domestic product in Nigeria.

 

## 2. LITERATURE REVIEW

### 2.1 Conceptual review

#### 2.1.1 National Tax Policy

The National Tax Policy defines tax as a financial charge or levy imposed upon an individual or legal entity by a state or a legal entity of the state; it is a pecuniary burden laid upon individuals or property to support government expenditure (National Tax Policy, 2010). Uzochukwu et al. (2021) defined taxation as the obligatory or coercive cash collection through a levying authority, typically a government. In line with the forgoing, Chijioke et al. (2018) opined that tax is an obligatory levy by the government collected through its agency from its subjects. He further stated that effective taxation is important as a source of financial power for a government to provide social services for its citizens. Tax is a common and as well as major revenue source for the government geared towards her provision of public or social amenities and infrastructures. Tax is a compulsory levy imposed by government on individuals and companies for the various legitimate functions of the state (Anisere-Hameed, 2021). Tax therefore have to be paid not because the taxpayer want to but because the government have said it should be paid and there is punitive measures for non-payment.

A tax is a mandated payment or transfer from private persons, organizations, or groups to the government and a significant administrative pillar of any society (Osaretin et al., 2020). So tax is levied to help generate fund for effective and efficient administration of government. It is expected that these taxes generated will be used by the government to build industries or construct infrastructures that will help other businesses to have the conducive environment to thrive. The productive sectors of the economy (manufacturing, agriculture, mining, transportation, quarrying etc) should feel the effect of government expenditure. As government helps make businesses to thrive, it leads to increase in the domestic output of goods and services produced in the economy over time. It is the monetary measure of the market value of the goods and services produced in an economy over a given time that is referred to as gross domestic product. It is this value that is used commonly to measure economic growth in most countries. Ngwoke (2019) sums up the definition of tax succinctly as, a compulsory payment made by individuals and corporate bodies to the government for financing government expenditure or for general purpose of government aimed at improving the tax-payers welfare and in which both the taxpayer and the public at large benefit.

**2.2 Theoretical Review**

This study considered two theories related to this study. The first is the ability to pay theory propounded by MS Kendrick in 1939. The theory considers tax liability in its true form, which is compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. This theory postulates that a citizen is to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity. This theory was bound to be supported by socialist thinkers because of its conformity with the ideas and concepts of justice and equity. The basic tenet of this theory is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles necessitates that the tax burden is apportioned according to payees relative ability to pay (Ngwoke, 2019).

The second is the benefits received theory of taxation (BRTT). This theory is believed to have been initiated by Knut Wicksell and popularized by Erik Lindahl. Its proponents argue that exchange relationship exist between the government of a people and the tax payers. On the basis of this relationship therefore, the government has a responsibility of providing goods, services and basic infrastructures for use by members of the society, who in return are expected to make contributions through taxation in proportion to whatever benefits that may have been derived from their access to the amenities, infrastructures, goods and/or services provided by government (Ideh, 2019).

**2.3 Empirical Review**

Uzochukwu et al. (2021) examined the effect of taxation on Nigeria's economy. They employed ex-post-facto research design for the study. Data were sourced from CBN statistical bulletin and Federal Inland Revenue Service report. Multiple linear regression was used to analyze the data and they found out that taxation has high significant and positive effect on the growth of Nigeria's economy.

Anisere-Hameed (2021) examined the impact of taxation on Nigeria's economic growth and development. The variables used to proxy taxation were petroleum profit tax, capital gain tax, company income tax. The ex-post-facto research design was adopted while Ordinary Least Square regression method was used to analyze the data gathered. Findings showed that PPT and CGT are insignificant in revenue generation towards the economic growth of Nigeria while CIT was significant.

Osaretin et al. (2020) studied the effects of taxation on Nigerian economic growth for the period 1990 to 2019. The data for the explanatory variables (Petroleum Profit Tax (PPT), Company

Income Tax (CIT), Custom and Excise Duties (CED) and Value Added Tax (VAT)) were sourced from federal inland revenue Service (FIRS) and Nigerian Bureau of Statistics (NBS), while that of the dependent variables (Mining & Quarrying (MQGDP) and Manufacturing & Processing (MPGDP)) were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin 2020. They carried out descriptive statistics test, Augmented Dickey-Fuller unit root test, Johansen Co-integration test, Auto Regressive Distributive Lag (ARDL). The results showed that PPT, CED and VAT have positive effects on the growth of mining and quarrying, with Company Income Tax (CIT) exerting a negative effect on them.

Aliyu and Mustapha (2020) assessed the impact of tax revenue on economic growth in Nigeria covering the period from 1981 to 2017. They employed time series data obtained from the CBN statistical bulletins, FIRS annual publications and National Bureau of Statistics (NBS) portal. The OLS and ARDL techniques were employed to estimate the relationships of the variables. The ARDL bound test showed that the variables are co-integrated while ARDL long-run estimation showed that petroleum profit tax, value added tax and government domestic debt are significant and positively related to GDP. Also, company income tax and customs and excise duties were significant but negatively impacted on economic growth.

Etim et al. (2020) assessed if taxation drive economic development in Nigeria using time series data obtained from the Central Bank of Nigeria (CBN) statistical bulletin, Federal Inland Revenue Service (FIRS) tax reports and Human Development Report by United Nations Development Programme (UNDP). The independent variables were company income tax (CIT), value added tax (VAT), personal income tax (PIT) and petroleum profit tax (PPT). The dependent variable was proxied by human development index (HDI). The data collected were analyzed using multiple regression. They found out that CIT, HDI, VAT had direct and significant relationship with HDI, while PIT and PPT had direct and insignificant relationship with HDI.

Ideh (2019) examined the relationship between components of tax revenue and economic development of Nigeria for the period 2003 to 2017. The ex-post-facto research design was adopted and secondary time series data were sourced. The proxies for tax revenue were value added tax, petroleum profit tax, personal income tax, company income tax, custom and excise duties, while real GDP and Human Development Index (HDI) were used to proxy economic development. The data were analyzed using the Autoregressive Distributed Lag technique. The findings of the study indicated that petroleum profit tax had negative relationship with real GDP and HDI.

Ngwoke (2019) assessed the effect of taxation on economic growth in Nigeria for the period 2007 to 2017. The proxies for taxation were petroleum profit tax, company income tax, custom and excise duty, while proxy for economic growth was real gross domestic product. The study adopted ex-post-facto research design and obtained data from Central Bank of Nigeria statistical bulletin. Analysis done included using unit root test and regression. The findings showed that Petroleum profit tax, company income tax and customs and excise duties all had significant effect on the real gross domestic product in Nigeria for the period reviewed.

Chijioke et al. (2018) examined the effect of taxation on economic growth in Nigeria covering the period from 1981 to 2019. Time series data of taxation variables (personal income tax, company income tax, and value added tax) were obtained from CBN bulletin, National Bureau of Statistics and World Bank Indicators, while economic growth proxy was gross domestic product. The data obtained were analyzed using descriptive, unit root, Augmented Dickey-Fuller, Bound Test for Co-integration, Ganger Causality and Vector Auto-Regression statistical tools. The Vector Auto-Regression results indicated that while all taxation variables significantly affect economic growth, the relationship was negative. The negativity attributable to taxation in the country could be that the tax collection mechanisms and administrative structure put in place are weak.

## 3. MATERIAL AND METHOD

The *ex-post facto* research design was adopted while data for the variables were obtained from the Federal Inland Revenue Service website. The data were analyzed using descriptive statistics and multiple regression technique. The time series data used for the study was from 2011 to 2022 (12 years).

The regression model relationship is:

$Y_t = b_0+b_1X_1+b_2X_2+b_3X_3 \ldots + bnXn + e$

| | | |
|---|---|---|
| Where: | $Y$ | = dependent variable |
| | $b_0$ | = intercept term |
| | $b_1, b_2, b_3$ | = parameters or coefficients of the model |
| | $X_1, X_2, X_3$ | = independent or explanatory variables. |
| | $e$ | = error term |

The functional relationship of taxation and economic growth can be specified in the following model:

GDP = f(PPT, CIT, VAT, EDUTAX, GASINC)

The model is explicitly defined as follows:

$GDP_t = b_0 + b_1PPT_t + b_2CIT_t + b_3VATt + b_4EDUTAX_t + b_5GASINC_t + et$

Where:

GDP = Gross domestic product.

PPT = Petroleum profit tax

CIT = Company income tax

VAT = Value added tax

EDUTAX = Education tax

GASINC = Gas income tax

The independent variables used to proxy taxation were petroleum profit tax, company income tax, value added tax, education tax and gas income tax. The variable used to proxy economic growth was gross domestic product at current basic prices. Eviews10 processing software was used for data analysis while the hypotheses were tested at 5% level of significance. The *a priori* expectation is that the independent variables (PPT, CIT, VAT, EDUTAX and GASINC) will have positive and significant effect on the dependent variable (GDP).

### 3.1 Decision Rule

Accept the null hypothesis if the probability value is greater than 0.05, otherwise reject null and accept the alternate hypothesis.

## 4. RESULT AND DISCUSSIONS

### 4.1 Data Analysis

Table 1 shows the raw data on petroleum profit tax, company income tax, value added tax, education tax, gas income tax and gross domestic product at current basic prices.

| YEAR | PPT ₦'Billion | CIT ₦'Billion | VAT ₦'Billion | EDUTAX ₦'Billion | GASINC ₦'Billion | GDP ₦'Billion |
|---|---|---|---|---|---|---|
| 2011 | 3070 | 654 | 659 | 130 | 45 | 62980 |
| 2012 | 3201 | 820 | 710 | 188 | 9 | 71713 |
| 2013 | 2666 | 963 | 802 | 279 | 7 | 80092 |
| 2014 | 2453 | 1173 | 802 | 189 | 17 | 89043 |
| 2015 | 1289 | 1268 | 767 | 206 | 115 | 94144 |
| 2016 | 1157 | 933 | 828 | 130 | 85 | 101489 |
| 2017 | 1520 | 1215 | 972 | 154 | 34 | 113711 |
| 2018 | 2467 | 1340 | 1108 | 203 | 75 | 127736 |
| 2019 | 2114 | 1604 | 1189 | 221 | 21 | 144210 |
| 2020 | 1516 | 1275 | 1531 | 259 | 134 | 152324 |
| 2021 | 2008 | 1747 | 2072 | 189 | 140 | 173527 |
| 2022 | 4209 | 2649 | 2511 | 328 | 309 | 199336 |

**Source:** www.firs.gov.ng

 

**Table 2: Descriptive Statistics.**

| | GDP | PPT | CIT | VAT | EDUTAX | GASINC |
|---|---|---|---|---|---|---|
| Mean | 117525.4 | 2305.833 | 1303.417 | 1162.583 | 206.3333 | 82.58333 |
| Median | 107600.0 | 2283.500 | 1241.500 | 900.0000 | 196.0000 | 60.00000 |
| Maximum | 199336.0 | 4209.000 | 2649.000 | 2511.000 | 328.0000 | 309.0000 |
| Minimum | 62980.00 | 1157.000 | 654.0000 | 659.0000 | 130.0000 | 7.000000 |
| Std. Dev. | 42598.88 | 899.7633 | 525.2240 | 588.3642 | 59.09366 | 85.97723 |
| Skewness | 0.533621 | 0.590742 | 1.357009 | 1.320835 | 0.591016 | 1.561588 |
| Kurtosis | 2.194262 | 2.679945 | 4.678845 | 3.464913 | 2.687376 | 4.990026 |
| Jarque-Bera | 0.894109 | 0.749170 | 5.092205 | 3.597281 | 0.747466 | 6.857218 |
| Probability | 0.639509 | 0.687574 | 0.078387 | 0.165524 | 0.688160 | 0.032432 |
| Sum | 1410305. | 27670.00 | 15641.00 | 13951.00 | 2476.000 | 991.0000 |
| Sum Sq. Dev. | 2.00E+10 | 8905314. | 3034463. | 3807897. | 38412.67 | 81312.92 |
| Observations | 12 | 12 | 12 | 12 | 12 | 12 |

The above table displayed the descriptive statistical behaviour of all the parameters that were subjected to estimation in this study.

Estimation Command:

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LS GDP C PPT CIT VAT EDUTAX GASINC

Estimation Equation:

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GDP = C(1) + C(2)*PPT + C(3)*CIT + C(4)*VAT + C(5)*EDUTAX + C(6)*GASINC

Substituted Coefficients:

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GDP = 40120.8324088 - 11.3701120085*PPT + 30.4913861772*CIT + 59.5080555629*VAT + 6.75522655953*EDUTAX - 81.1025075151*GASINC

The above model showed that when all other variables are kept constant except PPT figure, a unit change in PPT will result to 11.37 decrease in GDP. Also, keeping all other variables constant except CIT, a unit change in CIT will result to a 30.49 increase in GDP. Bearing all other variables constant except VAT, a unit change in VAT will result to a 59.51 increase in GDP. A unit change in EDUTAX will result to a 6.75 increase in GDP keeping other variables constant. Furthermore, a unit change in GASINC will result to 81.10 decrease in GDP.

**Table 3: Regression output**

Dependent Variable: GDP

Method: Least Squares

Date: 11/13/23 Time: 17:13

Sample: 2011 2022

Included observations: 12

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 40120.83 | 12974.64 | 3.092250 | 0.0213 |
| PPT | -11.37011 | 3.858565 | -2.946720 | 0.0257 |
| CIT | 30.49139 | 15.14691 | 2.013043 | 0.0908 |
| VAT | 59.50806 | 13.91752 | 4.275767 | 0.0052 |
| EDUTAX | 6.755227 | 73.60052 | 0.091782 | 0.9299 |
| GASINC | -81.10251 | 69.66430 | -1.164190 | 0.2885 |

| | | | |
|---|---|---|---|
| R-squared | 0.968839 | Mean dependent var | 117525.4 |
| Adjusted R-squared | 0.942871 | S.D. dependent var | 42598.88 |
| S.E. of regression | 10181.81 | Akaike info criterion | 21.60145 |
| Sum squared resid | 6.22E+08 | Schwarz criterion | 21.84390 |
| Log likelihood | -123.6087 | Hannan-Quinn criter. | 21.51168 |
| F-statistic | 37.30964 | Durbin-Watson stat | 1.513168 |
| Prob(F-statistic) | 0.000192 | | |

The value of R-squared given as 0.968839 and Adjusted R-squared of 0.942871 showed that the independent variables explained 93% (in real terms) of the changes in the dependent variable. Also, the prob(F-statistic) value of 0.000192 indicated that the model is fit to explain the relationships of the variables since it is less than 0.05. Durbin-Watson stat of 1.513168 which is nearer to 2 than 0 indicated that there is no autocorrelation in the residuals of the regression analysis.

### 4.2 Test of Hypotheses

*Table 4: Summary statistics for hypotheses testing*

| Hypothesis | Variable | Coefficient | t-statistic | Probability | Decision |
|---|---|---|---|---|---|
| One | PPT | -11.37011 | -2.946720 | 0.0257 | Reject $H_0$ |
| Two | CIT | 30.49139 | 2.013043 | 0.0908 | Accept $H_0$ |
| Three | VAT | 59.50806 | 4.275767 | 0.0052 | Reject $H_0$ |
| Four | EDUTAX | 6.755227 | 0.091782 | 0.9299 | Accept $H_0$ |
| Five | GASINC | -81.10251 | -1.164190 | 0.2885 | Accept $H_0$ |

#### 4.2.1 Hypothesis One

$H_o$: PPT had no significant effect on gross domestic product in Nigeria.

The t-statistic value is -2.946720 while the probability value is 0.0257 which is less than 0.05 level of significance. The null hypothesis is therefore rejected and it is concluded that PPT had significant effect on gross domestic product in Nigeria for the period reviewed.

#### 4.2.2 Hypothesis Two

$H_o$: CIT had no significant effect on gross domestic product in Nigeria.

The t-statistic value is 2.013043 while the probability value is 0.0908 which is higher than 0.05 level of significance. The null hypothesis is therefore accepted and it is concluded that CIT had no significant effect on gross domestic product in Nigeria for the period reviewed.

#### 4.2.3 Hypothesis Three

$H_o$: VAT had no significant effect on gross domestic product in Nigeria.

The t-statistic value is 4.275767 while the probability value is 0.0052 which is less than 0.05 level of significance. The null hypothesis is therefore rejected and it is concluded that VAT had significant effect on gross domestic product in Nigeria for the period reviewed.

#### 4.2.4 Hypothesis Four

$H_o$: EDUTAX had no significant effect on gross domestic product in Nigeria.

The t-statistic value is 0.091782 while the probability value is 0.9299 which is greater than 0.05 level of significance. The null hypothesis is therefore accepted and it is concluded that EDUTAX had no significant effect on gross domestic product in Nigeria for the period reviewed.

#### 4.2.5 Hypothesis Five

$H_o$: GASINC had no significant effect on gross domestic product in Nigeria.

The t-statistic value is -1.164190 while the probability value is 0.2885 which is greater than 0.05 level of significance. The null hypothesis is therefore rejected and it is concluded that GASINC had no significant effect on gross domestic product in Nigeria for the period reviewed.

## CONCLUSION AND RECOMMENDATIONS

This study showed that the taxation variables used in this study jointly had significant effect on gross domestic product in Nigeria for the period reviewed. Specifically, three of the taxation proxies (CIT, VAT and EDUTAX) had positive coefficients, while two (PPT and GASINC) had negative coefficients. Also, two taxation proxies (PPT and VAT) individually had significant effect while three variables (CIT, EDUTAX and GASINC) individually had non-significant effect on gross domestic product in Nigeria. These negative coefficients and non-significant effects seen in this study were not anticipated. It is therefore imperative that the government take measures to address them. This study concluded that the model was statistically significant given its prob(F-statistic) value of 0.000192.

In view of the findings of this study, the following were recommended:

1. The government should ensure improve petroleum profit tax administration, blockage of leakages and judicious use of the revenue in productive sectors of the economy. This will help reverse its negative relationship with gross domestic product.
2. The government should properly harness the income from company tax as a macro-economic tool for economic growth. This will possibly help to reverse its non-significant effect on gross domestic product.
3. The government should continue to sustain the value added tax collection and investment measures so as to maintain its positive and significant effect on gross domestic product.
4. The government should sustain and even fine-tune the collection and use of education tax to develop our tertiary institutions. The proper use of this fund in critical sectors in the education sector will sustain its positive relationship and possibly achieve a significant effect in due course.
5. The gas income administration need to be overhauled. Loopholes and lapses need to be corrected so as to reverse the negative and non-significant relationship it had.

 

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