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Tax Revenue on Economic Growth in Nigeria (2007–2017)

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Abstract. The contribution of taxation to any economy globally cannot be overemphasized. Apart from the revenue function it performs for the government, it is also used to assist the national government to achieve the country's macro-economic objectives in the areas of fiscal and monetary policies. Past documentations have revealed that revenue from taxes in Nigeria has a high impact on its economic growth which is clearly seen by the social amenities provided. Thus the main objective of this study is to explore the relationship between tax revenue and economic growth and development in Nigeria. In summary, the simple regression analysis shows that about 75% variations in GDP can be attributed to changes in PPT; also, Value Added Tax (VAT) was discovered to be responsible for about 95% changes in GDP. Value Added Tax shows a positive relationship with the Gross Domestic Product ($\beta 4 = 0.884017$). Negative shows that the probability of this result occurring by chance was less than 0.05 (0.0000) and hence VAT is statistically significant at $P < 0.05$ level. The multiple regression analysis through long run estimation indicated that in the long run, CIT and CED have negative effects on GDP and PPT and VAT have positive effects on GDP. The study concluded that tax revenue combined has a significant effect on the economic growth of Nigeria, although Companies Income Tax (CIT) and Custom Excise Duties (CED) have not contributed positively to economic growth of this nation over the period of study, it is therefore recommended that tax Clearance Certificates and other tax documents used in government transactions should be referred back to the relevant revenue authority for authentication.

Keywords: Tax Revenue, Value Added Tax, Custom and Excise Duties, Company Income Tax, Gross Domestic Product

Background to the Study

The provision of basic infrastructure is quite necessary, for development and growth of any society, Government therefore needs money to be able to execute its social obligations to the public and these social obligations include but not limited to the provision of infrastructure and social services. Meeting the needs of the society calls for huge funds which an individual or society cannot contribute alone and one medium through which fund is derived is through taxation. Tax is a 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 (Anyaehie & Areji, 2015). Tax revenue is a powerful tool of economic reform and a major player in every economy of the world. It is never static but dynamic and should reflect current realities prevailing in the economy. The tax system is an opportunity for government to collect additional revenue besides other sources of income, which is needed in discharging its pressing obligations. A good system of tax offers itself as one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating enabling and conducive environment to the promotion of economic growth and development (Anyaehie & Areji, 2015).

Tax in our economy are difficult to collect because of the lack of skills and facilities for tax administration. Given this, a complicated tax structure is not feasible and the amount of revenue from income tax will depend on taxpayers' compliance and the efficiency of the tax collectors. The Nigerian Tax System has undergone significant changes in recent times. The Tax Laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current Nigerian law, tax revenue is enforced by the three tiers of Government, which are Federal, State, and Local Governments with each having its sphere clearly spelt out in the Taxes and Levies Act, 1998. The whole essence of tax revenue is to generate revenue to advance the welfare of the people of a nation with focus on promoting economic growth and development of a country through the provision of basic amenities for improved public services via proper administrative system, and structures (Diffen, 2015). Tax revenue plays a crucial role in promoting economic activities, growth and development. Through tax revenue, government ensures that resources are channeled towards important projects in the society, while giving succor to the weak. The role of tax revenue in promoting economic activity and growth may not be felt if poorly administered. This calls for a need for proper examination of the relationship between revenue generated from taxes and the economy, to enable proper policy formulation and strategy towards its efficiency. The Nigerian economy has remained in a deep slumber with macroeconomic indicators reflecting an economy in serious need of rejuvenation, revival and indeed radical reform (Ibadin & Oladipupo, 2015).

Tax administration needs to be revamped and refunds of taxes as well as duty drawbacks administration are inefficient. In his discussion of the relationship between tax structure and economic development, divided the period of economic development into two. The early period when an economy is relatively underdeveloped and the later period when the economy is developed. During the early period, there is limited scope for the use of direct taxes because the majority of the populace resides in the rural areas and is engaged in subsistence agriculture. Because their incomes are difficult to estimate, tax assessment at this stage is based on presumptions prone to wide margins of error (Global Alliance for Tax Justice, 2015). A critical challenge before tax administration in the 21st century Nigeria is to advance the frontiers of professionalism, accountability and awareness of the general public on the imperatives and benefits of tax revenue in our personal and business lives which include: promoting economic activity; facilitating savings and investment; and generating strategic competitive advantage. If tax administration does not for any reason meet the above challenges, then there is a desperate need for reform in the area of the tax regime, and in the administration of taxes. Tax revenue mobilization as a source for financing development activities in Nigeria has been a difficult issue primarily because of various forms of resistance, such as evasion, avoidance and corrupt practices attending to it. These activities are considered as sabotaging the economy and are readily presented as reasons for the underdevelopment and lack of growth of the country (Chigbu & Njoku, 2015).

Research Questions

The study would attempt to provide answers to the following questions:

i. What is the impact of companies' income tax on economic growth of Nigeria?
ii. What is the influence of Petroleum Profit Tax on economic growth of Nigeria?
iii. In what ways has custom and excise duties impacted the economic growth in Nigeria?
iv. To what extent does VAT impact the economic growth of Nigeria?

Objectives of the Study

The main objective of this study is to assess the effect of tax revenue on economic growth and development in Nigeria. The specific objectives includes;

i. To assess the impact of companies' income tax on economic growth of Nigeria;
ii. To ascertain the influence of Petroleum Profit Tax on economic growth of Nigeria;
iii. To examine the impact of custom and excise duties on economic growth of Nigeria and

iv. To determine the impact of VAT on the economic growth of Nigeria.

Review of Related Literature

Conceptual Framework

Taxation is an instrument employed by the government for generating public funds (Anyaehie & Areji, 2015). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organizations. Result of the application of tax rate to a tax base. A well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability. The main purpose of a tax is to enable public sector finance its activities so as to achieve some nation's economic and social goals. It can also be for the purpose of redistribution of wealth to ensure social justice. Therefore, taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria (Anyaehie & Areji, 2015). However, the dwindling level of tax revenue generation in the developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic development. Some governments like Canada, United States, Netherland, and The United Kingdom have substantially influenced their economic development through tax revenue generated from Company Income Tax, Value Added Tax, and Personal Income Tax, and have prospered through tax revenue (Diffen, 2015). In Africa, natural resources such as income from production sharing, contracts royalties, and corporate income tax on oil and mining companies yield significant portion of tax revenue. The tax revenue sources are the basic and most reliable sources of government revenue because of their certainty and flexibility characteristics. Certainty characteristics implies that collection of taxes from taxpayers is assured, all other things being equal. Tax collection is not affected by the state of the economy; whether the economy is declining, stagnant or growing. Its flexibility makes it possible for the government to adjust the tax system to suit her desired purpose (Ibadin, & Oladipupo, 2015).

Taxation in Nigeria

Different types, forms and classes of taxes exist but the common classification in Nigeria are into two major types, direct and indirect The direct tax, here in the incidence of or burden of the falls directly on a tax payer. Examples are Personal income tax, company income tax, petroleum profit tax, and capital gains tax. When the imposition is on the price of goods and services, then it is called an indirect tax. Indirect tax is payable on the consumption of products and services associated with import duties/tariffs, export duties, value added tax and excise duties. In Nigeria, the government can emphasize on any one of the tax forms depending on the objective it wants to pursue. Indirect tax is burden or incident can either only or partially be shifted to another user or consumer of the goods and service on which the tax was originally imposed (Global Alliance for Tax Justice, 2015). In Nigeria, there are different legislatures that guide the operation of the various tax types. These legislations are the Personal Income Tax Amendment Act 2011, Companies Income Tax Amendment Act 2007, the Petroleum Profit Tax Amendment Act 2004. Others are the Capital Gains Tax Amendment Act 2004, the Value Added Tax Amendment Act 2007 and the Education Tax Amendment Act 2004. The agency of the federal government in charge of the administration and collection of these taxes, (except customs/excise duties) is Federal Inland Revenue Services (FIRS) (Chigbu, & Njoku, 2015).

Brief History of Tax Revenue System in Nigeria

Tax revenue and tax administration are fundamental components of any attempt to nation building, and this is particularly the case of any developing or transitional nation like Nigeria.

As Taxes underwrite the capacity of states to carry out their goals; they form one of the central arenas for the conduct of state-society relations, and they shape the balance between accumulation and redistribution that gives states their social character. That is, taxes build capacity and build legitimacy and consent. Nigeria was colonized by the British just like some other African countries and she gained her independence by an act of the British Parliament on 1st October, 1960 and became a republic within the commonwealth in 1963. However, the tax system of Nigeria dated back to 1904 when the personal income tax Ordinance was introduced in the northern part of the country before the unification of the country by the colonial masters. It was later implemented through the Native Revenue Ordinance to the western and eastern regions in 1917 and 1928 respectively. Coupled with other amendments in the 1930s, it was later incorporated into Direct Tax revenue Ordinance No. 4 of 1940. Since then, different governments have continued on the improvement of the tax system in Nigeria.

Theoretical Literature Review

Deterrence Theory

The classical school of thought based its reasoning on deterrence theory to explain why people may not want to comply with tax regulations. This represents economists' initial attempt to gain an understanding of tax compliance. This theory is based on economic analysis of maximising the perceived gains of tax evasion, encouraged by the fact that they were not caught to serve as deterrence to others. Whereas psychological factors may equally exert some influence, the classical school of thought is based on deterrence theory which states that tax payer is assumed to maximise the expected utilities of the tax evasion gamble, tax evaders weigh the benefits of tax evasion against the possibility of being caught and punished by tax authorities (Ibadin & Oladipupo, 2015). This simply means the more inefficient and porous the tax administration is, the greater the level of tax evasion and the lesser the amount of revenue collected. Recent studies however seems to puncture the classical argument in the face of empirical evidence that deterrence alone will not justify peoples reluctance to pay adequate tax, hence attention shifted from why people avoid tax to why people pay tax (Anyaehie & Areji, 2015). Dissatisfied with the outcome of the deterrence theory empirical result, the behavioral school of thought emerged, which involved more than the simplistic cost-benefit rationalization of tax evasion to include all other factors that influence the behavioral pattern of people. Such factors include; fairness, loss aversion, benefit derived and mental accounting and their influence on tax administration has occupied the academic space. This theory will help explain the nexus between our explaining variables in this research and tax evasion, including its probable implication on Federal government tax revenue.

Risk Management Theory

The Organization for Economic Cooperation and Development, developed the risk management approach to tax administration, The European Commission's described risk management as taking deliberate action to improve the odds of good outcomes and reducing odds of bad outcomes. Risk managements evolve from the concept of uncertainty and possibility of loss occasioned by the degree of vulnerability, magnitude and frequency. It focuses on why tax payers behave in a particular way (Diffen, 2015). An understanding of the reasoning behind a planned behavior will enable tax authorities to choose the best strategy to treat such behavior. Furthermore, Risk management will equally mitigate occurrence of poor performance on the part of tax authorities, a porous, corrupt and inefficient system will automatically lead to deluge of non-compliance resulting in revenue loss.

Most of these theories however, focus on the tax payers as the author and finisher of low tax revenue income, without paying due attention to the performance and administrative capabilities of tax administrators to encourage voluntary compliance and discourage non-compliance. Therefore this study builds on the responsive regulation to proffer solutions to inefficient tax administration that result into abysmal low tax revenue income. This study is cursory evaluation of the value of efficient and effective tax administrative system in generating greater revenue from tax sources. Given the fact that the performance evaluation of the tax administration or authorities has received lesser attention over the years, this study therefore examines the efficiency and effectiveness of tax authorities and to what extent total tax compliance and payments can boost the revenue accruable to the Federal Republic of Nigeria (Anyaehie & Areji, 2015).

Other Theories of Taxation

Socio political theory: This theory of tax revenue states that social and political objectives should be the major factors in selecting taxes. The theory advocated that a tax system should not be designed to serve individuals, but should be used to cure the ills of society as a whole.

Faculty theory: this theory states that one should be taxed according to the ability to pay. It is simply an attempt to maximize an explicit value judgment about the distributive effects of taxes. A citizen is to pay tax just because he can, and his relative share in the total tax burden is to be determined by his relative paying capacity (Diffen, 2015).

Expediency theory: This theory asserts that every tax proposal must pass the test of practicality. It must be the only consideration weighing with the authorities in choosing a tax proposal. Economic and social objectives of the state and the effects of a tax system should betreated irrelevant (Global Alliance for Tax Justice, 2015). He explained that the expediency theory is based on a link between tax liability and state activities. It assumes that the state should charge the members of the society for the services provided by it. This reasoning justifies imposition of taxes for financing state activities by inferences, provides a basis, for apportioning the tax burden between members of society. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently (Diffen, 2015). There are pressures from economic, social and political groups. Every group tries to protect and promote its own interests and 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 at a reasonable cost of collection. Tax revenue 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 inequalities, regional disparities, unemployment, and cyclical fluctuations and among others.

Adolph Wagner advocated that social and political objectives should be the deciding factors in choosing taxes. Wagner did not believe in individualist approach to a problem. He wanted that each economic problem be looked at in its social and political context and an appropriate solution found thereof. A tax system should not be designed to serve individual members of the society, but should be used to cure the ills of society as a whole. This theory relates to a normal development process and represents a benchmark against which country specific empirical evidence may be compared.

Empirical Literature Review

Taxation is as old as humanity and it predates the Colonia era in Nigeria. It cuts across social political and religious divides as it has been shown that people pay taxes in one form or the other to support the common good. In the biblical times even before the birth of Jesus Christ, taxes has been ordained as part of the human existence and it was found out that the two major religions supports the payment of taxes. Before the advent of colonial rule the native chiefs and kings extract taxes/tributes from their subjects either for the common good or as a form of right (Diffen, 2015).

Federal Inland Revenue Service (FIRS) traced the history of modern taxation in Nigeria to the stamp duties Proclamation of 1903 in the then northern protectorate. It was observed however that the Native Revenue Ordinance Act of 1917, which was extended to the western and eastern territories in 1918 and 1927 respectively, marked the advent of modern tax legislation and reforms in Nigeria. The first tax legislation in Nigeria was the Income Tax Ordinance Act of 1939, which was amended in 1940, with specific provision that both individuals and corporate organizations should be subjected to tax (Ibadin & Oladipupo, 2015). There have been various attempts to modernize, reform, expand and update Nigeria Tax system ever since. In 1943, the Nigerian Inland Revenue Department was carved out of the Inland Revenue Department of British West Africa. This Department was later renamed the Federal Board of Inland Revenue under the Income Tax Ordinance, No. 39 (2008). This was followed by the Companies and Income Tax Act, No. 22 (2001), which established the Federal Board of Inland Revenue, FBIR. The Act also created a Body of Appeal Commissioners to resolve tax-related disputes (Ibadin & Oladipupo, 2015). In 1993, the Finance (Miscellaneous Taxation Provisions) Act No. 3 and Act No. 104 established the Federal Inland Revenue Service (FIRS) as the operational arm of the FBIR and reviewed the functions of the Joint Tax Board (JTB), respectively. However, the history of tax administration in Nigeria changed dramatically in 2007 with the granting of financial and administrative autonomy to the Federal Inland Revenue Service through the passage of the Federal Inland Revenue Service (Establishment) Act 2007 (Global Alliance for Tax Justice, 2015).

Reasons for Insufficiencies of Tax Revenue

The insufficiencies of the tax revenue in Nigeria can be traced to various factors lack of statistical data, poor tax administration, inability to prioritize tax effort, multiplicity of taxes, underground economy and corruption are major obstacles to efficient and effective tax administration with the resultant effect of low tax revenue income. The inability of the tax administrators to harness the tax resources in the informal sector of the economy are another reason for insufficient tax revenue inflow (Chigbu & Njoku, 2015). The prevalence of tax evasion, high cost of compliance and complex tax laws were some of the reasons discovered to be responsible for low tax yield (Okoye & Raymond, 2014). Efficient taxation system capable of generating greater amount of the resources needed for the economic and social development of the country, is of primary importance in Nigeria. As noted before a country considers how best to administer its tax system it must possess a clear picture of the scope of its tax system. The quantity and quality of resources required by tax administrators are to a large extent determined by the type of tax system which is introduced. A tax administration system that encourages voluntary compliance, resolutely and legally enforces compliance, treats tax payers as partners, rewards pro-tax behaviour and operates in an environment of accountability is a preferred tax system (Okoye, & Raymond, 2014). Tax consciousness and proper orientation of tax payers will enhance voluntary compliance thereby boosting the total revenue inflow from taxes. However, there are no efficient tax administrative systems that can solve the whole problem, but due cognizance must be paid to harmonization of tax policies, laws and administration to position for greater revenue collection (Aminu & Eluwa, 2014).

Methodology

Research Design

To achieve the objective of this study, Ex-post facto design was used by obtaining secondary data from the statistical bulletin of the Central Bank of Nigeria (CBN) and reports of Federal Inland Revenue Service (FIRS). This research design was adopted because it has been used in prior studies to investigate the possible cause and effect relationships between tax revenue generated on the economic growth of Nigeria.

Population

The population of study is Nigerian economy measured by the Gross Domestic Product and Tax Revenue for a period of thirty-five years (2007-2017).

Model Specification

The purpose of this study is to examine tax revenue generated on the economic growth of Nigeria. To achieve this, two variables were identified in the study, these are: independent and dependent variables. The independent variables are the Tax revenue generated in Nigeria in the following dimensions as surrogates: Companies Income Tax (CIT), Petroleum Profit Tax (PPT), Custom and Excise Duties (CED), Value Added Tax (VAT). The dependent variable on the other hand is Economic Growth (EG) measured by Gross Domestic Product (GDP) of Nigeria for the period under study. The following models were adopted.

$$Y = f(X)\ Y = y1,\ X = x1,\ x2,\ x3,\ x4x5$$

Where;

x1= Companies Income Tax (CIT), x2 = Petroleum Profit Tax (PPT), x3= Custom and Excise Duties (CED), x4= Value Added Tax (VAT)

$Log(GDP)t = \alpha1 + \beta1\ Log(CIT)t + \mu1$ 1

$Log\ (GDP)t = \alpha2 + \beta2\ Log(PPT)t + \mu2$ 2

$Log\ (GDP)t = \alpha3 + \beta3\ Log(CED)t + \mu3$ 3

$Log\ (GDP)t = \alpha4 + \beta4\ Log(VAT)t + \mu4$ 4

The main model

ARDL model

$Log(GDP)t = \alpha0 + \beta0Log(GDP)t\text{-}1 + \beta0Log(CIT)t + \beta0Log(CIT)t\text{-}1 + \beta0Log(CED)t + \beta0Log(PPT)t + \beta0Log(VAT)t + @Trend + \mu0$

Long run form

$Log(GDP)t = \alpha5 + \beta5Log(CIT)t + \beta6Log(CED)t + \beta8Log(PPT)t + \beta8\ Log(VAT)t + @Trend + \mu5$

Where:

Log (GDP)t is the natural Logarithm of Gross Domestic Product (GDP) in time ‘t’

Log (GDP)t-1 is the natural Logarithm of Gross Domestic Product (GDP) in time ‘t’ minus 1

Log (CIT)t is the natural Logarithm of Company Income Tax (CIT) in time ‘t’

Log (CIT)t-1 is the natural Logarithm of Company Income Tax (CIT) in time ‘t’ minus 1

Log (PPT)t is the natural Logarithm of Petroleum Profit Tax (PPT) in time ‘t’

Log (CED)t is the natural Logarithm of Custom and Excise Duty (CED) in time ‘t’

Log (VAT)t is the natural Logarithm of Value Added Tax (VAT) in time ‘t’

α1-5 are the intercepts.

β1-8 are the coefficients.

μ1-5 are the stochastic variable of each model. It was introduced in the models to accommodate influences of the other factors that may affects economic growth which are not implicitly included in the models.

The summary statistics of the time series data are shown in Table 1.

Table 1. Descriptive analysis of the raw data of variables in Naira (₦'Million)

	GDP	PPT	CIT	CED	VAT
Mean	17452216	761107.5	223463.0	85295.40	294450.9
Maximum	89043615	3201319.	1229017.	241400.0	802964.6
Minimum	94325.02	3747.000	403.0000	1616.000	7261.000
Std. Dev.	27114369	1002442.	358484.6	91349.56	282443.3
Skewness	1.632034	1.129565	1.642998	0.572107	0.652274
Kurtosis	4.159849	2.958314	4.442973	1.601924	1.871164
Jarque-Berra	17.49910	7.445388	18.78325	4.079801	2.728107
Probability	0.000159	0.024169	0.000083	0.130042	0.255623
Observations	35	35	35	30	22

Correlation Analysis

This study began the empirical analysis by establishing the nature and extent of the relationship between Tax Revenue collected by the Federal Government of Nigeria and economic growth as this gave insight into evaluation of the estimated models. The time series data of Companies Income Tax (CIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT), Customs and Excise duty (CED) and the Gross Domestic Product (GDP) in their transformed state were correlated. The results obtained are given in Table 2.

Table 2. Pearson's correlation result

		Log(CED)	Log(CIT)	Log(GDP)	Log(PPT)	Log(VAT)
Log(CED)	Pearson Correlation	1	.954**	.984**	.965**	.935**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	30	30	30	30	17
Log(CIT)	Pearson Correlation	.954**	1	.983**	.954**	.984**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	30	35	35	35	22
Log(GDP)	Pearson Correlation	.984**	.983**	1	.968**	.977**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	30	35	35	35	22
Log(PPT)	Pearson Correlation	.965**	.954**	.968**	1	.925**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	30	35	35	35	22
Log(VAT)	Pearson Correlation	.935**	.984**	.977**	.925**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	17	22	22	22	22

Note: **. Correlation is significant at the 0.01 level (2-tailed).
Source: Researcher's Study, 2021

Interpretation

The result on Table 2 reveals a significant positive relationship between each of the surrogates of Tax Revenue collected and economic growth measured by Log(GDP) for the period under study. With an R- value of +0.98, +0.98, +0.97, and +0.977 shows that a strong positive relationship exist between GDP and CED; GDP and CIT; GDP and PPT; and GDP and VAT respectively. It implies also that on the aggregate, the tax revenue collected by the Federal Government of Nigeria has a positive relationship on Economic Growth of the country. The regression analysis results below give explanations to this relationship, particularly the individual and specific effects of the explanatory variables.

Regression Analysis

Test of Hypothesis One (H01)

Research Objective 1: To assess the impact of companies' income tax on economic growth of Nigeria.

Table 3. Regression estimate

	Model 1			
	Coefficient	**Std Error**	**t-Stat.**	**Prob.**
C	6.449823	0.282256	22.85095	0.0000
LOGCIT	0.837922	0.026895	31.15578	0.0000
R^2	0.967121			
Adj. R^2	0.966125			
S.E of Reg	0.419378			
F-Statistic	970.6829			
Prob.(F-Stat)	0.000000*			
Obs	35			
Dependent Variable: Log(GDP)			*significant at 5%	

Source: Researcher's Study, 2019

Model 1 and A priori Expectation

$$Log(GDP)t = \alpha 1 + \beta 1 Log(CIT)t + \mu 1$$

$$Log(GDP)t = 6.449823 + 0.837922 Log(CIT)$$

The simple linear regression estimate of model 1 shows that Companies Income Tax (CIT) measured by Log(CIT) has a positive effect on Gross Domestic Product (GDP) measured by Log(GDP). This is indicated by the sign of the coefficients, that is $\beta 1 = 0.837922 > 0$. This result is consistent with the a priori expectations.

Interpretation

From Table 3, the size of the coefficient of the independent variable ($\beta 1$) shows that a 1% increase in CIT will cause a 0.84% increase in GDP. Also, the R-squared showed that about 97% variations in GDP can be attributed to CIT, while the remaining 3% variations in GDP are caused by other factors not included in this model. This shows a strong explanatory power of the model. This is further emphasized by the T-statistic p-value of 0.00 which shows that the regression result is statistically significant because this is less than 5%, the level of significance adopted for this study.

Therefore, the model is adequate and the null hypothesis one that Companies income tax has no significant impact on the economic growth of Nigeria is rejected. Hence, Companies income tax has a positive significant relationship and impact on the economic growth of Nigeria.

Conclusion

This study investigated effect of tax revenue on economic growth in Nigeria (2007 - 2017). Previous studies on this work have concentrated more on discovering the effect of tax revenue using petroleum profit tax (PPT), company income tax (CIT) and custom and excise duties as measures against Gross Domestic Product (GDP) in Nigeria and not inculcating the stationarity of the various tax sources in examining their effect on GDP. Other research done by some scholars include examining only the CIT and VAT in providing empirical evaluation technique for determining sensitivity, persistence and volatility of the Nigeria economy.

Recommendations

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

1. The introduction of the Tax Identification Number (TIN) which is a registration and storage of tax payers ‘data in Nigeria is a welcomed idea but for it to be successful it should be structured in such a way that will make all potential tax payers liable. Citizens and companies should be able to operate bank accounts only if they have TIN numbers. Government parastatals, multinationals, conglomerates and companies in the country should not engage any vendor who does not have a TIN number. This will go a long way in reducing Tax evasion.
2. The tribunal recommended by the Tax Act 1993 should be established to reduce cases of tax evasion and remittance of tax collections especially. Only professionals and trustworthy hands should be responsible for tax administration.
3. All taxes should be remitted via an e-payment system or via direct payment to the various tax authorities’ accounts. This will enhance and support the cashless economy system introduced recently.

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