VARIOUS TAX REFORMS, TAX REVENUE AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT
The study examined the impact of various tax reforms and tax revenue on economic growth in Nigeria. Various tax revenue was used as a proxy for tax reforms while the economic growth is proxied by gross domestic product and federally collected revenue but decision was largely made based on gross domestic product as the proxy of economic growth. Data was collected by secondary means through central bank of Nigeria statistical bulletin and FIRS gauge. The results of the study showed that tax reform is positively and significantly related to economic growth and that tax reforms indeed influences economic growth. It was thereby concluded that favorable tax reforms improves the revenue generating capacity of the government to undertake socially desirable activities that translate to economic growth in real output and per capita base. The study recommended that the government should focus on more reforms in the tax administrations and collection needed so as to mitigate or eliminate, if possible the areas that causes revenue leakages as a result of loopholes in tax collection and remittances from authorities which is capable of limiting the economic growth.
KEYWORDS: ***Tax Reform, Economic Growth, Revenue Leakage, Gross Domestic Product and Federally Collected Revenue.***

1 INTRODUCTION
The diversification of Nigeria's economy's revenue sources is a significant challenge. The awareness that reliance on crude oil earnings cannot support state expenditure has made this diversification vital. If aggressive steps are not made to sustain the diversity of the revenue base, the economy runs the risk of becoming stagnant. Over the past few years, the USA and other key oil-consuming countries have consistently decreased their demand for Nigerian oil. For Nigeria's oil-dependent budgetary operations, this is not a good omen. The USA and other developed economies are encouraging the development of synthetic materials that may one day replace or greatly reduce their dependence on crude oil through new energy policies and strategies (Oriakhi and Ahuru, 2014).

From 1967 to 1979 and from 1983 to 1999, the administration of the Nigerian economy did not start a proper diversification of the country's revenue source. Despite the fact that various tax reforms were put into place during the military's reign, they lacked the necessary steps to significantly increase revenue productivity (Odusola, 2016). Additionally, Ibrahim Babangida's administration's structural adjustment program (SAP), which had the overarching goal of diversifying the economy, fell short of its goals. Nigerian military regimes were well-known for routinely plundering the nation's coffers. The Petroleum Profit Tax

(PPT) and royalties and rentals from the mining industry provided the majority of the nation's revenue. The country's unusually high tax revenue-to-GDP ratio serves as an example of what is feasible in countries like the US, the UK, and the Netherlands. The extraordinary volatility and external effective incidence of this artificial high tax-to-GDP ratio, however, expose it (Norregard and Khan, 2008).

A major amount of Nigeria's ongoing earnings has been derived from the production of primary goods. Nigeria's source of income has fluctuated between basic goods. The export of agricultural goods accounted for the majority of government revenue prior to the discovery of oil (before the 1970s). Import taxes essentially served as a relevant source of income, accounting for between 40 and 50 percent of the total amount of tax revenue generated by the government on average (Central Bank of Nigeria, 2010). Beginning in the first quarter of the 1970s, oil became the primary source of revenue (Odusola, 2016). Since that time, the majority of the government's income, export earnings, and foreign exchange reserve have come from oil (Obadan, 2012).

Democracies today are very financially significant. Siven Steinmo (2003) as cited in Oriakhi and Ahuru (2014) asserts that "modern government needs a lot of money. How they get it and from whom are two of the most difficult political issues in any modern political economy. The rapid globalization of economic activity and the return of market tools as the foundation for economic management force the state to cut spending, but the new paradigm urges the state to instead create the enabling environment through capacity building and facilitation (Okojie, 2003). For countries like Nigeria, where there is a lack of infrastructure, a growing army of idle soldiers, pervasive poverty, a lengthy Boko Haram insurgency, etc., there is a significant financial obligation. In order to manage the size of its financial responsibilities, the country must diversify its income sources.

There are now a number of challenges that Nigeria and other African countries must overcome in order to maximize tax revenue for economic growth while aiming to meet development goals because of ineffective tax administrations and tax policies brought on by fraud, mistrust in the entire political and economic systems, accentuated by corruption, and incompetent political and economic leadership. The end result is apathy on the part of residents toward what should automatically be considered a civic duty.

The cost of collecting taxes in Nigeria is so high that, if left uncontrolled, it may quickly exceed the value or profit made from the operation. Due to the fact that this unwholesome behavior contravenes the administrative efficiency canon, it would not be appropriate for the system. Tax levy and collection procedures must be open and efficient administratively, and they must not lead to economic distortion. Reforms consequently stand a very good possibility of increasing tax revenue. Structural changes are necessary for the economy of a country to be in the right balance. The tax money that can be obtained from Nigeria's oil industry is especially opaque and hence artificially inflated. The Nigerian economy as a whole, not only the petroleum sector, need changes to increase revenue and enhance governance by promoting openness and accountability in both the public and private sectors. Tax administration must be effective and efficient for taxes to have the desired impact on resource allocation, income distribution, macroeconomic stability, and growth.

Numerous research on tax reform in Nigeria have linked it to economic growth that undermines tax income produced by the government. In light of this, a research has been released to look into how tax policies affect how much money the government makes.
According to Srivastav (2013), in order address tax code loopholes and increase the effectiveness of the country's tax administration, the government uses tax reform as a method. The goal is to increase tax collections above overall spending. Revenue is needed to pay the planned expenditures that are economically oriented in order to attain national development objectives (Fagbemi, Uadiale, & Noah, 2015). A non-returnable levy to the government made by private organizations, institutions, or groups is known as tax revenue. It may be enacted based on wealth or profits, or as a price surcharge to raise money and limit the production of particular goods (Fagbemi, 2017). In addition to being a tool for fiscal policy, it is one of the government's biggest sources of income. An expert from a United Nations body said as much in 2010: "A nation's tax structure needs to be simplified to ensure the achievement of optimal tax revenue through equal and fair distribution of the tax burden." Some contend that taxes significantly encourage development. The Petroleum Profit Tax Act (PPTA) governs the Petroleum Profit Tax. The Federal Inland Earnings Board is in charge of administering the tax, which is assessed on the profits of businesses involved in petroleum operations. According to Attamah (2014), the Petroleum Profit Tax accounts for 95 and 70 percent, respectively, of government revenue and foreign exchange gains, making it the most significant tax in Nigeria in terms of its contribution to overall income. According to the Petroleum Profits Tax Act (2004), which was revised in 2007 (Jakir, 2011), "an Act to impose a tax upon profits from the winning of Petroleum in Nigeria, to provide for the assessment and collection thereof and for purposes connected therewith" must be passed. One of the taxes imposed in Nigeria in accordance with constitutional requirements is the company income tax implementation. Taxes are placed on people either individually, in groups, at places of business, or as corporate organizations, claim Chigbu and Njoku (2015). The hypothesis is illustrated by the laffer curve, which was created through thought experiment. He came to the conclusion that a 100% tax rate raises no money in the same way that a 0% tax rate does by comparing the amount of tax revenue raised at the extreme tax rates of 0% and 100%. This is because the incentive for a sensible taxpayer to produce any income is gone at the 100% rate, hence the money raised will be 100% of nothing (Olawale, 2014).

According to socio-political theory, these social and political objectives ought to be taken into account when deciding which taxes to impose on the people. Therefore, the ideology promoted a system created to handle societal issues rather than those of an individual (Olawale, 2014). Benefit-Received theory is predicated on the idea that because the government offers some products and services to society's citizens, taxpayers and the government essentially exchange goods and services. In proportion to the benefits gained, society's members should pay a portion of the price for these supplies. This claim or postulation is supported by Bhartia (2009), who claims that taxes should be distributed based on the benefits derived from public spending. Anyanfo (1996) asserts that the Faculty theory mandates that taxes be assessed in accordance with a person's capacity to pay. Simply put, it is an effort to optimize the explicit value judgment made regarding the distributional impacts of taxes. According to Bhartia (2009), a citizen should pay taxes simply because they are due, and their respective tax burden should be decided by their relative ability to pay. The benefits received hypothesis and the cost of service theory both adhered to the same philosophical tenets. The thesis goes farther in explaining the same business link between the people and the nation. According to the view, one of the state's main responsibilities is to ensure the welfare and basic protection of its population. Hence, the theory advocates that government should scrupulously recover the cost of services

by applying a balance budget policy. Professor Arthrun Latter developed the Laffer curve theory, which describes the theoretical relationship between tax income collected by the government and all potential tax rates.
In 2019, Ironkwe and Agu examined the impact of tax revenue on the growth of the Nigerian economy. The study looked at the relationship between overall tax revenue and economic growth in Nigeria. Time series statistics on various tax collections and economic development from 1986 to 2016 were compiled using data from the Federal Inland Revenue Service, National Bureau of Statistics, and Central Bank of Nigeria statistical bulletin. Stata version 13 was used to analyze the data using multiple regression analysis. The findings showed that total tax income and employment in Nigeria have a sizable positive association.

Abomaye, Williams, Michael, and Chika (2018) used empirical analysis to examine the connection between tax revenue and economic growth between 1980 and 2015. The study used the Ordinary Least Square (OLS), Co-integration, and Granger Causality tests to analyze the data obtained on the Gross Domestic Product (GDP), Petroleum Profit Tax (PPT), Company Income Tax (CIT), and Custom and Excise Duty (CED) through secondary sources, specifically the CBN statistical bulletin. According to the results, there is no demonstrable relationship between PPT, CIT, or CED and the growth of the Nigerian economy. In 2015 Nwokoye and Rolle examined the impact of tax reforms on investment in Nigeria. The years 1981 to 2012's worth of annual time series data were used. A basic diagnostic test was performed to see if the estimated model conforms to the OLS assumptions. The underlying assumptions of the OLS were satisfied. The results of the estimated OLS model showed that tax reform, as exemplified by VAT and CIT, significantly and favorably encourages investment in Nigeria.

Tamunonimim, Ngerebo, and Orji (2019) looked at how tax reforms affected Nigerians' quality of life. The study's data came from the CBN statistical bulletin, and they were examined using the estimation methods for ordinary least square multiple regression, the Johansen co-integration method, the Granger causality test, and the error correction model. The results of the error correction model showed that only the CIT, PIT, and VAT significantly impacted Nigeria's standard of living over the long term, despite tax reforms and fluctuations in all tax receipts between 1981 and 2016, demonstrating that the primary goal of tax revenue in boosting standard of living to a reasonable level has been accomplished. Peter and Ferdinand (2016) looked at how tax revisions affected Nigeria's revenue trends from 1981 to 2014. Secondary data were obtained from the FIRS gauge and the CBN statistical bulletin. The acquired data were examined using pertinent descriptive statistics and econometric models, including the Engle Granger Causality Test, the Augmented Dickey Fuller and Philip-Peron Unit Root Tests, and the Augmented Dickey Fuller and Philip-Peron Unit Root Tests. The outcome demonstrated that the various tax reforms were statistically significant and had a favorable correlation with the overall amount of money collected by the federal government.

2 METHODOLOGY

Along with the outcomes of the data drawn from the Federal Inland Revenue Service (FIRS) report and the Central Bank Statistical Bulletin, 2020, the resources and methods employed in this portion of the empirical inquiry were examined. The statistical program for social sciences (SPSS) version 23, which allows for both correlation and regression presentation of the gathered data, was used to present the results.

Presentation of Descriptive Results

Table 1: Correlation Output of the data collected

Correlation

		CIT	PPT	VAT	GDP	FCR
CIT	Pearson Correlation	1	.111	-.258	-.228	-.353
	Sig. (2-tailed)		.589	.203	.262	.077
	N	26	26	26	26	26
PPT	Pearson Correlation	.111	1	-.446*	-.565**	-.481*
	Sig. (2-tailed)	.589		.023	.003	.013
	N	26	26	26	26	26
VAT	Pearson Correlation	-.258	-.446*	1	.939**	.922**
	Sig. (2-tailed)	.203	.023		.000	.000
	N	26	26	26	26	26
GDP	Pearson Correlation	-.228	-.565**	.939**	1	.888**
	Sig. (2-tailed)	.262	.003	.000		.000
	N	26	26	26	26	26
FCR	Pearson Correlation	-.353	-.481*	.922**	.888**	1
	Sig. (2-tailed)	.077	.013	.000	.000	
	N	26	26	26	26	26

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Output: SPSS version 2

Table 2: Regression Output on the Effect of Tax Reform on Economic Growth (GDP)

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	VAT, CIT, PPT[b]	.	Enter

a. Dependent Variable: GDP

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.953[a]	.909	.896	6256.41022

a. Predictors: (Constant), VAT, CIT, PPT

Anova[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8585820415.963	3	2861940138.654	73.116	.000[b]
	Residual	861138713.841	22	39142668.811		
	Total	9446959129.804	25			

a. Dependent Variable: GDP

b. Predictors: (Constant), VAT, CIT, PPT

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	29631.379	3896.560		7.604	.000
	CIT	.057	.260	.015	.219	.829
	PPT	-1.791	.704	-.183	-2.544	.018
	VAT	56.953	4.891	.861	11.644	.000

a. Dependent Variable: GDP

Output: SPSS version 2

Table 3: Regression Output on the Effect of Tax Reform on Economic Growth (FCR)

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	VAT, CIT, PPT[b]	.	Enter

a. Dependent Variable: FCR

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.933[a]	.870	.853	1406.77253

a. Predictors: (Constant), VAT, CIT, PPT

Anova[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	291967060.142	3	97322353.381	49.177	.000[b]

Residual	43538196.870	22	1979008.949		
Total	335505257.013	25			

a. Dependent Variable: FCR

b. Predictors: (Constant), VAT, CIT, PPT

Output: SPSS version 23

3 RESULTS

The findings indicate that tax reforms like the VAT had a favorable effect on Nigeria's economic expansion whereas Company Income Tax and Petroleum Profit Tax have had a negative influence. This suggests that in order to boost Nigeria's economic growth, the government did not structure its tax reform strategy on corporate income tax and petroleum profit tax efficiently.

4 DISCUSSION

Correlation of Tax Reforms with Enhanced Revenue Generation

From the result shown in Table 1 it was found out that the correlation of Company Income Tax (CIT) with federally revenue generation is negative showing a value of -0.228 which implies that an increase in CIT will result in the decrease of government revenue and a decrease in CIT will result in the increase of revenue. It was also found out that the correlation of Petroleum Profit Tax (PPT) with government revenue is negative showing a value of -0.565 which implies that an increase in PPT will result in the decrease of government revenue and a decrease in PPT will result in the increase of revenue. It was also observed that the correlation of Value Added Tax (VAT) with revenue is positive showing a value of 0.939 which implies that an increase in VAT will result in the increase of revenue and a decrease in VAT will result in the decrease of revenue.

Correlation of Tax Reforms with Nigerian Economic Growth (FCR)

According to the findings in Table 1, there is a negative correlation between company income tax (CIT) and federally collected revenue (FCR), with a value of -0.353. This suggests that as CIT rises, FCR will fall, and as CIT falls, FCR will rise. Additionally, it was discovered that there is a negative connection between Petroleum Profit Tax (PPT) and Federally Collected Revenue (FCR), with a value of -0.481, meaning that an increase in PPT would lead to a decrease in FCR and a decrease in PPT will lead to an increase in FCR. Additionally, it was noted that there is a positive correlation between Value Added Tax (VAT) and Federally Collected Revenue (FCR), with a value of 0.922, indicating that a rise in VAT would lead to an increase in FCR and a decrease in VAT will lead to a fall in FCR.

Data Analyses on Regression

The Regression of Revenue Generation on Tax Reform

Table 2's conclusion suggests that when all other factors are held constant, Nigeria's economic growth will increase by 29631.379, as indicated by the intercept (0), which displays 29631.379. According to the estimated CIT coefficient, which is 0.057, a unit change in CIT will result in an increase in revenue of 5.7%. Additionally, the coefficient estimate for PPT, which reads -1.791, suggests that a change in PPT by one unit will result in a 179.1% decline in income. Last but not least, the coefficient estimate of VAT, which comes out at 56.953, shows that a change in the VAT per unit will result in an increase in revenue of 56.953. The required regression equation is shown below:

Revenue = 29631.379 + 56.953VAT + 0.057CIT – 1.791PPT + μ

The Regression of Federally Generated Revenue on Tax Reform

Table 3's conclusion reveals that when all other variables are held constant, Nigeria's economic growth will increase by 2256.012, as indicated by the intercept (0), which displays a value of 2256.012. According to the estimated CIT coefficient, which is -0.091, a unit change in CIT will result in a 9.1% drop in FCR. Additionally, the coefficient estimate for PPT, which reads -0.162, reveals that a change in PPT by one unit will result in a 16.2% decline in FCR. Last but not least, the coefficient estimate of VAT that yields a value of 10.601 shows that a change in VAT per unit will result in an increase in FCR of 10.601.

The required regression equation is shown below:
FCR = 2256.012 + 10.601VAT – 0.091CIT – 0.162PPT + μ

5 CONCLUSION

The objective of the study is to objectively assess how subsequent tax reforms starting with the introduction of the value-added tax in 1993 and concluding with the National Tax Policy of 2011—have impacted the amount of money collected by the Nigerian federal government. The study then looked at how various income taxes, including the value added tax, corporate income tax, and petroleum profit tax, and affected publicly generated revenue, which was represented by the money that the federal government was able to collect. For this analysis, data from an annual time series provided by the Central Bank of Nigeria was used. This shows how reducing the personal income tax (PIT) from 25 to 17.5 percent and the company income tax (CIT) from 30 to 20 percent enhances the tax system, reduces tax evasion and avoidance, and lessens tax burden while also enhancing the government's capacity to collect more revenue through taxation. This has the ability to increase public spending both in quantity and quality and protect the national economy from the volatility of oil prices by shielding Nigeria's public spending from changes on the global oil market. The research came to the conclusion that the value added tax had significantly affected tax revenues and the community's overall economic health.

The petroleum profit tax and corporate income tax had little to no impact on the population's ability to generate income and overall economic well-being. The government should concentrate on changing the tax laws pertaining to corporation income tax and petroleum profit tax in order to speed Nigeria's economic growth.

Recommendations

Following the results, the following suggestions were made:

In order to consolidate the advantages of tax reforms and win back the trust of taxpaying citizens in the tax system, to defeat the hydra-headed monster of double taxes, gain full autonomy for the Federal Inland Revenue Service (FIRS), and advance accountability and openness in government operations, measures should be made. Fundamentally, CED and VAT granger are what drive federally collected funds and give the government the tools it needs to raise taxes as high as feasible. Therefore, it is important to improve the way VAT and CED are administered with a focus on reducing fraud and avoidance. The study suggests that the government should concentrate on implementing more tax administration and collection reforms in order to reduce or, if possible, completely eliminate the areas that result in revenue leakages because of flaws in tax collection and remittances from authorities, which are capable of limiting economic growth.

The report also urges the government to simplify the tax code and ensure more effective and fair tax collection so that money can be used to pay for public goods and services, which will ultimately improve

the nation's overall economic health. To combat the issue of corruption among tax officials, the government should also increase tax audit.

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