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Effect of Tax Reforms on Corporate on Nigerian Economic Development

Ezekwesili Tochukwu P.

Department of Accountancy, Nnamdi Azikiwe University, Awka, Nigeria

ABSTRACT

This study assessed the Effect of Tax Reforms on Nigerian economy. Value Added Tax, Company Income tax, and Gross Domestic Product per Capita was used to measure productivity for a period of twenty eight years spanning from 1992 to 2019. Based on the objectives of the study, four hypotheses were formulated. Ex-Post facto research design was adopted. The time series data were obtained from Federal Inland Revenue Services, Central Bank of Nigeria, National Bureau of Statistics and the World Bank Publications. As a preliminary step in testing, the study employed the Augmented Dickey Fully Unit root test to confirm the order of integration of the time series variables. The study employed descriptive statistics and inferential statistics using Pearson correlation, and Regression analysis at the 5% level of significance, the study discovered that Value Added Tax, and Company Income Tax had a substantial negative influence on GDP per capita in Nigeria, whereas Petroleum Profit Tax has a significant positive effect on GDP per capita in Nigeria. It was recommended that government should diversify the economy for more development in order to increase the overall tax revenue base.

KEYWORDS: *Tax Reforms, Nigerian economy, VAT, Tax, and CIT*

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INTRODUCTION

Both developed and developing countries rely heavily on taxation as a source of revenue. Tax earnings are used to fund public utilities, fulfill social obligations, and oil the government's administrative wheel. Taxation is a compulsory levy imposed on the citizens of a country by the government, in order to generate revenue that will be used in general administration (Okeke, Mbonu & Amahalu, 2018). Bird (2015) defines taxation as the process of or equipment with the aid of which communities of group of people are made to make a contribution in some agreed quantum and technique for the purpose of administration and development of the society. Tax is dynamic, so reforms are essential to effect the required modifications in the country wide economy. According to Herbert, Nwaorgu and Nwaiwu (2017), tax reform is an ongoing manner which policy makers and tax administrators always undertake in the tax structures to reflect changing economies, social and political circumstances in the economy.

The Nigeria tax device could be traced again to the eighteenth century when regular rulers and local regulation enforcement sellers amassed money from their citizens, in order to finance development programmes in their communities. However, the records of cutting-edge taxation traced lower back to the yr 1904, when personal income tax was delivered in Nigeria as neighborhood tax. The amalgamation of Southern and Northern Protectorates in the year 1914 led to the switch of the native Revenue Ordinance of 1917 from northern place in the years 1918 and 1927 (Oriakhi & Rolle, 2014). Since then, the tax regime has steadily grown, with a number of attempts to modernize, expand, reform, and improve the method, structure, and sanctions inherent in Nigeria's taxing gadget. Furthermore, since 1986, the Nigerian government has implemented a number of tax reforms. Some of the objectives of the tax reforms include: to accelerate elevated carrier delivery to the public, to enhance non-oil tax revenue, (iii) efforts at persistently reviewing the tax laws, in order to curb the incidence of tax evasion and avoidance, to enhance the tax administration, so as to make it more responsive, reliable, skillful and tax payer pleasant and to bridge the gap between country wide

development needs and funding of the desires (Federal Inland Revenue Handbook, 2012). Instructively, some of the reforms that have been embarked upon by the Nigerian authorities in view that the inauguration of Nigeria's tax system according to Peci (2018) include, the introduction of earnings tax in Nigeria between 1904 and 1926, (ii) granting of autonomy to Nigeria inland income in 1945, the Raisman Fiscal Commission of 1957, (iv) The creation of the Inland Revenue Board in 1958, the promulgation of the Petroleum Profit Tax Ordinance No.15 of 1959, the issuance of the Income Tax Management Act of 1961, and the promulgation of the Companies Income Tax Act of 1979, and (viii) Tax Policy and Administration Reforms Amendment 2001 and 2004. The tax reform of the 90s was preceded via the inauguration of two find out about groups. One learn about group examined the direct tax regime, whilst the 2d examined oblique tax. A essential consequence of the 2d study crew was the introduction of value introduced tax (VAT) in the 12 months 1993. VAT marked a shift from tax on overseas exchange related things to do to consumption- primarily based tax (Oriakhi & Rolle, 2014). Prior to this, the share of central, kingdom and neighborhood government of VAT was once 20%, 50% and 30% respectively (Ogbonna & Ebimobowei, 2012). However, by the year 1995, the sharing components used to be revised in favour of central authorities for this reason (Central government, 35%; State government, 40% and Local government 25%). Agitations from sub-national government provoked every other revision of VAT, so that presently the sharing method for Central, State and Local governments is respectively, 15%, 50% and 25% (Oriakhi & Rolle, 2014). The tax reform of 2004 was the consequence of tips made by using the study crew (2002). This tax reform used to be section of the National Economic Empowerment and Development Strategies (NEEDs). Essentially, the find out about crew recommended that Nigeria needed a countrywide tax coverage that will be principally directed closer to national development. On April 7, 2012 the countrywide tax policy record was launched via President Goodluck Ebele Jonathan.

Most common instance is the (aggregate) labour productiveness measure, e.g., such as GDP per worker (Sickles & Zelenyuk, 2019). Productivity is a fundamental element in production performance of corporations and nations. Increasing national productiveness can increase dwelling standards due to the fact greater actual profits improves people's capacity to purchase goods and services, enjoy leisure, improve housing and training and make contributions to social and environmental programs. Productivity boom can also help businesses to be more profitable (Zelenyuk, 2018). Productivity boom is a essential supply of increase in living standards. Productivity boom skill greater cost is introduced in manufacturing and this means extra income is reachable to be distributed. The introduction of productive jobs is the key to financial growth, social development and enhancements in residing standards. The riding factor behind the fast boom in productivity in the Western world has been the symbiotic aggregate of investment in human and physical capital and technological progress, which has pushed per capita income for the giant majority of the populations in these economies a long way past subsistence ranges (World Bank, 2017a). Hence, the want to empirically take a look at the effect of tax reforms on productiveness in Nigeria.

Tax reform in developing countries involves broad issues of economic policy as well as specific problems of tax structure design and administration (Desislava, 2017). First, there are the central problems of revenue requirements and how to fit the revenue structure into development policy. This area of concern includes the impact of alternative taxes on saving and investment and their implications for the macro balance (domestic and foreign) of the economy. Second, there is the important goal of securing a fair distribution of the tax burden. Among the more specific tax issues, attention needs to be given to the composition of the tax structure as well as to the design of its major components. The trouble is not without a doubt to decide what would be applicable but also to determine what is administratively workable and inside the ballpark of political feasibility. A common function of the tax constructions in most creating countries is that they are complex (difficult to administer and comply with), inelastic (non-responsive to boom and discretionary coverage measures), inefficient (raise little revenue but introduce serious economic distortions), inequitable (treat people and groups in comparable circumstances differently), and unfair (tax administration and enforcement are selective and skewed in favour of those with the assets to defeat the system) (Eze, 2020).

In Nigeria, tax administration has been encumbered by way of numerous factors ranging from insufficient and unreliable data, paucity of administrative capacity, scarcity of expert manpower, corrupt tax officials, high incidence of tax avoidance and evasion, complicated tax codes and the hydra-headed monster of multiple taxations (Herbert, Nwaorgu & Nwaiwu, 2017). Nigerian authorities have embarked on various tax reforms, since the 12 months 1991.

Prior to tax reforms, tax administration reflected inefficiencies, characterized by means of deficiencies in the tax administration and collection system, complex legislations and apathy on the phase of those backyard the tax nets. The divergence of theoretical views on the link between tax reforms and productiveness is manifested in empirical literature. (Feng & Eko, 2014; Saima, Tariq, Muhammad, Sofia & Amir, 2014; Asaolu, Olabisi, Akinbode &Alebiosu, 2018) reported negative relationship between tax reforms and economic growth. While Adeyemi & Disu, 2018; Yahaya & Bakare 2018; Okeke, Mbonu &Amahalu, 2018; Omondi, 2019) documented that effect on of tax reforms have a positive effect on economic growth. These conflicting empirical outcomes can also be defined by means of differences in goal populations with admire to country, sector, company and economic periods, this thereby created a growing gap in literature that this study is tried to address. Addressing the gap in literature, the structured variable of this study would be focused on productiveness (variable gap), as prior research targeted on economic boom or development. This study examined the effect of Tax Reforms on Productivity of Nigeria. The specific objectives were to:

1. Determined the significant effect of the Value Added Tax on Nigeria's GDP per capita.
2. Ascertained the significant effect of corporate income tax on Nigeria's GDP per capita.

Review of Related Literature

Tax Reform

Tax reform is the process of modifying how the government collects and manages taxes, with the goal of improving tax administration or providing economic or social advantages. (Institute of Development Studies (2020).

Tax reform is commonly undertaken to improve the efficiency of tax administration and to maximize the financial and social advantages that can be executed thru the tax system. Tax can be described as a economic charge or different levy imposed upon a taxpayer (an character or legal entity) by means of a state, or the useful equivalent of a country (Granger, 2013). Taxes can include direct taxes on profits and wealth (e.g. personal and corporate earnings taxes, property tax), and indirect taxes on consumption (e.g. Value Added Tax (VAT), excise duties). (Granger, 2013). Tax reform can decrease tax evasion and avoidance, and enable for greater environment friendly and truthful tax collection that can finance public items and services. It can make income stages extra sustainable, and promote future independence from overseas resource and herbal aid revenues (Fjeldstad, 2014). It can enhance monetary increase (Mascagni, Moore & McCluskey, 2014). Akitoby, (2018) address issues of inequality through redistribution and behaviour alternate.

A value-added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale. The amount of VAT that the user will pay is on the fee of the product, much less any of the charges of substances used in the product that have already been taxed. VAT is surely a regressive tax that places an multiplied financial pressure on lower-income taxpayers, and also adds bureaucratic burdens for businesses. Value-added taxation is based on a taxpayer's consumption as a substitute than their income. In distinction to a progressive income tax, which levies larger taxes on higher-level earners, VAT applies equally to each buy (Kagan, 2019). A value-added tax (VAT) is a consumption tax levied on products at each point of sale where price has been added, beginning from uncooked materials and going all the way to final retail purchase. Ultimately, the purchaser can pay the VAT; buyers at until now degrees of manufacturing receive reimbursements for the preceding VAT they've paid. Value Added Tax (VAT) in Nigeria is a consumption tax that used to be instated with the aid of the Value Added Tax Act of 1993. It is a Federal Tax which is managed by using the Federal Inland Revenue Service (FIRS). VAT is charged on most items and services affords in Nigeria and additionally on goods imported into Nigeria. Businesses add VAT to the income price of the goods or services they provide in Nigeria. Some VAT paid by corporations can be used to offset VAT collected before remittance to the FIRS (Deloitte, 2019).

Company earnings tax is a tax imposed by using the Government on the earnings and income of companies working in the country. The regulation governing the administration of Companies Income Tax is the Companies Income Tax Act. The regulation which used to be first enacted in 1961 has gone through so many amendments; the today's being that of April, 2007. Companies Income Tax (CIT) is a tax on the earnings of registered companies in Nigeria. It additionally includes the tax on the profits of overseas corporations carrying on enterprise in Nigeria. The tax is paid by constrained legal responsibility groups inclusive of the public restrained liability companies. It is therefore frequently referred to as the company tax (Onyeyiri, 2019). All public restricted legal responsibility agencies in Nigeria backyard the Petroleum sector of the economic system are required to pay profits and education tax. The charge is 30% of total earnings for

income tax and 2% of assessable earnings for training tax. Total earnings are earnings after deducting previous 12 months losses carried forward and capital allowances. Assessable income is got prior to deducting capital allowances. Resident groups are incorporated beneath the Companies and Allied Matters Act (CAMA) 2004. The administration of the Companies Income Tax is vested on the Federal Inland Revenue Service which used to be recognized as the Federal Board of Inland Revenue (FBIR) until the enactment of the Federal Inland Revenue Establishment Act in April, 2007 which scrapped the FBIR and changed it with Federal Inland Revenue Service (Pwc, 2019). The modern-day Tax fee in any yr of assessment for a organization in Nigeria is 30%. The tax is payable on the profits accruing in, derived from, introduced into or obtained in Nigeria. These income are in relation to the following activities: Any alternate or enterprise carried out; Rent or any premium arising from a proper granted any character for the use or occupation of any property; Dividends, interest, discounts, royalties, charges or annuities; Any source of annual income now not falling beneath any of the fore-goings; Fees, dues, and allowances for offerings rendered; Any quantity of profits or beneficial properties springing up from obtaining or disposing momentary money devices like the federal government securities, Treasury Bills and Savings Certificates, Debenture Certificates and Treasury Bonds. Any quantity deemed to be earnings or profit with recognize to any advantage arising from a pension or provident fund underneath the Personal earnings tax act (Olumuyiwa, 2019).

Gross Domestic Product (GDP)

Productivity is a measure of the effectively with which a us of a combines capital and labour to produce greater with the identical level of element inputs (Reenen, 2020). Productivity is the key supply of economic boom and competitiveness. A country's capability to enhance its standard of living depends nearly completely on its ability to raise its output per worker, i.e., producing extra goods and offerings for a given quantity of hours of work. Economists use productivity growth to mannequin the productive capacity of economies and determine their ability utilization rates. This, in turn, is used to forecast business cycles and predict future tiers of gross home product (GDP) growth. In addition, production potential and utilization are used to assess demand and inflationary pressures (Riley, 2020). Productivity is an necessary determinant of residing standards, it quantifies how an financial system makes use of the assets it has available, by using pertaining to the quantity of inputs to output (Kenton, 2019).

The Gross Domestic Product (GDP) per capita is a measure of a country's economic output that accounts for its entire population. It uses the country's entire population to divide the country's gross domestic product. As a result, it's a good indicator of a country's preferred standard of living. It indicates how prosperous you are a U. S. A. feels to every of its citizens (Chappelow, 2019). Per capita gross domestic product (GDP) is a metric that breaks down a country's GDP per person. It is calculated by way of dividing GDP over a country's population. GDP per capita is a established measure globally for gauging the prosperity of nations (Tushar, 2020). GDP per capita indicates how an awful lot financial manufacturing value can be attributed to every individual citizen. Alternatively, this interprets to a measure of country wide wealth since GDP market fee per man or woman additionally effectively serves as a prosperity measure (Seth, 2020). GDP per capita is a nation's gross home product divided via its population. The GDP is the whole output of items and services produced in a yr via all of us inside the country's borders (World Bank, 2019). GDP is the main measure of a country's economic productivity. A country's financial GDP shows the market price of items and services it produces. GDP per capita is an necessary indicator of monetary performance and a beneficial unit to make cross-country comparisons of average dwelling standards and financial wellbeing (Amadeo, 2020).

Empirical Review

Okoye and Ezejiofor (2014) determined whether electronic taxation can alleviate the problem of tax evasion and prevent tax officers in Nigeria from engaging in corrupt acts. The data was examined using means and standard deviation, and the three hypotheses were put to the test using the Z-test statistical tool. It found that e-taxation increased IGR and prevent tax authorities from being corrupt.in Enugu state. Salami, Apelogun, Omidiya and Ojoye (2015) determined the effect of taxation on the boom of the economy structure 1993-2013. The Nigerian government has embarked on monitoring its series however the financial system has failed to experience the preferred increase that will lead to the targeted economic development. The chosen financial growth indicator, the actual Gross Domestic Product (RGDP), is exact to depend on the taxation warning signs which are the petroleum profit tax (PPT), employer income tax (CIT), customs and excise duties (CED), price delivered tax (VAT). It was discovered that if all the exogenous variables had been tested individually on the economic growth, they showed a sizable have an effect on of the man or

woman variables on economic growth. The F-statistic showed that the universal mannequin is statistically significant. Ezejiofor, Adigwe and Echekoba (2015) ascertained whether taxes, as a fiscal policy tool, have an impact on the performance of Nigeria's selected industrial enterprises. The descriptive technique was used using the Statistical Program for Social Sciences (SPSS) version 20.0 software package, the study's hypothesis was tested using ANOVA. Finding revealed that taxation, as a fiscal policy tool, has a considerable impact on the performance of Nigerian manufacturing firms, according to the study. Nur-Arifah, Abdul and Sahibzada (2016) examined the effect tax reform in economic growth. The study used 27 chosen Asian countries for 5 yr time length (panel data). The relationship between the based variables (GDP per capita and FDI rate) and independent variables (individual earnings tax, company tax, and consumption tax) Descriptive analysis and regression analysis was adopted to analyze the data. The data were accumulated based totally on GDP per capita, FDI rate, corporate tax, character earnings tax and consumption tax. The accessibility of information of the selected countries have been extracted from the information that has been published in the World Bank professional websites. E-Views software program was once adopted to analyze descriptive correlation and regression analysis. A substantial nice relationship was located between GDP per capita, FDI rate, company tax, man or woman income tax and consumption tax. Etale and Bingilar (2016) examined the influence of companies' profits tax, value-added tax on financial increase (proxy by way of gross domestic product) in Nigeria. Secondary time sequence panel statistics were accrued for the duration 2005 to 2014 from the Statistical Bulletin of the Central Bank of Nigeria (CBN). The study employed Ordinary Least Squares (OLS) approach based on the computer software Windows SPSS 20 version for the evaluation of data, the place gross Domestic product (GDP), the dependent variable and proxy for financial growth, used to be regressed as a function of enterprise profits tax (CIT) and value-added tax (VAT), the impartial variables. The effects of the analysis confirmed that each enterprise income tax and value-added tax have appreciably fantastic impact on economic growth. Ofoegbu, Akwu, and Oliver (2016) examined the effect of tax revenue on the monetary development of Nigerian, and to confirm whether there is any distinction in the use of HDI and GDP in setting up the relationship. The method adopted in this study was that of using annual time collection statistics for the length 2005 to 2014 to estimate a linear model of tax income and human development index using everyday least square (OLS) regression technique. Findings confirmed a positively and drastically relationship between tax income and economic development. The result additionally exhibits that measuring the impact of tax revenue on monetary improvement the use of HDI offers lower relationship than measuring the relationship with GDP as a result suggesting that the usage of gross domestic product (GDP) offers a painted picture of the relationship between tax revenue and monetary development in Nigeria. Arodoye and Adegboye (2016) investigated tax structure in Nigeria and how it relates to productiveness boom and usual monetary performance. The changing structure of the Nigerian financial system was once regarded in terms of the tax structure evolution. Three troubles have been considered, namely, responses of government spending to tax changes, tax-spending results of growth of output per man, and the structural effects of taxes on growth over time. Using gorgeous strategies and information for the duration 1981 to 2013, the effects indicated that organization earnings taxes performs exceptional in explaining modifications in authorities spending whilst VAT carried out worst. Cornelius, Ogar and Oka (2016) examined the impact of tax income on the Nigerian economy from 1990-2014. Data have been sourced from Central Bank Statistical Bulletin and extracted through desk survey method. Ordinary least square of more than one regression models used to be used to establish the relationship between dependent and independent variables. The finding revealed that there is a substantial relationship between petroleum income tax and the increase of the Nigeria economy. Oraka, Okegbe, and Ezejiofor (2017) investigated the impact of the value added tax on the Nigerian economy This study used an ex post facto research design. The study used Gross Domestic Product (GDP), Per Capital Income (PCI), and Total Revenue (TR) to measure the Nigerian economy from 2003 to 2015. The CBN statistical bulletin, the Federal Inland Revenue Service of the federal ministry of finance, and periodicals were used to compile the data. Simple regression analysis was used to analyze the data. The findings revealed that the value added tax has had no major impact on the Nigerian economy's Gross Domestic Product. VAT has also been found to have a detrimental association with Nigerian economy's Gross Domestic Product. Matallah and Matallah (2017) investigated the have an effect on of fiscal coverage on economic growth in Algeria over the duration 1970-2015, via the use of Johansen cointegration take a look at and vector error correction mannequin (VECM). The predominant effects revealed that each oblique taxes and productive modern-day expenses have a widespread

long-term high-quality impact on actual GDP, while direct taxes, capital and unproductive recurrent expenses negatively and substantially affect monetary boom in the lengthy run. Based on these findings, it may want to be concluded that sustainable economic growth requires serious policy measures aimed at diversifying the Algerian economy. Kalaš, Mirović and Andrašić (2017) provided an empirical approach to taxes and economic growth in the United States in the duration 1996-2016. The problem of the lookup was measuring the outcomes of tax revenue boom and tax form as a non-public income tax, company earnings tax and social safety contributions on gross home product as a proxy for economic growth. Methodology framework protected several tests to clear the viable problem of heteroscedasticity, autocorrelation, multicollinearity and specification of the model. Based on diagnostic tests, a regression model the study revealed that private income tax and social security contributions are weakly associated to gross home product growth. The model showed a great impact of tax revenue growth and social safety contributions, while private profits tax and corporate earnings tax do now not have a considerable impact on gross home product growth. Gbegi, Adebisi and Bodunde (2017) examined the effect of petroleum profit tax (PPT) on Profitability of oil and fuel companies in Nigeria, in line with the objectives of the study, secondary facts were obtained from economic announcement of ten (10) selected oil and fuel company protecting the duration of 2011 to 2015. Panel statistics have been deployed and both descriptive records and multiple regressions method employed to establish the effect of PPT rate on Profitability oil and gasoline firms. Petroleum profit tax used to be determined to have good sized results on the Profitability of oil and gasoline companies with the adjusted R2of 95%. The study revealed that taxes paid through oil and gasoline industries have a downward impact on profitability of oil and gas industries. Miftahu, Tunku and Tunku (2017) evaluated the influence of tax income on the macroeconomic management of the Nigerian economy using a conceptual approach. A comprehensive evaluation of the literature as well as in-depth analysis of tax structure used to be severely conducted. The find out about explored the income trend in Nigeria for over three a long time in relation to its results on GDP growth. As proven via the literature, the existence of causal relationship between tax revenue and economic increase suggests the fine influence of taxation as a fiscal coverage device in enhancing macroeconomic growth. Erhirhie, Oraka, and Ezejiofor (2018) investigated the effects of corporate tax on financing decisions of manufacturing firms (NSE). Using chosen manufacturing enterprises listed on the Nigerian Stock Exchange, data were taken from the annual reports and accounts of three selected manufacturing enterprises and evaluated using the linear regression model in an ex post facto study methodology. Their findings revealed that there is no substantial association between corporation tax and dividends paid by Nigerian Breweries Plc, Dangote Cement Plc, and PZ Cussons Plc, as well as new ordinary share issuance, retained earnings, and long-term debt. Odum, Odum and Egbunike (2018) examined the impact of direct earnings tax on gross home product with the key focal point on the Nigerian fiscal policy framework and adopting time sequence records dating from 2007 to 2016 and amassed from Budget Office of the Federation, Federal Inland Service publications, Central Bank of Nigeria statistical bulletin and the National Bureau of Statistics. The statistics set was once analyzed using, Pearson Coefficient Correlation, Granger Causality test, Ordinary Least Square method of regression, Johansen Cointegration test and Error Correction Model. In order to set up the stationarity of the variables, the Augmented Dickey-Fuller unit root take a look at was employed. Findings from this learn about expose that direct profits tax has giant high quality effect on gross domestic product at 5% level. The learn about recommended that government need to supply a strong fiscal responsible and transparent device the place tax reforms ought to be such that would encourage make bigger in investment tended closer to combat corruption on account of the good sized and profound effect of fiscal policies on monetary boom in Nigeria. Udeh and. Ezejiofor (2018) looked at the impact of accounting information on deferred taxation in Nigerian deposit money banks. The data was acquired from yearly reports and accounts of Nigerian deposit money institutions using an ex post facto research design. To evaluate the hypotheses, a pooled multiple regression analysis was used. According to the findings, earnings per share (EPS) and cash flow (CASHFL) have a negative impact on our dependent variable, deferred tax, but book value of equity has a statistically significant impact whereas earnings per share (EPS) and cash flow (CASHFL) do not. Yahaya and Bakare (2018) evaluated the effect of petroleum earnings tax and business enterprise income tax on Nigerian financial system growth. Fully Modified Least Square (FMOLS) Regression Technique was used to estimate the mannequin over a 34 yr period (1981-2014) while Augmented Dickey Fuller Unit Root Test and Single Equation Co-integration Test were carried out. It was located that petroleum profit tax (PPT) and organization income tax (CIT) have

superb considerable affect on gross domestic product (GDP) in Nigeria with the Adjusted R^2 of 87.6% which without delay enhanced growth in Nigeria. The study concluded that PPT and CIT served as the principal source of income to the Nigeria economy, and make contributions to the increase of Nigeria economy. Adeyemi and Disu (2018) reviewed cutting-edge issues in corporate profits tax practices in Nigeria against the historical past of Nigeria's financial system being typically characterized through low tax compliance and enforcement. There is no gainsaying the reality that tax enforcement has end up an indispensable issue of tax administration in view of the ingenious ways corporate taxpayers undermine the revenue generation procedure by means of no longer remitting what is due to government. The study reviewed extant provisions on tax reliefs and incentives relevant to corporate entities to facilitate voluntary compliance and pointers were made on enhancing the successful implementation of the voluntary belongings and earnings assertion scheme (VAIDS) and improve the corporate profits tax culture in order to enhance the gross home product. Asaolu, Olabisi, Akinbode and Alebiosu (2018) examined the relationship between tax income and financial growth in Nigeria. The find out about adopted a descriptive and historical lookup design; secondary information for twenty-two years (1994 - 2015) have been collected from a variety of issues of the Central Bank of Nigeria (CBN) statistical bulletin and annual reports. Analysis was carried out on information collected using Auto Regressive Distributed Lag (ARDL) Regression and other put up estimations (Jarque-Bera test; Breusch-Godfrey LM and Ramsey Reset Test) to decide the existence of relationship between the variables. The consequences of the study showed that VAT and CED had a considerable relationships with financial increase ($p<0.05$), whilst CIT has bad substantial relationship with financial growth ($P<0.05$). However, PPT had no massive relationship with economic growth. Olaoye and Ayeni (2019) examined price introduced tax and customs duties on revenue generation in Nigeria. Secondary data had been sourced from Federal Inland Revenue Service (FIRS) ranging from 2000 to 2016. Autoregressive Distributed Lag (ARDL) and Granger causality exams were used as the estimation techniques. The study about concluded that value-added tax and customs duties have no considerable effect on revenue era and there is no long-run relationship among value-added tax, customs responsibilities and revenue era in Nigeria for the duration of the learn about period. Ironkwe and Agu (2019) analyzed the relationship between complete tax income and monetary growth in Nigeria. Time sequence information on exclusive sorts of complete tax revenue and economic improvement from 1986-2016 were accrued from Central Bank of Nigeria statistical bulletin, Federal Inland Revenue Service and National Bureau of Statistics. Multiple regression analysis was once used in analyzing the facts with the useful resource of STATA version thirteen The effects indicated that there exists a sizeable high-quality relationship between whole tax revenue and unemployment in Nigeria; agency earnings tax has no widespread relationship with monetary growth The find out about concluded that total tax revenue relate positively to unemployment. Ezejiofor, Oranefo and Ndum (2021) ascertained effect of Nigerian tax revenue based on per capita income. The study used an ex-post facto research design. The Nigerian economy was made up of the population, and data for this study came from the Statistical Bulletin of the Central Bank of Nigeria (CBN) and the Federal Inland Revenue Service (FIRS). Per Capita Income (PCI), as well as customs and excise charges were retrieved as variables. This study's data analysis was based on information gathered from CBN, FIRS, and NBS publications and statistical bulletins. The hypothesis was tested using correlation and Ordinary Least Square (OLS) regressions. Customs and excise duties have a non-significant beneficial influence on per capita income, according to data analysis. The study concluded that total tax revenue relate positively to unemployment and recommends that government distribute its social welfare programmes in such a way to supply direct benefit to tax payers.

To apprehend the importance of tax coverage reforms, one desires to come to phrases with the urgency for such reforms. Firstly, there is an pressing want to diversify the revenue portfolio of the country in order to protect towards the volatility of crude oil expenses and to promote fiscal sustainability and economic viability at decrease tiers of government. Second, Nigeria operates on a money finances system; the place proposals for expenditure are usually channeled towards revenue projections. This permits the capability to decide the most desirable tax price for a given degree of expenditure. Therefore, accuracy in revenue projection is of utmost significance for imposing an fantastic framework for sustainable fiscal policy management. This can then again be completed when reforms are undertaken on present tax policies in order to gain some improvement. Thirdly, Nigerian tax device is focused on petroleum and exchange taxes while direct and oblique taxes like the value-added (VAT) are ignored. This is a structural problem for the country's tax system. Although direct taxes and VAT possess the

capacity for expansion, their affect is restricted because of the domineering casual sector in the country. Finally, the widening fiscal deficit over the years has threatened macroeconomic steadiness and prospects for financial boom makes the thought of a tax reform very appealing (Luthans & Stajkovic, 2015; Fuller, 2016). Nigeria's fiscal coverage measures have been by and large pushed by using the want to promote some macroeconomic goals in promotion speedy boom of the economy, producing employment, keeping rate degrees and enhancing the balance-of charge stipulations of the United States (Borowiecki, 2015).

Methodology

Research Design

This study focused on ascertaining the effect of tax reforms on productivity of Nigeria. This study employed Ex-post facto research design. The adoption of this research design is based on the fact that the study relied on historic data obtained from the relevant publications and as such the data are already in existence.

Data were obtained from the publications of Federal Inland Revenue Service (FIRS) bulletin of various years, Central Bank of Nigeria (CBN) publications, like Statistical Bulletin various years, Annual Reports for various years; National Bureau of Statistics (NBS) and the World Bank Publications for twenty eight years (1992-2019) period. The variables for which data were sourced include; value added tax, petroleum profit tax, personal income tax, company income tax and GDP for the study period.

Model Specification

Representing the equations with the variables of the construct, hence the models below were formulated based on the stated hypotheses:

$$GDP_t = \beta_0 + \beta_1 VAT_t + \beta_2 CIT_t + \mu_t \quad - \quad - \quad i$$

Where:

GDP_t = Gross Domestic Product for period t

VAT_t = Value Added Tax for period t

CIT_t = Company Income Tax for period t

μ_t = Error term for period t

β_0= Constant term

β_1= Coefficient of Tax Reforms

t denotes the annual time-period

Method of Data Analysis

Descriptive and Inferential statistics of the study data were conducted via the aid of E-View 9. Descriptive statistics were employed to determine the mean, median standard deviation, minimum and maximum values during the study period. While, the inferential statistics of the hypothesis would be tested with the application of coefficient of correlation: which is a good measure of relationship between two variables, tells us about the strength of relationship and the direction of relationship as well, Regression analysis predicts the value of the independent variable based on the value of the independent variable. Ordinary Least Square regression analysis would be used for this study.

Decision Rule

The decision was based on 5% (0.05) level of significance. The null hypothesis (H_o) will be accepted, if probability value (ie. P_{value} or Sig.) Calculated is greater than (>) the stated 5% level of significance, otherwise reject.

Data Presentation and Analysis

Data Analysis

Table 1: Descriptive Statistics

	GDP	VAT	CIT
Mean	3.0489	11.3493	11.4393
Median	3.1600	11.3250	11.4550
Maximum	3.5100	11.9300	12.2400
Minimum	2.4300	10.7500	10.6500
Std. Dev.	0.3458	0.4585	0.5518
Skewness	-0.2566	-0.0064	0.0243
Kurtosis	1.5248	1.3023	1.4615
Jarque-Bera	11.8464	8.5627	8.7641
Probability	0.0009	0.0341	0.0211
Sum	85.3700	317.7800	320.3000
Sum Sq. Dev.	3.2295	5.6762	8.2212
Observations	28	28	28

Source: Descriptive Output, 2021

Interpretation

As indicated in table 1, the mean serves as a tool for setting benchmark, while, the maximum and minimum values help in detecting problem in a data. The standard deviation shows the deviation/dispersion/variation from the mean. It is a measure of risk. The higher the standard deviation, the higher the risk. In a dataset with a normal distribution, most of the values are clustered around the mean, while relatively few values tend to be extremely high or extremely low. Many natural phenomena display a normal distribution (Azuka, 2011). The standard deviations in this study for the period 1992-2019 are 0.3458, 0.4585, and 0.5518 for GDP, VAT, and CIT respectively. For such distributions, it is the case that 34.58%, 52.317%, and 55.18% of values are less than one standard deviation (1SD) away from the mean values of GDP, VAT, and CIT respectively. Skewness and Kurtosis are contained in Jarque-Bera. Positively skewed is an

indication of a rise in profit while negatively skewed is an indication of loss or backwardness. Jarque-bera is used to test for normality; to know whether data are normally distributed.

Test of Hypotheses

Ho_1: tax reform has no significant effect on GDP per Capita of Nigeria

Table 2: Ordinary Least Square regression (OLS) analysis showing the effect of VAT, and CIT on GDP

Dependent Variable: GDP				
Method: Least Squares				
Date: 11/08/21 Time: 10:40				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.003857	0.017988	6.955718	0.0000
DVAT	-0.367736	0.256076	-4.699543	0.0001
DCIT	-0.453571	0.066215	-2.470444	0.0207
R-squared	0.838705	Mean dependent var		0.024815
Adjusted R-squared	0.825264	S.D. dependent var		0.078367
S.E. of regression	0.077717	Akaike info criterion		-2.105912
Sum squared resid	0.132878	Schwarz criterion		-1.865942
Log likelihood	33.42982	Hannan-Quinn criter.		-2.034557
F-statistic	62.39778	Durbin-Watson stat		1.732524
Prob(F-statistic)	0.000000			

Source: Regression Output, 2021

The drawn inference from the model implies that one unit increase in VAT will cause GDP to decrease by 36.77%; one naira in increase CIT made GDP to reduce by 45.36%. From table 2, VAT with a negative co-efficient of 0.367736 has a significant effect on GDP as indicated by the t-statistic of -4.699543 and its associated probability value of 0.0001 < 0.05; an inverse relationship exists between CIT and GDP at t-statistic = -2.470444, however, significant with the p-value = 0.0207 < 0.005.

The adjusted R squared which examines the extent to which the predictors (VAT, and CIT) explain the variations in the dependent variable (GDP) shows that the adjusted R Squared figure of 0.825264 indicates that, reliance on this model will account for 82.53% of the variations in the dependent variable (GDP), while the remaining 17.47% is accounted by other factors outside the scope of this model The Durbin-Watson value of 1.732524 buttressed the fact that the model does not contain auto-correlation, since the value1.732524 is not more than 2 approximately, thereby, making the regression fit for prediction purpose. The analysis resulted in F-value of 62.39778 with corresponding p-value of 0.000000. This confirms that, the model is significantly reliable.

Decision

Since the p-value of the test = 0.000000 is less than the critical significant value of 5%, thus H_1 is accepted and Ho rejected. Therefore, this study upholds that VAT has a significant negative effect on GDP; CIT has a significant negative effect on GDP at 5% level of significance.

Discussion of Findings

The regression result demonstrated that one unit increase in VAT will cause GDP per Capita to decrease by 36.77%; one naira in increase CIT made GDP per Capita to reduce by 45.36%. From the table, VAT with a negative co-efficient of 0.367736 has a significant effect on GDP per Capita as indicated by the t-statistic of -4.699543 and its associated probability value of 0.0001 < 0.05; an inverse relationship exists between CIT and GDP per Capita at t-statistic = -2.470444, however, significant with the p-value = 0.0207 < 0.005. The adjusted R squared which examines the extent to which the predictors (VAT and CIT) explain the variations in the dependent variable (GDP) shows that the adjusted R Squared figure of 0.825264 indicates that, reliance on this model account for 82.53% of the variations in the dependent variable (GDP).

The regression results is in line with Okeke, Mbonu and Amahalu (2018); Adeyrmi and Disu (2018); Apere and Durojaiye (2016Adeyemi and Disu (2018); Yahaya and Bakare (2018) ; Kalac, Mirovic and Andrasic (2017); Onakoya, Babatunde and Afintinni (2016); Etale and Binglar (2016); Salami, Apelogun, Omidiya and Ojoye (2015) but negates the findings of Ironkwe and Agu (2019).

Conclusion and Recommendations

Conclusion

This study explored the effect of Tax Reforms on Nigerian economic growth. The data set used for this analysis is the annual series of the selected relevant macroeconomic variables. Tax reform factors

included data from the value added tax and corporate income tax. The economic growth variable was calculated using data from the gross domestic product. The findings indicate clearly that tax reform components exert significant influence on Nigeria productivity at 5% level. The research therefore accepts the alternative hypotheses; that value added and company income tax have a statistical significant effect on the productivity of Nigeria at 5% significant level.

Recommendations

Based on the study's findings, the following recommendations were made:

1. To counteract the negative impact of VAT on GDP per capita, the government should ensure that VAT is applied in a transparent manner, avoiding inefficiencies such as tax cascading associated with alternative commodity taxes.
2. CIT administration should be enhanced, with a particular focus on eliminating evasion and avoidance. Company income tax regulations should be modified to close loopholes that favor tax avoidance, which most businesses take advantage of.

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