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EFFECT OF TAXATION STRATEGIES ON ECONOMIC GROWTH IN NIGERIA

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Abstract

The study evaluated how utilizing taxation strategies can foster sustainable economic growth in Nigeria. The objectives are to determine how PIT, CIT, VAT, PPT, and CGT impact the Gross Domestic Product respectively as taxation strategies proxies; while sustainable economic growth is measured by GDP. The paper used secondary data from the Central Bank of Nigeria (CBN) and the Federal Inland Revenue Service (FIRS) Statistical Bulletin. The research adopted multiple regression analysis to test the hypothesized variables, and the predictor variables showed p-values of 0.0086 < 0.05, 0.0317 < 0.05, 0.0000 < 0.05, 0.4711 > 0.05, 0.4709 > 0.05. Personal Income Tax (PIT), Corporate Income Tax (CIT), and Value Added Tax (VAT) have significant impacts on GDP in Nigeria while PPT and CGT have no significant influence. The regression line of GDP = -23646.28 + 830.4210 - 47.14591 + 215.8502 - 3.430433 - 114.9379 reveals that a unit change in Personal Income Tax (PIT) would result in an increase of 830.4210 in Gross Domestic Product (GDP) in Nigeria; a unit change in Corporate Income Tax (CIT) would lead to a decrease of 47.14591 in Gross Domestic Product in Nigeria; a unit change in Value Added Tax (VAT) would result in an increase of 215.8502 in Gross Domestic Product (GDP) in Nigeria; a unit change in Petroleum Profit Tax (PPT) would result in a decrease of 3.430433 in Gross Domestic Product (GDP) in Nigeria; and a unit change in Capital Gains Tax would lead to a decrease of 114.9379 in Gross Domestic Product (GDP) in Nigeria. The implication is that if PIT, and VAT can be improved on, there would be a tremendous tax revenue increase in Nigeria. The study recommends streamlining of tax laws; punishing tax defaulters to deter fraudulent activities; reduction of CIT rates to attract more foreign investors; regularly publishing of VAT revenue data; encouraging PPT data auditing, real monitoring of real-time to monitor oil production and exports to guarantee accurate reporting and reduction or avoidance of discrepancies in the system; enacting of CGT laws that are robust and easy to implement and enhance compliance.

Keywords: Taxation Strategies, Economic Growth, GDP, PIT, CIT, VAT, PPT, CGT.

Introduction

Tax is a mandatory charge levied by the government on the income and assets of individuals and businesses which plays a very critical role in national growth and investment (Abomaye-Ninenibo, et al 2018). The Nigerian government emphasizes tax as a critical source of revenue as an alternative to oil money. National Bureau of Statistics (2023) in Nigeria, notes that tax revenue accounted for 10.86% of GDP in 2021, representing a 29.29% rise from 2020. On average, global tax revenues constituted 34.1% of GDP in 2021, showing a

0.6% increase from the previous year, (OECD, 2022). Tax revenue is a vital tool for economic growth (Etim, et al, 2021). There are a plethora of existing works investigating the link between tax revenue and economic growth highlighting the relevance of tax revenue in enhancing citizens' quality of life by providing the government with the funds needed for economic development, investing in human capital and infrastructure, offering social goods, and redistributing wealth (Asaolu, et al, 2018; Osamor, 2022; Ihenyen and Ogbise, 2022; Uket, et al, 2020).

Taxation in Nigeria, including value-added tax, petroleum profit tax, personal income tax, and company income tax, positively impacts economic growth by contributing to gross domestic product. A robust taxation policy is essential for employment generation, poverty alleviation, skill development, and industrial growth. To ensure effectiveness, tax collection mechanisms must be corruption-free, tax systems modernized, and resources utilized judiciously. Diversifying revenue sources beyond oil is crucial for sustainable economic development (Nwachukwu, et al, 2022). Ihenyen and Mieseigha (2019) investigated the impact of tax revenue on economic development in Nigeria, focusing on three income streams: income tax from companies' profits, income tax from petroleum companies' profits, and Value Added Tax. It finds a positive relationship between these tax income streams and economic development, with a coefficient of determination of 99.2%. However, it notes limitations such as the restricted impact of taxes on petroleum companies' profits due to production constraints and global oil price fluctuations, as well as challenges like tax evasion and administrative inefficiencies.

Taxation serves as more than just a means of generating revenue; it is a powerful fiscal policy tool. Taxation serves as the primary method through which a nation's government generates revenue to support its expenditures, (Gimba and Anyanwu, 2023). This entails the mandatory imposition of charges on both individual citizens and artificial entities like corporations. In the context of Nigeria, various groups are obligated to pay taxes, including employed individuals, business proprietors, non-residents earning income within Nigeria, and companies operating within the country. It's important to note that while taxation stands as a significant revenue stream for governments, it's not the sole source of income. Other financial sources contribute to the government's funds, including revenue from sources like oil, earnings from government-run organizations, grants, provision of public services, income from licensing, sales of government assets, and more. Nevertheless, for countries like Nigeria, taxation remains a prominent and fundamental means of generating income to sustain governmental operations that governments employ to shape their economies, (Adefolake and Omodero, 2022). By formulating, revising, and adapting tax policies, governments can influence the tax structure, tax elasticity, and tax incidence, all of which contribute to economic dynamics. Tax policies play a crucial role in guiding economic decisions by discouraging specific activities. For instance, consider the scenario where the interest paid on home mortgage loans is deducted from taxable personal income. This approach triggers increased construction activity, leading to job creation. In Nigeria, tax laws have undergone notable transformations, accompanied by the introduction of various tax incentives. These changes are often driven by comprehensive tax reforms that hold implications for the overall economy.

Highlighting the significance of tax revenue, the United Nations emphasized in 2000 that taxes substantially contribute to development (Abiahu and Amahalu, 2017). Governments employ taxation not only to finance their expenditures but also to facilitate wealth redistribution, thereby supporting the nation's development goals. The adequacy of tax revenue to fund a country's development hinges on the nation's specific needs (Abu and Abdullahi, 2011; Amahalu, Ezechukwu and Appah, 2010). Nigeria, aspiring to be one of the world's largest economies, places considerable emphasis on this vision Babatunde, Ibukun and Oyeyemi (2017). This is evident in the government's prioritization of tax-related measures. Infrastructural development is a crucial factor in driving economic growth. A

developed economy possesses the necessary elements to encourage investment, generate wealth, and create a business-friendly environment that fosters the realization of its goals, (Ayeni and Afolabi, 2020).

Despite its solid foundation, Nigeria, as an oil-rich nation, faces challenges such as insufficient power supply, inadequate education, infrastructure gaps, delayed legislative reforms, an inefficient property regulation system, flawed electoral processes, restrictive trade policies, militancy, insecurity, regulatory inconsistency, a sluggish judicial system, widespread corruption, and persistent poverty Chigbu, Akujuobi and Appah (2012). The country's heavy reliance on oil revenue for political, economic, and social advancement raises concerns, especially as crude oil prices continue to fall below budget benchmarks.

Statement of the Problem

Personal Income Tax (PIT) is greatly compromised in Nigeria through non-compliance, particularly within the informal sector, (Olatunji and Ayodele, 2020). The complexity of tax laws and filing procedures discourages compliance among taxpayers. Also, enforcement mechanisms are weak, and there are insufficient auditors to ensure compliance summing up to inefficiencies in tax administration and collection resulting in substantial loss of revenue (Akinyemi and Ayinde, 2019; Ekundayo and Obayomi, 2021, Adesola, 2014). There are considerable challenges in Nigeria in collecting Corporation Income Tax (CIT) due to high levels of tax avoidance and evasion by corporations, often through under-reporting of income or inflating of expenses (Adebisi and Gbegi, 2013; Fagbemi et al, 2010). Multinational companies through the techniques of tax planning and shifting do not pay what they ought to pay, especially across borders.

Value Added Tax fraud and evasion are high including under-reporting of sales and issuance of fake invoices, and also because several businesses operate outside the tax net. A narrow tax base due to numerous exemptions and zero-rated items reduces potential revenue in Nigeria (Okoye and Gbegi, 2013; Ajakaiye, 1999).

Complexities of Petroleum Profit Tax (PPT) calculations and multiple rates create compliance challenges leading to substantial revenue leakages, (Uzonwanne, 2015 and Adedeji, 2010). There is corruption within the sector due to weak oversight, and inadequate monitoring and auditing of oil companies. Additionally, many capital gains transactions, especially in real estate, occur informally and go unreported (FIRS, 2012). All these challenges leave a yawning gap between budgeted and actual tax revenue pushing the government expenditure to deficit balance. This concern prompted a study to investigate the potential effects of taxation strategies as an alternative revenue source for Nigeria's economic development.

Objectives of the Study

The major objective of this study is to investigate the effect of taxation strategies on economic growth in Nigeria. However, the specific objectives are:

i. To ascertain the level at which Personal Income Tax (PIT) affect the Gross Domestic Product in Nigeria.
ii. To determine the level at which Corporate Income Tax (CIT) affect Gross Domestic Product in Nigeria.
iii. To evaluate the level at which Value Added Tax (VAT) affect Gross Domestic Product in Nigeria.
iv. To hypothesize the point at which Petroleum Profit Tax (PPT) affect Gross Domestic Product in Nigeria.
v. To investigate the level at which Capital Gains Tax (CGT) affect Gross Domestic Product in Nigeria.

Research Questions

i. How does Personal Income Tax (PIT) affect the Gross Domestic Product in Nigeria?
ii. What is the effect of Corporation Income Tax on Gross Domestic Product in Nigeria?

iii. How does Value Added Tax (VAT) affect Gross Domestic Product in Nigeria?
iv. What is the effect of Petroleum Profit Tax on Gross Domestic Product in Nigeria?
v. How does Capital Gains Tax (CGT) affect Gross Domestic Product in Nigeria?

Statements of Hypotheses

i. H_{01}: Personal Income Tax (PIT) does not significantly affect Gross Domestic Product in Nigeria.
ii. H_{02}: Corporation Income Tax (CIT) does not significantly affect Gross Domestic Product in Nigeria.
iii. H_{03}: Value Added Tax (VAT) does not significantly affect Gross Domestic Product in Nigeria.
iv. H_{04}: Petroleum Profit Tax (PPT) does not significantly affect Gross Domestic Product in Nigeria.
v. H_{05}: Capital Gains Tax (VAT) does not significantly affect Gross Domestic Product in Nigeria.

Review of Related Literature

Conceptual Review

Taxation Strategies

This refers to the definite methods or techniques which governments apply in implementing tax policies in efforts to accomplish different economic and social goals. These specific approaches include a fusion of legislative laws (FIRS, 2023), administrative techniques (FIRS, 2022), technologically innovative strategies (Deloitte Nigeria, 2020) and engagement of the public (Nigeria Tax Research Network, 2019) aimed at increasing tax revenue income in Nigeria. These strategies are employed through various forms of taxation like Personal Income Tax (PIT), Corporate Income Tax (CIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT), and Capital Gains Tax (CGT).

Personal Income Personal

Personal Income Tax in Nigeria is governed by the Personal Income Tax Act (PITA). The Personal Income Tax Act of 2011 replaced the former PITA Cap P8 LFN 2004 and other matters, (Federal Republic of Nigeria, 2013). Personal Income Tax (PIT) is universally acknowledged as a vital instrument for national development and economic growth. In light of the decline in oil prices, which has diminished the funds available for distribution among various levels of government, most governments place significant emphasis on PIT (Adeyemi and Mieseigha, 2019). Although Aguolu (2004) notes that PIT may not be the largest source of revenue in terms of the overall collection, the study asserts that it is one of the most essential sources due to the reliability and consistency it offers through taxpayer contributions.

Companies Income Tax

CIT is a tax on the profits of corporate entities in Nigeria, governed by the Companies Income Tax Act (CITA) with subsequent amendments through various Finance Acts. CITA, Cap C21, LFN 2004 is the primary legislation that outlines the framework for the assessment and collection of CIT in Nigeria, (Federal Republic of Nigeria, 2004). The rate for CIT is 30% of taxable profits. However, for companies with an annual turnover of N25 million or less, the rate is 0% (small companies); and medium-sized companies with an annual turnover between N25 million and N100 million are taxed at 20%, (Finance Act 2019) (Federal Republic of Nigeria, 2019). Finance Act, 2020 further adjusted tax rates to enhance regulatory environment and curb tax evasion, (FRN, 2020). Finance Act 2021 included provisions for digital economy taxation and adjustments to existing tax incentives to better align with economic goals (FRN, 2021). FIRS is responsible for the administration of CIT (FIRS, 2023). Finance Act 2022 continued refining CIT policies to enhance efficiency and compliance with specific changes aimed at simplifying the tax filing process for businesses, (FRN, 2022).

Value Added Tax (VAT)

VAT was introduced in Nigeria in 1993 through the VAT Decree No. 102 which replaced the former Sales Tax Decree of 1986. VAT, however, commenced officially on January 1, 1994, aiming to diversify government revenue sources beyond oil and distribute the tax burden

more fairly. It is a consumption tax. The VAT Decree was later codified as the Value Added Tax Act (VATA), Cap VI, LFN 2004, establishing the initial VAT rate at 5%. The Finance Act 2019, in January 2020, increased the VAT rate from 5% to 7.5% and expanded the list of exempt goods and services to protect lower-income citizens and support small businesses.

Petroleum Profit Tax (PPT)

Petroleum Profit Tax (PPT) was first introduced in the 1950s with the Petroleum Profits Tax Ordinance, aimed at capitalizing on Nigeria's burgeoning oil industry, (Federal Republic of Nigeria, 2020, PPTA Cap P13, LFN 2004. The Federal Inland Revenue Service (FIRS) administers it, ensuring compliance, assessing taxable profits, and collecting taxes (FIRS, 2023). The Department of Petroleum Resources (DPR) is instrumental in regulating the industry and ensuring that companies comply with operational standards and practices. The Act metamorphosed from PPTA Cap P13, LFN 2004 to the Petroleum Industry Act (PIA) (2021). The PPT rates in Nigeria are structured based on the nature and tenure of the petroleum operations. For operations under Joint Venture (JV) agreements and other general petroleum operations, the PPT rate is 85% of the chargeable profit.

However, if the operations are in their first five years under the; production sharing contracts with Nigeria National Petroleum Corporation (NNPC), the rate is set at 50% of the chargeable profit for contracts signed after January 1, 2021, for deep offshore and inland basin operations. For marginal fields, the applicable PPT rate is 55% of the chargeable profit; (Federal Republic of Nigeria, 2004; PIA, 20021, and FIRS, 2023.

Capital Gains Tax (CGT)

The primary legislation governing CGT is the Capital Gains Tax Act (CGTA), Cap C1, LFN 2004. It is a tax on the profit from the sale of assets in Nigeria. It is designed to tax the gains realized by individuals and companies from the disposal of certain types of assets (Federal Republic of Nigeria, 2004). CGT was first introduced in Nigeria in 1967 through the Capital Gains Tax Act, which aimed to generate revenue from the increasing number of asset transactions. The FIRS is the main body responsible for administering CGT in Nigeria. It oversees the assessment, collection, and enforcement of the tax (FIRS, 2023). The rate is generally 10% of the chargeable gain.

Economic growth

Economic growth refers to the increase in a nation's per capita income, which is specifically measured by the rise in Gross Domestic Product (GDP), (Haller, 2012). This concept involves two fundamental aspects: economic development and economic growth. Economic development discusses improvements in various indicators like literacy rates, life expectancy, and poverty reduction, reflecting a broader improvement in the well-being and quality of life within a country. On the other hand, economic growth strictly bears on the quantitative aspect, focusing on the increase in the value of goods and services produced by an economy over a specific period. Haller (2012) maintains that these two variables are intrinsic to the understanding of the all-embracing progress of an economy. Economic growth is the process of increasing the sizes of national economies, the macro-economic indications, especially the Gross Domestic Product (GDP), Gross National Product (GNP), and Gross National Income (GNI). The study states that

economic development necessitates coordinated efforts and substantial, forward-looking investments with a long-term perspective. It addresses the foundational prerequisites essential for the smooth functioning of the economy at the micro level and this responsibility falls within the domain of the government. While it's feasible to experience growth without immediate or even medium-term development, true economic development establishes the conditions conducive to sustained long-term economic growth.

Theoretical Framework Cost-of-Service Theory: The theory of cost-of-service was founded by Cooper in 1994 which proposes that taxes should be levied on individualistic bases contingent on derived benefits. This theory shares significant parallels with the benefits-received principle (Nzotta, 2007). It is rooted in fostering a stronger relationship between the state and its citizens, with a focus on promoting

a balanced budget policy, (Odo, Eze and Onyeisi, 2016; Ofoegbu, Akwu, and Olive, 2016). Taxation theories encompass various perspectives on how taxes should be structured and justified.

Socio-Political Theory was propounded by Marc Leroy in 2008. The theory advocates that taxation should be guided by social and political objectives. It contends that taxes collected from citizens by the government should be channelled towards rectifying societal issues collectively. In this view, taxes become a means to alleviate the collective ills of society as a whole, (Ogbonna and Appah, 2012). The Socio-Political Theory draws inspiration from Thomas Hobbes' notion of the social contract, which envisions humanity's origin in a state of nature, devoid of governance and laws. Within this chaotic landscape, hardships and inequalities prevailed.

Wagner (2012) confirms that social and political goals should drive the choice of taxes, arguing that the tax burden should be distributed among the populace rather than an individual.

The Expediency Theory: The anchored theory to this work is the Expediency Theory which was propounded by Bhartia in 2009. This theory suggests that a tax proposal should pass the practicality test. Ogbonna and Ebimobowei, (2012) underscore the practical feasibility of tax proposals. This theory demands that any tax idea must withstand the scrutiny of practicality and effectiveness. A tax proposal is evaluated based on its ability to be implemented efficiently and produce desirable outcomes. Ibn Khaldun's contribution to this theory emphasizes maintaining low tax rates to preserve individuals' motivation to work, preventing the dampening of productivity, and ensuring that taxes are paid willingly (Samuel and Tyokoso, 2014).

The Socio-Political Theory: This theory emphasizes the role of tax in addressing societal disparities. The primary challenge faced by governments worldwide is to consistently enhance the well-being of their citizens by implementing effective economic policies and programs, both domestically and globally. Governments aim to achieve this overarching goal by offering essential public goods like infrastructure (such as roads, bridges, ports, and dams) and vital services like education, security, healthcare, and sanitation. These elements collectively constitute the economic and social foundation necessary for a country's growth and development. In an ideal scenario, all public expenditures should contribute to fostering a conducive domestic economic environment, encouraging both local and foreign investments, facilitating internal and external trade, attracting international tourists and visitors, boosting agricultural productivity, and promoting small-scale industrial production and craftsmanship. These various economic activities not only create employment opportunities but also drive economic growth and development in the short, medium, and long terms. The relationship between taxation and economic development has been examined extensively, leading to diverse findings in various studies (Soyode and Kajola, 2006; Tosun and Abizadeh, 2005; Udeh and Agodi, 2014). Economic development necessitates coordinated efforts and substantial, forward-looking investments with a long-term perspective. It addresses the foundational prerequisites essential for the smooth functioning of the economy at the micro level. This responsibility falls within the domain of the government. While it's feasible to experience growth without immediate or even medium-term development, true economic development establishes the conditions conducive to sustained long-term economic growth. Uzonwanne (2015) suggests that employment is a central focus of policy discussions, with job quantity being crucial for promoting growth. On the other hand, economic development hinges on factors such as wages, opportunities for career advancement, and the quality of working conditions.

Worlu and Emeka, (2012) worked on the relationship between tax revenue and economic growth in Nigeria (1986-2012) using the Autoregressive Distributed Lag (ARDL) and Bounds Test General to Specific Approach to Cointegration. The findings reveal a significant impact of total tax revenue on economic growth, explaining around 73.4% of the variations in real gross domestic product (economic growth) through changes in various tax revenue components. However, the study did not identify a significant causal link between the two. A comprehensive analysis of Nigeria's economic

growth rate necessitates a closer examination of the country's economic development. Capital formation plays a pivotal role in driving Nigeria's economic growth, as recognized by (Fagbemi, Uadiale and Noah, 2010). Capital formation entails saving and investing a portion of current income to enhance future output and income. This process typically involves acquiring new factories, machinery, equipment, and other productive capital assets.

Empirical Review

Taxation in Nigeria, including value-added tax, petroleum profit tax, personal income tax, and company income tax, positively impacts economic growth by contributing to gross domestic product. A robust taxation policy is essential for employment generation, poverty alleviation, skill development, and industrial growth. To ensure effectiveness, tax collection mechanisms must be corruption-free, tax systems modernized, and resources utilized judiciously. Diversifying revenue sources beyond oil is crucial for sustainable economic development (Nwachukwu, et al, 2022). Ihenyen and Mieseigha (2019) investigated the impact of tax revenue on economic development in Nigeria, focusing on three income streams: income tax from companies' profits, income tax from petroleum companies' profits, and Value Added Tax. It finds a positive relationship between these tax income streams and economic development, with a coefficient of determination of 99.2%. However, it notes limitations such as the restricted impact of taxes on petroleum companies' profits due to production constraints and global oil price fluctuations, as well as challenges like tax evasion and administrative inefficiencies. Ewa, Adesola and Essien, (2020) examined the impact of various tax revenue streams on Nigeria's economic development from 1994 to 2018. It finds a strong positive relationship between income tax from companies' profits and Value Added Tax (VAT) and Gross Domestic Product (GDP) growth. However, taxes from petroleum companies show little to no significant impact on GDP growth due to production restrictions and global oil price shocks. Additionally, tax evasion and administrative inefficiencies contribute to revenue leakage. Osamor, Omoregbee, Ajasa-Adeoye and Olumuyiwa-Loko (2023) studied the impact of tax revenue on economic growth in Nigeria by analyzing revenue data from 2011 to 2020. Tax revenue, represented by PPT, CIT, VAT, and CTD, was assessed against GDP using an ex post facto research design. Despite positive effects, the study found them to be statistically insignificant. The conclusion suggests the need for continuous tax audits to mitigate evasion and avoidance, which, in turn, could bolster economic growth.

Yaro and Adeiza (2021) investigated the correlation between taxation and economic growth in Nigeria, focusing on tax collection and its utilization for economic development by the Federal Inland Revenue Service (FIRS). Findings suggest that effective management of FIRS enhances revenue and positively impact non-oil revenue profit tax, contributing to economic growth. Recommendations include restructuring the tax system to meet 21st-century demands and ensuring proper management of taxation to boost economic growth, reduce inflation, and generate employment. Onoja and Ibrahim (2020) did a work on the correlation between tax revenue and Nigeria's economic growth. Utilizing secondary data, it examines Petroleum Profit Tax, Value Added Tax, and Companies Income Tax as proxies for tax revenue, and Gross Domestic Product as a measure of economic growth. Findings suggest a positive yet insignificant relationship between Petroleum Profit Tax and economic growth, while Value Added Tax and Companies Income Tax show significant associations. Recommendations include tackling corruption in tax administration, ensuring transparent use of tax revenue for public goods monitoring petroleum companies to prevent tax evasion, and fostering entrepreneurship to boost tax revenue and sustain economic growth. Olushlola, Oliver, Okon and Osang (2020) researched on econometric approach to analyze the correlation between tax revenue and economic growth in Nigeria. The study aimed to assess the impact of taxation, domestic investment, and government expenditure on economic development. Employing an exploratory design, the study identified factors contributing to tax revenue and

economic growth. Secondary data from sources such as the Central Bank Statistical Bulletin was utilized. The analysis employed a multiple regression model to establish relationships between dependent and independent variables. Findings indicated a positive correlation between tax revenue and economic growth measured by GDP. Recommendations included the prudent utilization of public funds to enhance economic growth, provision of investment opportunities, and increased government to foster economic development.

Etim, Umoffon and Ekanem (2020) investigated the impact of taxation economic development (Human Development Index) in Nigeria using tax revenue data from 1985 – 2018 sourced from the Central Bank of Nigeria (CBN), Federal Inland Revenue Service (FIRS), and United Nations Development Programme (UNDP). Analysis, including multiple regression, revealed an inverse and significant relationship between Value Added Tax (VAT) and HDI, and a direct but insignificant relationship between Personal Income Tax (PIT), Petroleum Profit Tax (PPT), and HDI. The study suggests expanding the tax base, addressing tax revenue losses, and strengthening the taxation framework could promote positive economic development in Nigeria, transitioning it from an oil-based economy. Agunbiade and Idebi (2020) worked on how tax revenue in Nigeria from 1981 to 2019, specifically focusing on Companies Income Tax, Value Added Tax, and Petroleum Profit Tax, impacts economic growth. Using data from the National Bureau of Statistics and the Federal Inland Revenue Service, it employed the Vector Error Correction Model to analyze the relationship. The findings indicate a long-term relationship between Real GDP and the various tax components. The work suggests a broad-based tax strategy to boost revenue, emphasizing simplicity, ease of implementation, and strengthening regulatory authorities for better compliance. Ajala and Adegbie (2020) determined the effects of information technology on effective tax assessment in Nigeria.

Tax Administrators in Nigeria are facing challenges with ineffective tax assessment and systemic deficiencies, leading to perceptions that tax collections are not being remitted properly, thereby affecting tax revenue generation. Previous studies have pointed to issues such as inefficient information technology and a lack of competent tax administrators as contributing factors to these problems. To address this, a study was conducted to investigate the impact of information technology on effective tax assessment in Nigeria. The survey research design involved 2,857 management and administrative staff from selected multinational companies in Lagos state, along with representatives from the Federal Inland Revenue Service and the Lagos State Internal Revenue Service. The same size of 641 was determined using Krejcie and Morgan’s techniques. Reliability coefficients ranged from 0.88 to 0.96, indicating high reliability. Data analysis using descriptive and inferential statistics revealed a statistically significant positive effect of information technology on effective tax assessment (Adj. R2 = 0.172; F- Statistics (4.637) = 35.46; P-value = 0.000). The study recommends that the government should enact enabling tax laws and simplify existing tax laws to facilitate more effective tax assessment in Nigeria.

Anisere-Hameed (2021) explores the impact of taxation on Nigeria’s economic growth. Specifically, it investigates how petroleum profit tax, capital gains tax, and company income tax affect the country’s gross domestic product. Using an ex-post facto design and Ordinary Least Squares regression method, the study finds that capital gains tax and petroleum profit tax have insignificant effects on revenue generation for economic growth, while company income tax significantly contributes to economic growth. The research recommends improving tax revenue from petroleum profit and capital gains taxes to invest in infrastructure and suggests utilizing tax policy as a macroeconomic tool for long-term sustainable growth. Ayeni and Afolabi (2020) investigate the relationship between tax revenue, infrastructure development, and economic growth in Nigeria from 1981 to 1918. Utilizing various statistical tests, it finds that tax revenue influences economic growth and infrastructure, while infrastructure also affects tax revenue. The

results suggest that government accountability and investment in high-quality infrastructure can promote economic growth. Adefolake and Omodero (2022) examine how tax revenue impacts Nigeria's economic growth from 2000 to 2021. It focuses on hydrocarbon tax, corporation income tax, and Value Added Tax (VAT). Employing secondary data from CBN and Federal Inland Revenue, it uses an ex-post-facto research design. The data was analyzed using the Augmented Dickey-Fuller Method, showing stationary variables. Johansen's co-integration test confirms a long-run relationship. The Vector Error Correction Model is used to assess the effects of taxes on GDP, finding positive and significant effects of hydrocarbon tax and VAT, but a negative and significant effect of corporation income tax. The paper suggests organizing training sessions to educate the public and companies on the benefits of tax revenue, urging tax authorities to encourage tax compliance to foster economic growth.

Adeleye, Nwabuzor and Oyedokun (2024) probed the influence of tax revenue collected by the Nigerian federal government on the development of healthcare infrastructure. The study utilized secondary data from 2013 to 2021, focusing on Corporate Income Tax (CIT), Petroleum Profit Tax (PPT), Education Tax (EDT), and Value Added Tax (VAT). Analysis revealed a significant positive correlation between healthcare infrastructure spending and CIT, PPT, and VAT, while EDT showed a non-significant positive relationship. The study suggests prioritizing CIT and PPT revenue for healthcare infrastructure development and ensuring ethical spending practices. Gimba and Anyanwu (2023) worked on Federally Collected Tax Revenue and Economic Growth in Nigeria. The study highlights the positive impact of tax revenue, particularly from company income tax, petroleum profits tax, and value-added tax, on Nigeria's long-term economic growth. It also emphasizes the short-term significance of petroleum profits tax on economic growth. Managing tax revenues effectively is crucial for sustaining economic growth according to the findings. Adesanya, Anene, Bosah, Bankole and Ogundele (2024) analyzed Nigeria's revenue and economic growth from 2011 to 2022 and found that total tax revenue and nominal Gross Domestic Product (GDP) are positively and significantly related. The analysis suggests that tax revenue positively influences economic growth, and economic growth, in turn, boosts tax revenue. The paper recommends that the government focus on factors such as human capital development, security, employment, and attracting foreign investment to sustain economic growth, improve living standards, and increase tax revenue. Collins and Essien (2024) explored the correlation between Tax Revenue and Economic Development in Nigeria from 1990 to 2022. Using an Auto-regressive Distributive Lag model, it found a positive and significant relationship between tax revenue and the human development index, indicating tax revenue's role in enhancing economic development. Additionally, gross domestic product and health expenditure were found to contribute to economic development, while government education expenditure showed a negative but insignificant impact. The study suggests that the government should focus on increasing tax revenue and directing it towards promoting industrial activities to further stimulate economic development in Nigeria.

Eze and Onyedikachi (2020) appraised the relationship between tax revenue and Real Gross Domestic Product (GDP) in Nigeria from 2008 to 2019, using data from the Central Bank of Nigeria Bulletin and the Federal Inland Revenue Service Website. Regression analysis via Ordinary Least Square reveals a significant positive association between tax revenues and real GDP, except for Value Added Tax, which shows a negative and statistically insignificant relationship. Given the volatile oil market. It is advised that the government expand the tax base by investing in infrastructure to foster business growth. Additionally, measures should be taken to enhance accountability and transparency to prevent corruption among tax officials.

Ekanem, (2017) worked on Taxation as a Catalyst for Sustainable National Development in Nigeria. The work analyzes the idea of national development and the urgent issues related to its sustainability. It states that one key tool for attaining sustainable national development is taxation. The benefits of taxation

in the pursuit of sustainable national development, however, depend on a variety of factors, including the state's overall tax policy, administrative effectiveness, and the perceived equity of the tax system, it emphasizes. This is similar to how a pistol is only effective in the hands of a skilled gunman. The paper builds on this foundation by evaluating the Nigerian tax system in light of the country's dedication to achieving Sustainable Development, particularly by the SDGs established in 2016. It unequivocally proves that taxes and sustainable national development are positively correlated. Nigeria is in a good position to use this tool for sustainable development given its sizeable population, plenty of natural resources, and strong investment environment. However, it argues that the nation has not yet taken advantage of taxation's enormous potential.

To ensure that taxation in Nigeria is used effectively as a stimulus for sustainable national development, the paper identifies and addresses the fundamental flaws in the country's tax system and offers specific recommendations for putting standardized techniques into practice. According to the study, the gap between industrialized and developing countries is not static or closing; rather, it is always getting wider. The majority of people on the planet who live in emerging nations are in abject poverty. These less developed countries, like Nigeria, struggle with ongoing issues including urban overpopulation, rural stagnation, rife unemployment, and rising inequality. Nigeria has a wealth of resources but has struggled to encourage genuine development, which has seriously hampered its objective of raising the standard of living for its people. Every region of the nation is still plagued by poverty, unemployment, and hunger.

Although the situation in Nigeria is unfortunate, it is important to recognize that the world has advanced beyond merely pursuing growth and has transferred its attention to a loftier objective—sustainable development. After the UN's Brundtland Conference in 1987, which emphasized the link between economic growth and environmental stability, this paradigm shift gained traction. Since then, sustainable development has transcended discussions about development at the national and international levels. As a result, it is increasingly regarded as a blatant oversight to not bring up sustainability when discussing development. It is essential to embrace the idea of sustainable development from a specifically Nigerian perspective as Nigeria moves forward on its path to becoming a member of the Global North (Ekanem, 2017).

The paper builds on this foundation by evaluating the Nigerian tax system in light of the country's dedication to achieving Sustainable Development, particularly by the SDGs established in 2016. It unequivocally proves that taxes and sustainable national development are positively correlated. Nigeria is in a good position to use this tool for sustainable development given its sizeable population, plenty of natural resources, and strong investment environment. However, it argues that the nation has not yet taken advantage of taxation's enormous potential. To ensure that taxation in Nigeria is used effectively as a stimulus for sustainable national development, the paper identifies and addresses the fundamental flaws in the country's tax system and offers specific recommendations for putting standardized techniques into practice. According to the study, the gap between industrialized and developing countries is not static or closing; rather, it is always getting wider. The majority of people on the planet who live in emerging nations are in abject poverty. These less developed countries, like Nigeria, struggle with ongoing issues including urban overpopulation, rural stagnation, rife unemployment, and rising inequality. Nigeria has a wealth of resources but has struggled to encourage genuine development, which has seriously hampered its objective of raising the standard of living for its people. Every region of the nation is still plagued by poverty, unemployment, and hunger.

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This entails not only enhancing material prosperity for all members of society, not just the powerful and wealthy but also doing so in a sustainable way that protects the chances of future generations. It also demands the eradication of poverty and a considerable reduction in access inequities to crucial resources and opportunities. The goal of development is to increase people's sense of security, their ability to support themselves, and their opportunities to live better lives. Development encompasses more than just economic growth. It also includes the equitable distribution of resources and the provision of essential services like healthcare, education, and housing, all with the overarching goal of improving people's quality of life as individuals and as communities, (Adeleye, Nwabuzor and Oyedokun, 2024). Additionally, development has been conceptualized as a process of societal

advancement in which improvements in human welfare are attained through strong sectoral relationships, including those between business organizations and diverse society groupings. Development can be seen as a country's ability to regularly generate and sustain yearly increases in its Gross National Income (GNI) at rates of 5% to 7% or greater, while historically experiencing relative stagnation.

Cannons of Taxation-

Convenience: Tax enforcement should facilitate voluntary compliance, ensuring clarity in terms of payment time, method, and amount. Earmarking: Tax revenue from specific sources should be allocated to related purposes where there is a direct cost-benefit link. However, Nigeria struggles with fiscal indiscipline, corruption, and fund misappropriation, (Dessai, Foley and Hines (2004). **Efficiency:** Tax collection efforts should not consume an excessive percentage of tax revenue. Nigeria's tax system lacks efficiency, leading to high compliance costs.

Equity: Taxes should be proportionate to individuals' or entities' economic circumstances. The equity principle advocates for taxing based on income, (Dritsakis (2003).

Neutrality: Taxes should not favour any particular group or sector, and they should not influence individual decision-making.

Predictability: Tax collection processes should reinforce their regularity and inevitability. **Restricted Exemptions:** Tax exemptions should only serve specific purposes, such as encouraging investment, and be time-limited. **Simplicity**: Tax assessment and determination should be straightforward for the average taxpayer. Transparent tax laws are crucial, and taxation should be cost-effective for both the state and taxpayers, (Dwivedi, 2004, Edame and Okon, 2014, Fagbbemi, Uadiale and Noah, 2010, Ihendinihu, Jones and Nwaiwu, 2014).

Theories of Taxation: Apart from generating revenue, taxation also aims to achieve objectives like resource allocation, income redistribution, price stabilization, full employment, and economic growth, (Ihenyen and Mieseigha, 2014). Within these social objectives, two principles emerge:

Benefit Principle: This principle asserts that those who benefit more from public services and infrastructure should contribute more in taxes.

Ability-to-Pay Principle: This principle suggests that taxes should be proportionate to an individual's or entity's ability to pay, ensuring fairness and equity. In conclusion, ensuring effective infrastructural development and economic growth in Nigeria requires addressing various challenges and adopting sound taxation principles. By implementing equitable taxation and aligning it with the principles of convenience, efficiency, and transparency, Nigeria could diversify its revenue sources and enhance its economic development prospects.

Aside from generating revenue, taxation serves several other objectives. These objectives encompass resource allocation, income redistribution, price stabilization, maintaining full employment, and fostering economic growth. In pursuit of these societal goals, two fundamental principles have emerged as the foundation for contemporary taxation: the benefit principle (or benefit received theory) and the ability-to-pay approach (Ihenyen and Meseigha, 2014). Although neither of these principles is flawless, comprehending them remains invaluable for designing a functional tax system.

The Benefit Principle also referred to as vertical equity, asserts that an individual's taxation should correspond to the advantages they derive from the government's provision of goods and services. This perspective can be likened to a benefit-cost analysis, where taxes represent a cost and government services stand as benefits (Kiabel and Nwokah,2009; Lyndon and Paymaster, 2016). This perspective posits an assumption of equilibrium between the marginal tax rate (MTR) and the marginal benefit received (MBR) as the basis for determining tax amounts. However, this approach, known as the benefit principle, proves inadequate for effectively managing public goods, particularly those of a quasi-public nature, such as military defence. Consequently, the envisioned balance between taxes paid and benefits received, which appears equitable in theory, fails to hold in practical applications.

Conversely, the ability-to-pay approach centres on achieving a just distribution of taxes based on an individual's or group's assumed capacity to bear the tax burden. Often referred to as horizontal equity, this approach facilitates a more equitable realization of taxation's distribution and stabilization objectives. Taxes essentially serve as a conduit for transferring a portion of income's purchasing power to the government, with the ability to pay grounded in one's income. As a result, those with higher incomes are expected to contribute a larger share of taxes. Nonetheless, while this theory offers the aforementioned merits, it is not without its shortcomings. One notable drawback is the lack of clarity surrounding the criteria by which the "ability" to pay is assessed (Macek 2014; Matthew, 2014; Mba, Ogbabor, and Ikpegbu 2013; and Nzotta, 2007).

Empirical Review

Taxation in Nigeria, including value-added tax, petroleum profit tax, personal income tax, and company income tax, positively impacts economic growth by contributing to gross domestic product. A robust taxation policy is essential for employment generation, poverty alleviation, skill development, and industrial growth. To ensure effectiveness, tax collection mechanisms must be corruption-free, tax systems modernized, and resources utilized judiciously. Diversifying revenue sources beyond oil is crucial for sustainable economic development (Nwachukwu, et al, 2022).

Ihenyen and Mieseigha (2019) investigated the impact of tax revenue on economic development in Nigeria, focusing on three income streams: income tax from companies' profits, income tax from petroleum companies' profits, and Value Added Tax. It finds a positive relationship between these tax income streams and economic development, with a coefficient of determination of 99.2%. However, it notes limitations such as the restricted impact of taxes on petroleum companies' profits due to production constraints and global oil price fluctuations, as well as challenges like tax evasion and administrative inefficiencies. Ewa, Adesola and Essien, (2020) examined the impact of various tax revenue streams on Nigeria's economic development from 1994 to 2018. It finds a strong positive relationship between income tax from companies' profits and Value Added Tax (VAT) and Gross Domestic Product (GDP) growth. However, taxes from petroleum companies show little to no significant impact on GDP growth due to production restrictions and global oil price shocks. Additionally, tax evasion and administrative inefficiencies contribute to revenue leakage. Osamor, Omoregbee, Ajasa-Adeoye and Olumuyiwa-Loko (2023) studied the impact of tax revenue on economic growth in Nigeria by analyzing revenue data from 2011 to 2020. Tax revenue, represented by PPT, CIT, VAT, and CTD, was assessed against GDP using an ex post facto research design. Despite positive effects, the study found them to be statistically insignificant. The conclusion suggests the need for continuous tax audits to mitigate evasion and avoidance, which, in turn, could bolster economic growth. Yaro and Adeiza (2021) investigated the correlation between taxation and economic growth in Nigeria, focusing on tax collection and its utilization for economic development by the Federal Inland Revenue Service (FIRS). Findings suggest that effective management of FIRS enhances revenue and positively impacts non-oil revenue profit tax, contributing to economic growth. Recommendations include restructuring the tax system to meet 21st-century demands and ensuring proper management of taxation to boost economic growth, reduce inflation, and generate employment. Onoja and Ibrahim (2020) did a work on the correlation between tax revenue and Nigeria’s economic growth. Utilizing secondary data, it examines Petroleum Profit Tax, Value Added Tax, and Companies Income Tax as proxies for tax revenue, and Gross Domestic Product as a measure of economic growth. Findings suggest a positive yet insignificant relationship between Petroleum Profit Tax and economic growth, while Value Added Tax and Companies Income Tax show significant associations.

Recommendations include tackling corruption in tax administration, ensuring transparent use of tax revenue for public goods monitoring petroleum companies to prevent tax

evasion, and fostering entrepreneurship to boost tax revenue and sustain economic growth.
Olushlola, Oliver, Okon and Osang (2020) researched on econometric approach to analyze the correlation between tax revenue and economic growth in Nigeria. The study aimed to assess the impact of taxation, domestic investment, and government expenditure on economic development. Employing an exploratory design, the study identified factors contributing to tax revenue and economic growth. Secondary data from sources such as the Central Bank Statistical Bulletin was utilized. The analysis employed a multiple regression model to establish relationships between dependent and independent variables. Findings indicated a positive correlation between tax revenue and economic growth measured by GDP. Recommendations included the prudent utilization of public funds to enhance economic growth, provision of investment opportunities, and increased government to foster economic development.

Etim, Umoffon and Ekanem (2020) investigated the impact of taxation economic development (Human Development Index) in Nigeria using tax revenue data from 1985 – 2018 sourced from the Central Bank of Nigeria (CBN), Federal Inland Revenue Service (FIRS), and United Nations Development Programme (UNDP). Analysis, including multiple regression, revealed an inverse and significant relationship between Value Added Tax (VAT) and HDI, and a direct but insignificant relationship between Personal Income Tax (PIT), Petroleum Profit Tax (PPT), and HDI. The study suggests expanding the tax base, addressing tax revenue losses, and strengthening the taxation framework could promote positive economic development in Nigeria, transitioning it from an oil-based economy. Agunbiade and Idebi (2020) worked on how tax revenue in Nigeria from 1981 to 2019, specifically focusing on Companies Income Tax, Value Added Tax, and Petroleum Profit Tax, impacts economic growth. Using data from the National Bureau of Statistics and the Federal Inland Revenue Service, it employed the Vector Error Correction Model to analyze the relationship. The findings indicate a long-term relationship between Real GDP and the various tax components. The work suggests a broad-based tax strategy to boost revenue, emphasizing simplicity, ease of implementation, and strengthening regulatory authorities for better compliance. Ajala and Adegbie (2020) determined the effects of information technology on effective tax assessment in Nigeria. Tax Administrators in Nigeria are facing challenges with ineffective tax assessment and systemic deficiencies, leading to perceptions that tax collections are not being remitted properly, thereby affecting tax revenue generation. Previous studies have pointed to issues such as inefficient information technology and a lack of competent tax administrators as contributing factors to these problems. To address this, a study was conducted to investigate the impact of information technology on effective tax assessment in Nigeria.

The survey research design involved 2,857 management and administrative staff from selected multinational companies in Lagos state, along with representatives from the Federal Inland Revenue Service and the Lagos State Internal Revenue Service. The same size of 641 was determined using Krejcie and Morgan's techniques. Reliability coefficients ranged from 0.88 to 0.96, indicating high reliability. Data analysis using descriptive and inferential statistics revealed a statistically significant positive effect of information technology on effective tax assessment (Adj. R2 = 0.172; F-Statistics (4.637) = 35.46; P-value = 0.000). The study recommends that the government should enact enabling tax laws and simplify existing tax laws to facilitate more effective tax assessment in Nigeria. Anisere-Hameed (2021) explores the impact of taxation on Nigeria's economic growth. Specifically, it investigates how petroleum profit tax, capital gains tax, and company income tax affect the country's gross domestic product. Using an ex-post facto design and Ordinary Least Squares regression method, the study finds that capital gains tax and petroleum profit tax have insignificant effects on revenue generation for economic growth, while company income tax significantly contributes to economic growth. The research recommends improving tax revenue from petroleum profit and capital gains taxes to invest in infrastructure, and

suggests utilizing tax policy as a macroeconomic tool for long-term sustainable growth.
Ayeni and Afolabi (2020) investigate the relationship between tax revenue, infrastructure development, and economic growth in Nigeria from 1981 to 1918. Utilizing various statistical tests, it finds that tax revenue influences economic growth and infrastructure, while infrastructure also affects tax revenue. The results suggest that government accountability and investment in high-quality infrastructure can promote economic growth.

Adefolake and Omodero (2022) examine how tax revenue impacts Nigeria's economic growth from 2000 to 2021. It focuses on hydrocarbon tax, corporation income tax, and Value Added Tax (VAT). Employing secondary data from CBN and Federal Inland Revenue, it uses an ex-post-facto research design. The data analyzed using the Augmented Dickey-Fuller Method, showing stationary variables. Johansen's co-integration test confirms a long-run relationship. The Vector Error Correction Model is used to assess the effects of taxes on GDP, finding positive and significant effects of hydrocarbon tax and VAT, but a negative and significant effect of corporation income tax. The paper suggests organizing training sessions to educate the public and companies on the benefits of tax revenue, urging tax authorities to encourage tax compliance to foster economic growth. Adeleye, Nwabuzor and Oyedokun (2024) probed the influence of tax revenue collected by the Nigerian federal government on the development of healthcare infrastructure. The study utilized secondary data from 2013 to 2021, focusing on Corporate Income Tax (CIT), Petroleum Profit Tax (PPT), Education Tax (EDT), and Value Added Tax (VAT). Analysis revealed a significant positive correlation between healthcare infrastructure spending and CIT, PPT, and VAT, while EDT showed a non-significant positive relationship. The study suggests prioritizing CIT and PPT revenue for healthcare infrastructure development and ensuring ethical spending practices. Gimba and Anyanwu (2023) worked on Federally Collected Tax Revenue and Economic Growth in Nigeria. The study highlights the positive impact of tax revenue, particularly from company income tax, petroleum profits tax, and value-added tax, on Nigeria's long-term economic growth. It also emphasizes the short-term significance of petroleum profits tax on economic growth. Managing tax revenues effectively is crucial for sustaining economic growth according to the findings. Adesanya, Anene, Bosah, Bankole and Ogundele (2024) analyzed Nigeria's revenue and economic growth from 2011 to 2022 and found that total tax revenue and nominal Gross Domestic Product (GDP) are positively and significantly related. The analysis suggests that tax revenue positively influences economic growth, and economic growth, in turn, boosts tax revenue. The paper recommends that the government focus on factors such as human capital development, security, employment, and attracting foreign investment to sustain economic growth, improve living standards, and increase tax revenue.

Collins and Essien (2024) explored the correlation between Tax Revenue and Economic Development in Nigeria from 1990 to 2022. Using an Auto-regressive Distributive Lag model, it found a positive and significant relationship between tax revenue and the human development index, indicating tax revenue's role in enhancing economic development. Additionally, gross domestic product and health expenditure were found to contribute to economic development, while government education expenditure showed a negative but insignificant impact. The study suggests that the government should focus on increasing tax revenue and directing it towards promoting industrial activities to further stimulate economic development in Nigeria. Eze and Onyedikachi (2020) appraised the relationship between tax revenue and Real Gross Domestic Product (GDP) in Nigeria from 2008 to 2019, using data from the Central Bank of Nigeria Bulletin and the Federal Inland Revenue Service Website. Regression analysis via Ordinary Least Square reveals a significant positive association between tax revenues and real GDP, except for Value Added Tax, which shows a negative and statistically insignificant relationship. Given the volatile oil market. It is advised that the government expand the tax base by investing in infrastructure to foster business growth.

Additionally, measures should be taken to enhance accountability and transparency to prevent corruption among tax officials.

Ekanem, (2017) worked on Taxation as a Catalyst for Sustainable National Development in Nigeria. The work analyzes the idea of national development and the urgent issues related to its sustainability. It states that one key tool for attaining sustainable national development is taxation. The benefits of taxation in the pursuit of sustainable national development, however, depend on a variety of factors, including the state's overall tax policy, administrative effectiveness, and the perceived equity of the tax system, it emphasizes. This is similar to how a pistol is only effective in the hands of a skilled gunman. The paper builds on this foundation by evaluating the Nigerian tax system in light of the country's dedication to achieving Sustainable Development, particularly by the SDGs established in 2016. It unequivocally proves that taxes and sustainable national development are positively correlated. Nigeria is in a good position to use this tool for sustainable development given its sizeable population, plenty of natural resources, and strong investment environment. However, it argues that the nation has not yet taken advantage of taxation's enormous potential.

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Cannons of Taxation-Convenience: Tax enforcement should facilitate voluntary compliance, ensuring clarity in terms of payment time, method, and amount. Earmarking: Tax revenue from specific sources should be allocated to related purposes where there is a direct cost-benefit link. However, Nigeria struggles with fiscal indiscipline, corruption, and fund misappropriation, (Dessai, Foley and Hines (2004). **Efficiency:** Tax collection efforts should not consume an excessive percentage of tax revenue. Nigeria's tax system lacks efficiency, leading to high compliance costs. **Equity**: Taxes should be proportionate to individuals' or entities' economic circumstances. The equity principle advocates for taxing based on income, (Dritsakis (2003).
Neutrality: Taxes should not favour any particular group or sector, and they should not influence individual decision-making.
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Theories of Taxation: Apart from generating revenue, taxation also aims to achieve objectives like resource allocation, income redistribution, price stabilization, full employment, and economic growth, (Ihenyen and Mieseigha, 2014). Within these social objectives, two principles emerge:
Benefit Principle: This principle asserts that those who benefit more from public services and infrastructure should contribute more in taxes.
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Aside from generating revenue, taxation serves several other objectives. These objectives encompass resource allocation, income redistribution, price stabilization, maintaining full employment, and fostering economic growth. In pursuit of these societal goals, two fundamental principles have emerged as the foundation for contemporary taxation: the benefit principle (or benefit received theory) and the ability-to-pay approach (Ihenyen and Meseigha, 2014). Although neither of these principles is flawless, comprehending them remains invaluable for designing a functional tax system.

The Benefit Principle also referred to as vertical equity, asserts that an individual's taxation should correspond to the advantages they derive from the government's provision of goods and services. This perspective can be likened to a benefit-cost analysis, where taxes represent a cost and government services stand as benefits (Kiabel and Nwokah,2009; Lyndon and Paymaster, 2016). This perspective posits an assumption of equilibrium between the marginal tax rate (MTR) and the marginal benefit received (MBR) as the basis for determining tax amounts.

However, this approach, known as the benefit principle, proves inadequate for effectively managing public goods, particularly those of a quasi-public nature, such as military defence. Consequently, the envisioned balance between taxes paid and benefits received, which appears equitable in theory, fails to hold in practical applications. Conversely, the ability-to-pay approach centres on achieving a just distribution of taxes based on an individual's or group's assumed capacity to bear the tax burden. Often referred to as horizontal equity, this approach facilitates a more equitable realization of taxation's distribution and stabilization objectives. Taxes essentially serve as a conduit for transferring a portion of income's purchasing power to the government, with the ability to pay is grounded in one's income. As a result, those with higher incomes are expected to contribute a larger share of taxes. Nonetheless, while this theory offers the aforementioned merits, it is not without its shortcomings. One notable drawback is the lack of clarity surrounding the criteria by which the "ability" to pay is assessed (Macek 2014; Matthew, 2014; Mba, Ogbabor, and Ikpegbu 2013; and Nzotta, 2007).

Methodology

The work applied the ex-post-facto quantitative research method. Expost-facto research design uses extant secondary data. The data for this study is collected from the Central Bank of Nigeria (CBN), and the Federal Inland Revenue Service (FIRS) Statistical Bulletin; spanning 1993 through 2022. Time series data regression analysis was used to analyze the data generated.

Operationalization of Variables

The study adopted two variables: Dependent and Independent variables. The dependent variable is represented by economic growth whereas the independent variable is represented by taxation strategies. The dependent variable (economic growth) is further decomposed to Gross Domestic Product (GDP); while Personal Income Tax (PIT), Corporate Income Tax (CIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT), and Capital Gains Tax (CGT) respectively, were used to proxy independent variable.

Model Specification

In a bid to evaluate the extent to which taxation strategies impact economic growth in Nigeria, the following hypotheses were tested.

i. Personal Income Tax (PIT) does not significantly impact economic growth in Nigeria.
ii. Corporate Income Tax does not significantly impact economic growth in Nigeria.
iii. Value Added Tax (VAT) does not significantly impact economic growth in Nigeria.
iv. Petroleum Profit Tax does not significantly impact economic growth in Nigeria.
v. Capital Gains Tax does not significantly impact economic growth in Nigeria.

The general model specification is stated thus:

GDP = f (PIT, CIT, VAT, PPT, and CGT)

$GDP = \beta_0 + \beta_1 X_1 PIT + + \beta_2 X_2 CIT + \beta_3 X_3 VAT + \beta_4 X_4 PPT + \beta_5 X_5 CGT + \mu$

Where GDP = Gross Domestic Product

$\beta 0$ = a constant (the value of GDP when all the independent variables are zero 0.

$\beta_1 - \beta_5$ = Coefficients of independent variables

$X_1 - X_5$ = Independent variables (PIT, CIT, VAT, PPT, and CGT)

μ = an error term normally distributed about a mean of 0.

The general model specification is used to explain the hypotheses tests.

Descriptive Statistics
Table 1: Descriptive Statistics

	GDP	PIT	CIT	VAT	PPT	CGT
Mean	54720.83	76.83000	639.9016	233.5900	1337.295	9.556028
Median	39954.21	53.87000	416.8000	198.0700	1298.960	1.036700
Maximum	176075.5	192.0400	2649.190	699.3700	4209.020	99.40340
Minimum	1257.170	22.00000	12.28000	4.820000	42.81000	0.063000
Std. Dev.	52214.57	49.09078	682.6124	207.7037	1110.215	21.29306
Skewness	0.852668	1.048397	1.215949	0.519986	0.788867	3.359177
Kurtosis	2.676447	2.984872	4.055632	2.128048	3.128653	14.13908
Jarque-Bera	3.138393	4.579972	7.321340	1.918583	2.610207	176.2659
Probability	0.208212	0.101268	0.025715	0.383164	0.271145	0.000000
Sum	1368021.	1920.750	15997.54	5839.750	33432.37	238.9007
Sum Sq. Dev.	6.54E+10	57837.72	11183033	1035380.	29581869	10881.46
Observations	25	25	25	25	25	25

Source: Field Study, 2024

The above table depicts mean values of variables: Personal Income Tax (PIT), Corporate Income Tax (CIT), Value Added Tax (VAT), Petroleum Profit Tax (PPT), Capital Gains Tax (CGT), and Gross Domestic Product (GDP) as 76.83000, 639.9016, 233.5900, 1337.295, 9.556028 and 54720.83 respectively; with standard deviation of 49.09078, 682.6124, 207.7037, 1110.215, 21.29306 and 52214.57.

Findings

4.1 Empirical Finding

Table 1: Model Summary[b]

Dependent Variable: GDP
Method: Least Squares
Date: 05/26/24 Time: 13:08
Sample: 1993 2022
Included observations: 25

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-23646.28	10561.16	-2.238986	0.0373
PIT	830.4210	283.2224	2.932046	0.0086
CIT	-47.14591	20.32886	-2.319161	0.0317
VAT	215.8502	35.05134	6.158115	0.0000
PPT	-3.430433	4.665054	-0.735347	0.4711
CGT	-114.9379	156.2258	-0.735717	0.4709

R-squared	0.942310	Mean dependent var	54720.83
Adjusted R-squared	0.927129	S.D. dependent var	52214.57
S.E. of regression	14095.15	Akaike info criterion	22.15061
Sum squared resid	3.77E+09	Schwarz criterion	22.44314
Log likelihood	-270.8826	Hannan-Quinn criter.	22.23175
F-statistic	62.06966	Durbin-Watson stat	2.868280
Prob(F-statistic)	0.000000		

From Table 1 above, the R-square (R^2) of 0.942310 means that 94.23% of the variance in the dependent variable can be explained by the independent variables in the model. This suggests a very strong relationship between the explanatory variables and the response variable. The implication is that the model can predict the dependent variable. The mean dependent variable of 54720.83 gives an average or central value around the tax revenue of reference for the

dependent (GDP) in the datasets. This can be useful for both descriptive statistics and model evaluation. The Adjusted R-Square (R^2) of 0.927129 suggests that the model has a very good fit, indicating that approximately 92.71% of the variance in the dependent variable can be explained by the independent variables included in the model. The implication is that the explanatory variables explained 92.71% of the variations of the dependent variable (GDP). The t-values are -2.238986, 2.932046, -2.319161, 6.158115, -0.735347, -0.735717; and p-values are 0.0086 < 0.05, 0.0317 < 0.05, 0.0000 < 0.05, 0.4711 > 0.05, 0.4709 > 0.05. Personal Income Tax (PIT) is significant (0.0086 < 0.05) with a coefficient of 830.4210; Corporate Income Tax (CIT) is significant (0.0317 <0.05) with a coefficient of -47.14591; Value Added Tax (VAT) is significant (0.0000) with coefficient of 215.8502; PPT is insignificant (0.4711) with coefficient of -3.430433); and CGT is not significant (0.4709) with coefficient of -114.9379. The combined regression model that can be used to define the function is as shown below: GDP = -23646.28 + 830.4210 - 47.14591 + 215.8502 - 3.430433 - 114.9379

Interpretation

i. A unit change in Personal Income Tax (PIT) would result in an increase of 830.4210 in Gross Domestic Product (GDP) in Nigeria., meaning that as PIT increases, GDP increases.

ii. A unit change in Corporate Income Tax (CIT) would lead to a decrease of 47.14591 in Gross Domestic Product in Nigeria, showing that as CIT increases, GDP decreases.

iii. A unit change in Value Added Tax (VAT) would result in an increase of 215.8502 in Gross Domestic Product (GDP) in Nigeria; depicting that as VAT increases GDP increases.

iv. A unit change in Petroleum Profit Tax (PPT) would result in a decrease of 3.430433 in Gross Domestic Product (GDP) in Nigeria. This means that as PPT increases GDP decreases.

v. A unit change in Capital Gains Tax would lead to a decrease of 114.9379 in Gross Domestic Product (GDP) in Nigeria, implying that as CGT increases GDP decreases.

Discussion of Findings

The hypotheses tested to evaluate the impact of taxation strategies on economic growth in Nigeria revealed that Personal Income Tax (PIT) has a significant and positive impact on GDP in Nigeria; Corporate Income Tax (CIT) has a significant but negative impact on GDP in Nigeria; Value Added Tax (VAT) has a significant and positive impact on the Gross Domestic Product in Nigeria with a perfect alpha significant level of 0.0000. The predictor variables explained about 92% of the variations in the response variable (GDP) which shows that the remaining 2% are attributable to other variables not captured in the model. The findings show that GDP in Nigeria is greatly impacted by PIT, CIT and VAT. These findings agree with the findings of Ewa, Adesola and Essien (2020) which reveal a strong relationship between CIT, VAT and GDP. Also, the study confirms the work of Onoja and Ibrahim (2020) which shows that VAT and CIT have a significant impact on GDP in Nigeria. The study also agrees with the findings of Adefolake and Omodero (2022) which state a negative and significant effect of CIT on GDP. However, the work disagrees with Eze and Onyedikachi (2020) whose research reveals an insignificantly negative relationship between VAT and GDP.

Conclusion

The work was carried out to determine how utilizing taxation strategies can foster sustainable economic growth in Nigeria. Two major types of taxes Personal Income Tax (PIT), and Value Added Tax (VAT) are powerful tools in diversifying revenue generation in Nigeria. Based on the findings above, the researcher documents that taxation can be used to surrogate revenue generation in Nigeria.

Recommendations

Based on the findings, recommendations to uphold and maximize the contributions of taxation strategies are essential.

i. Personal Income Tax (PIT) should be improved by streamlining or simplifying tax laws and punishing tax defaulters to deter fraudulent

activities; and also fight corruption among tax collectors.

i. Corporate Income Tax (CIT) can be made more efficient, fair and transparent by reducing the rates to make it more globally competitive and attract more foreign investors to Nigeria.

ii. Value Added Tax (TAX) which has demonstrated a very perfect means of raising funds for the government, should attract a more effective system by regularly publishing its collection data, and auditing to ensure transparency, to enhance public trust in Nigeria.

iii. Petroleum Profit Tax can be modernized by introducing and maximizing the use of technology for real-time monitoring of oil production and exports to guarantee accurate reporting and reduction or avoidance of discrepancies in the system.

iv. Capital Gains Tax can be improved on by enacting laws that are robust and easy to implement, favourably enhancing compliance.

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