

DOES TAXATION MATTER FOR ECONOMIC GROWTH IN A DEVELOPING COUNTRY? EMPIRICAL EVIDENCE FROM NIGERIA

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Abstract

This study critically examined Taxation as a tool matter for Economic Growth in Nigeria while taking a cursory look at the objective of ascertaining the impacts of Company income tax, petroleum profit tax, Customs, Excise duties, and Value-added Tax on economic growth. Time series data from 1994Q1-2019Q4 was gathered from secondary sources that include the Central Bank of Nigeria statistical bulletin and Federal Inland Revenue service yearly reports. Augmented dickey Feller was used to testing for the variables' stationarity, and as much as all the variables are stationary at first difference. The Autoregressive Distributed Lag (ARDL) model is employed to estimate the regression equation. The study shows that there exist a positive and insignificant relationship between petroleum profit tax, company income tax, customs, excise duties, and value-added tax with real gross domestic product in the short run. Whereas, In the long run only company income tax has a positive and significant relationship with the real gross domestic product, while other variables maintained a positive and insignificant relationship with real gross domestic product. Therefore, this study recommends that an effective tax system be put in place to satisfy the twin purpose of raising maximum revenue and encouraging production.

Keywords: Company Income Tax, Petroleum Profit Tax, Excise Duties, Value Added Tax, and Economic Growth.

Introduction

Effective tax administration is an issue as old as taxation itself. The balancing act between maximizing tax revenues and minimizing the impact on the populace in which the state must engage was evident as early as 2350 BC. The responsibility shouldered by the governments particularly the developing countries, is enormous. The need to fulfill these commitments largely depends on the amount of revenue generated by the government through various means. Taxation is one of the oldest means by which the cost of providing essential services for the generality of persons living in a given geographical area is funded. Globally, governments are saddled with the responsibility of providing some basic infrastructures for their citizens. Functions or obligations the government may owe its citizens include but are not restricted to stabilizing the economy, redistribution of income, and provision of services in the form of public goods (Abiola & Asiweh, 2012). Taxation is a significant source of government revenue worldwide. Governments use tax proceeds to render their traditional functions, such as the provision of roads, maintenance

of law and order, defense against external aggression, regulation of trade, and business to ensure social and economic care (Appah & Eze 2013). The primary function of a tax system is to raise enough revenue to finance essential expenditures on the goods and services provided by the government, and tax remains one of the best instruments to boost the potential for public sector performance and repayment of public debt as enunciated by Okoye & Raymond (2014).

The revenue accruing to the Federal Government of Nigeria from Taxation over the years has remained grossly insufficient to meet the expanding social and public spending required in fostering economic growth in the country (Olushola & Odhiambo 2018). The inability of the Federal Inland Revenue Service Board to ensure total compliance to tax rules by companies and bring all operating companies into the tax net has significantly limited the contribution of tax revenue to economic growth. According to James & Moses (2012), the prevalence of tax evasion in the Nigeria tax system has curtailed the amount of payment collected from tax income; this undoubtedly affects the government expenditure and inflation in the economy.

Moreover, the revenue generation capacity of the nation's present tax administrative system is hampered by challenges such as lack of data, inefficient monitoring, weak enforcement system, and corrupt practices, [Micah, Ebere & Umobong, (2012); Chukwuma, & Asian, (2012)]. All these have impeded the economic growth of Nigeria, which has resulted in the current state of economic recession with the resultant effect of companies closing down, hence, reducing the government's tax revenue. For example, the Nigerian government raised the Value Added Tax rate to 7.50%. Simultaneously, the organized private sector resisted that attempt and would rather have government bring more individuals and companies into the tax net (Alli 2009). Globally, a tax contribution of 20% to a nation's Gross Domestic Product is acceptable; however, in Nigeria, tax contribution to Gross Domestic Product is about 0.7%, as submitted by Okonjo Iweala (2013).

Even though several measures have been put into place to increase tax revenue which will, in turn, encourage economic growth. According to Adegboyo (2020), the government should focus more on VAT, which has no direct negative impact on the company, rather enhance economic growth; also government should reduce the company income tax rate in order not to discourage investors vis-à-vis reducing the company's productivity, which can deteriorate economic growth, as revealed in the study. The objective of this study is to capture a thorough picture of taxation on economic growth without spuriously regressed VAT. Furthermore, there is empirical evidence on how taxation affects economic growth as researchers like Gashi *et al.* (2018), Babatunde *et al.* (2017), Chimilila (2018), and Vatavu, Lobont, Stefea, and Brindescu-Olariu (2019) argue that taxation positively affects economic growth, while Khumbuzile and Khobai (2018), and Macek (2014), stated that economic growth was adversely affected by increment in taxation. Michael and Abomaye-Nimenibo, Michael, & Friday (2018), Ilaboya and Mgbame (2012) concluded that taxation had no impact on economic growth. Given the controversies surrounding how taxation affects economic growth, this study will investigate if taxation matters for economic growth in Nigeria by using an interpolated quarterly data. The study will make use of Company Income Tax, Petroleum Profit Tax, Value Added Tax, excise, and customs duty as the independent variables while Gross Domestic Product would be the endogenous variable.

This paper critically examined the short-run and long-run relationship between taxation and economic growth within the context of Nigeria's economy. As such, the scope of the study is defined from two dimensions, namely, interpolation of the data into quarterly time series using the quadratic match-sum approach from 1994 -2019. The rationale for using this approach was based on the scope that long-run inference can be determined with the data in consideration.

Using value-added data which was introduced in 1994 is lesser than the number of observation criteria to avoid spurious regression and long-run determinants. Also, to confirm the long-run and short-run relationship using Pesaran, Shin, & Smith (2001) autoregressive distribution model, and the confirmation of stability and absence of structural break in the variables.

The sequel to this section is section 2 that focused on reviewing the empirical literature; section 3 houses the data sources, methodology, and estimation techniques, section 4 deals with data analysis and results in interpretation, while section 5 gives the summary conclusion and policy recommendations.

Literature Review

Over the years there has been consensus on the relevance of taxation on the economic growth of any nation. Researchers have given immense and enormous consideration both theoretically and empirically over time. This discussion includes why the country still finds it difficult to achieve effective tax collection and apathy toward tax payment. In all, there is no agreement on whether taxation matters for an economy that depend mainly on oil stream income. Part of the theory is the Ability to pay approach by Adam Smith (1776) and the benefit received by Knut Wicksell (1896). According to Adam Smith (1776), a citizen should be taxed according to his or her relative share in the tax burden, and tax should be seen as the social responsibility of the citizen. This theory has been recognized and tested valid because of its conformity with the ideas and concepts of justice and equity. However, the doctrine received strong support from non-socialist thinkers and became a part of the theory of welfare economics. The basic tenet of this theory is that the burden of Taxation should be shared by the members of society the principles of justice and equity. These principles necessitate that the tax burden is apportioned according to their relative ability to pay (Mbah 2018). According to Benefit theory, there exists a positive significant relationship between the state and the citizen. The state provides certain goods and services to the members of the society, contributing to the cost of these supplies in proportion to the benefits received. This theory will help explain why taxpayers evade tax, whether it is as a result of no service derived in return for tax paid or not (Appah 2010).

Empirically, upfront literature has examined the relationship between taxation and economic growth in developed and developing countries. Evidence from this literature is conflicting and mixed. Abomaye-Nimenibo, Michael & Friday, (2018) the tax revenue and economic development in Nigeria from 1980 to 201 Their result shows that petroleum profit tax, company income tax, and custom and excise duties have no significant relationship in explaining the economic growth in Nigeria. Ezeji & Odinakachi (2012) empirically investigated the impact of Taxation on the Nigerian economy for the period 1994 -2012. The objective of their study is to determine how Taxation affects these macroeconomic variables. The research concluded that Taxation in Nigeria has not significantly impacted economic growth, unemployment, and inflation. Odoemelum (2018) examined taxation as an alternative source of revenue in Nigeria: domineering evidence of petroleum profit tax. The study theoretically unveiled the militating factors bedeviling and denying accrued revenue from taxation to the government. Some of these factors are a free-rider problem, the vicious circle of negligence, the monster called corruption, terrorists and militancy, rich tax dodgers, 'oso' tax, and others. Secondly, data were collected through the secondary source for the period of 12yrs (2004-2015). The regression analysis results indicate an overall statistically significant relationship between tax income and total revenue. Notwithstanding the overall statistical significance that exists between the tax revenue and total revenue, Petroleum Profit Tax (PPT) was the only predictor that was statistically significant which proves domineering and dependence on oil revenue. Corporate Income tax, Value Added Tax,

Customs Excise Duty, and Education Tax were insignificant. The regression analysis showed the overall existence of a positive and significant relationship between the variables. Further investigation revealed that there is instability in the rate of tax collection. Also, Festus & Samuel (2011) and Okafor (2012) stated that tax evasion is a major factor militating tax revenue generation in Nigeria.

Ayeni, Ibrahim, and Adeyemi (2017) investigated tax revenue and Nigerian economic growth for three decades. Using time-series data from 1986 to 2015 concluded an excellent level of difference between the effects of oil and non-oil tax revenue on economic growth in Nigeria. Manukaji (2018) covered the effect of tax structure on economic growth in Nigeria. The study found that all the tax components studied (Value added tax revenue, personal income tax revenue, petroleum profit tax revenue, and company income tax revenue) significantly affect economic growth in Nigeria.

Onwuchekwa and Aruwa (2014) investigated the impact of value-added tax on the economic growth of Nigeria. The result shows that VAT contributes significantly to the government's total tax revenue and, by extension, the economic development of Nigeria. VAT revenue growth had a consistent increase though it was not that explosive. Anyaduba, Eragbhe, and Modugu, (2012) stated that Nigeria's existing deterrence tax policies are inadequate and have not helped promote tax compliance.

Methodology

Sources and Methods of Data Collection

The data used in this study is secondary data in the form of time series data collected from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue Service (FIRS) from 1994 to 2019. In addition, the yearly time series were interpolated into quarterly time series using the quadratic match-sum approach amounting to One hundred and four (104) observations for 1994Q1-2019Q4. The rationale for using this approach was based on two reasons and they are; first, the quadratic match-sum approach account for occasional discrepancies in the data generating process as the data collected are litigated from lower observations to a larger number of observations by dangling the serial changes in the dataset (Shahbaz *et al.* 2018a; Haseeb *et al.* 2020;). Second, the procedure is more sufficient when compared to another interpolation process as it provides an average march of the dataset (Arain *et al.* 2019; Suki *et al.* 2020; Mishra *et al.* 2019). In collecting the stated variables above, an excel file was created in rows and columnar form. The data were converted from actual values to natural logarithms so that the estimated coefficients from the specified model will be meaningful and used for policy recommendations.

Model Specification

The model for this study was adapted from the work of Abomaye et al. (2018). The model used for the empirical analysis of tax revenue and economic growth in Nigeria is specified as:

$$RGDP = f(PPT, CIT, CED) \quad (1)$$

However, to improve the existing model of Abomaye-Nimenibo, Michael, and Friday (2018), the researcher deemed it fit to include Value Added Tax as a component of tax, and the empirical model is re-specified as;

$$LRGDP = f(LPPT, LCIT, LCED, LVAT) \quad (2)$$

GDP represents the natural logarithm of real gross domestic product, LPPT is the natural logarithm of petroleum profit tax, LCIT is the natural logarithm of company income tax, LCED the natural

RGDP	Real Gross Domestic Product (RGDP)	Real Gdp will be used since the level of economic output is adjusted for price changes.
PPT	Petroleum Profit tax	The tax on the income of companies engaged in upstream petroleum operations.
CIT	Company Income tax	The tax is imposed on the profit of companies in Nigeria.
CED	Customs and Excise Duties	The tax paid by the manufacturer of the goods sold in Nigeria but produced in another country, and the levy on goods sold in Nigeria but produced in Nigeria or another country.
VAT	Value-added Tax	A consumption tax is placed on a product from production to the point of sale.

logarithm of customs and excise duties, and LVAT is the natural logarithm of value-added tax.

Description of Variables

The bid to investigate the long-run and short-run impact of Taxation on economic growth in Nigeria within the framework of the ARDL approach by Pesaran, Shin, & Smith (2001). demands the model's specification using the ARDL bounds test to co-integration. Thus, the bounds test to the co-integration form of equation (2) is specified as below;

$$\begin{aligned} \Delta LRGDP_t = & \gamma + \sum_{i=1}^{N1} \delta_i \Delta LRGDP_{t-k} + \sum_{j=0}^{N2} \eta_j \Delta LPPT_{t-k} + \sum_{j=0}^{N3} d_j \Delta LCIT_{t-k} + \sum_{j=0}^{N4} \delta_j \Delta LCED_{t-k} \\ & + \sum_{j=0}^{N5} \varphi_j \Delta LVAT_{t-k} + \rho LRGDP_{t-1} + \Phi LPPT_{t-1} + \Psi LCIT_{t-1} + \omega LCED_{t-1} \\ & + \partial LVAT_{t-1} + U_t \end{aligned} \quad (3)$$

Equation (3) presence the standard ARDL modeling, which comprises short-term and long-term regressors' parameters. The coefficients Φ, Ψ, ω and ∂ are normalized on ρ and computed as $-\Phi/\rho, -\Psi/\rho, \Psi/\rho, -\omega/\rho$ and $-\partial/\rho$ to yield the long-run estimates of petroleum profit tax, company income tax, customs, and excise duties and value-added tax, respectively and the constant is computed as $-\gamma/\rho$, since $\Delta LRGDP_t = \Delta LPPT_t = \Delta LCIT_t = \Delta LCED_t = \Delta LVAT_t$ in the long run. Meanwhile, $\delta_i, \eta_j, d_j, \delta_j$ and φ_j Represent the short-run parameters of petroleum profit tax, company income tax, customs and excise duties, and value-added tax, respectively. However, the differenced variables are the ARDL short-run estimates of petroleum profit tax, company income tax, customs, excise duties, and value-added tax. Their optimal lag orders are selected using the Schwarz Bayesian Criterion (SBC). The preferable ARDL output is adapted to carry out the co-integration test for the model. The approach to co-integration in an ARDL framework is known as the bounds test to co-integration, which consists of lower and upper bounds critical values. The approach is conducted based on the f-statistic distribution in the sense that if the calculated f-statistic is greater than the upper bound I(1) critical values, there is the existence of a long-run relationship. In contrast, if it is below the lower bound I(0) critical values, the long-run relationship is absent. When the f-statistic lies within the lower and upper bounds, the estimate is inconclusive.

To incorporate the error correction term into the ARDL model, equation (3) is re-stated in an error correction mechanism framework as follows;

$$\Delta INC_t = \rho q_{t-1} + \sum_{i=1}^{N1} \delta_i \Delta LR GDP_{t-k} + \sum_{j=0}^{N2} \eta_j \Delta LPPT_{t-k} + \sum_{j=0}^{N3} d_j \Delta LCIT_{t-k} + \sum_{j=0}^{N4} \delta_j \Delta LCED_{t-k} + \sum_{j=0}^{N5} \varphi_j \Delta LVAT_{t-k} + U_t \quad (4)$$

Where q_{t-1} is the lagged error correction coefficient calculated as $q_{t-1} = LR GDP_{t-1} - \hat{\gamma} - \hat{\phi} LPPT_{t-1} - \hat{\psi} LCIT_{t-1} - \hat{\omega} LCED_{t-1} - \hat{\delta} LVAT_{t-1}$ and $\hat{\gamma} = -\gamma/\rho$, $\hat{\phi} = -\phi/\rho$, $\hat{\psi} = -\psi/\rho$, $\hat{\omega} = -\omega/\rho$ and $\hat{\delta} = -\delta/\rho$. q_{t-1} is expected to be negative and statistically significant for long-run equilibrium to exist.

Analysis and Interpretation of Result

Result of the Stationary Tests

The time-series properties of the variables were examined using the Augmented Dickey-Fuller (ADF) unit root test, and the result is presented in Table 4.1. The results show the actual gross domestic product, petroleum profit tax, company income tax, customs, and excise duties, and value-added tax are stationary after the first difference. It should be noted that the choice to employ the autoregressive distributed lag (ARDL) model approach to co-integration by Pesaran *et al.* (2001) is driven by the level of integration of the variables since it allows variables that are level stationary I(0), first difference stationary I(1) or combination of levels and first difference stationary variables and the result of the ADF test revealed evidence of first difference stationary. This, therefore, justifies the application of the ARDL model.

Table 4.1. Result of the Unit Root Test

Variables	ADF	Remarks
LRGDP	0.077	
$\Delta LR GDP$	-5.184***	I(1)
LPPT	-1.643	
$\Delta LPPT$	-5.179***	I(1)
LCIT	-0.616	
$\Delta LCIT$	-3.980**	I(1)
LCED	-1.585	
$\Delta LCED$	-3.589**	I(1)
LVAT	-0.599	
$\Delta GFCF$	-3.768**	I(1)

Source: Researcher's Computation

Notes: Table 4.1 presents the Augmented Dickey-Fuller (ADF) unit root test. The dependent variable, the natural logarithm of real gross domestic product (LRGDP), and the independent variable of this study are natural logarithm of Petroleum Profit Tax (LPPT), the natural logarithm of Company Income Tax (LCIT), the natural logarithm of customs, and excise duties (LCED) and the natural logarithm of Value-added Tax (LVAT) for the period 1994Q1 to 2019Q4 in Nigeria. The estimation process was facilitated using E-views 10. The critical value at 10% for intercept and trend is -3.20, at 5% is -3.55 and at 1% is -4.26. *** and ** indicates a significant level at 1 and 5 percent, respectively.

4.2 Bound Test

Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	5.852762	10%	3.03	4.06
	4	5%	3.47	4.57
		2.5%	3.89	5.07
		1%	4.4	5.72

The first condition to ascertain the possibility of a long-run relationship is the bound test, the results show that the bound test statistics of 5.85 is statistically significant at a 1 percent level. This is because the statistics of 5.85 is greater than the upper bound critical value of 5.85 at 1 percent. This implies that the variables have the possibility of a long-run cointegrating relationship. Based on the possibility of a long-run relationship among real gross domestic product, petroleum profit tax, company income tax, customs and excise duties, and value-added tax, this study then estimates the long-run and the short-run elasticity.

4.3 Short-run Dynamics

Panel A: Short-Run Estimates

Dependent Variable: L.E.

Variable	Coefficient	S.E	t-stat	Prob
C	0.185	0.090	2.061	0.042
D(LRGDP(-1))	0.631	0.063	10.017	0.000
D(LPPT)	0.004	0.004	1.032	0.305
D(LCIT)	0.015	0.012	1.285	0.202
D(LCED)	0.000	0.008	0.015	0.988
D(LVAT)	0.006	0.014	0.432	0.666
ECM(-1)	-0.031	0.016	-1.967	0.052

The purpose of this section is for two reasons. The first is to examine the statistical significance in the short-run model. The second is to investigate the degree of adjustment back to equilibrium using the error correction term. The short-run adjustment process is measured by the error correction term ECM_{-1} , and it shows how quickly variables adjust to a shock and return to equilibrium. For stability, the coefficient of ECM_{-1} should carry the negative sign and be statistically significant.

The result shows that in the short run, petroleum profit tax, company income tax, customs, and excise duties, and value-added tax have a positive but insignificant relationship with real gross domestic product in Nigeria. In addition, the estimated coefficient for the ECM_{-1} reported in Panel A of 4.2 is negative and statistically significant ($ECM(-1) = -0.031$, $t\text{-test} = -1.967$, $p < 0.10$). This implies that deviations from the economic growth equilibrium path are corrected by nearly 3.1

percent over the next quarter. In other words, the adjustment process is extremely slow in Nigeria. The statistical significance of the ECM₁ confirms the presence of a long-run equilibrium relationship among real gross domestic product, petroleum profit tax, company income tax, customs and excise duties, and value-added tax in Nigeria. The Adjusted R-square is 0.999; this implies that petroleum profit tax, company income tax, customs, and excise duties, and value-added tax explain about 99.9 percent changes in economic growth, while the remaining 0.1 percent were other factors affecting changes in economic growth but were not captured in the model.

4.4 The Long-Run Dynamics

Panel A: Long-Run Estimates

Dependent Variable: L.E.

Variable	Coefficient	S.E	t-stat	Prob
Variable	Coefficient	S.E	t-stat	Prob
LPPT	0.137	0.158	0.866	0.388
LCIT	0.494	0.274	1.803	0.075
LCED	0.004	0.245	0.015	0.988
LVAT	0.200	0.430	0.466	0.642
C	6.034	0.783	7.707	0.000

The estimated long-run coefficients (elasticities) for the UECM model are given in Panel B. In the long run, there is evidence that petroleum profit tax, company income tax, customs, and excise duties, and value-added tax have a positive relationship with economic growth. This implies that increases in petroleum profit tax, company income tax, customs, and excise duties, and value-added tax will increase economic growth. Furthermore, there is evidence of a significant long-run relationship for company income tax with economic growth in Nigeria (LCIT= 0.494, t-test= 1.803, $p < 0.10$). Conversely, there is evidence of long-run insignificant relationship for petroleum profit tax, customs and excise duties and value-added tax with economic growth in Nigeria (LPPT= 0.137, t-test= 0.866, $p > 0.10$; LCED= 0.004, t-test= 0.015, $p > 0.10$ and LVAT= 0.200, t-test= 0.466, $p > 0.10$). This implies that company income tax is a significant factor influencing changes in economic growth in Nigeria. In contrast, petroleum profit tax, customs, and excise duties, and value-added tax are not significant factors influencing changes in economic growth in Nigeria.

To test the hypotheses of the study, the F-statistics of 101664.1 was used. It is statistically significant at 1 percent level, thus on the overall, the null hypotheses that there exist no considerable long-run and short-run impact of petroleum profit tax, company income tax, customs, and excise duties, and value-added tax on economic growth in Nigeria were rejected and accept the alternative hypothesis that there exist significant long run and short-run impact petroleum profit tax, company income tax, customs, and excise duties and value-added tax on economic growth in Nigeria.

4.4 Post-Estimation test

Panel C: Diagnostic Tests	Statistic	Prob.
Normality Test	74.552	0.000
Serial Correlation	1.842	0.164
Heteroscedasticity	1.057	0.665
Linearity Test	1.771	0.187
Adjusted R-Square	0.999	
Stability Test	Stable	Unstable

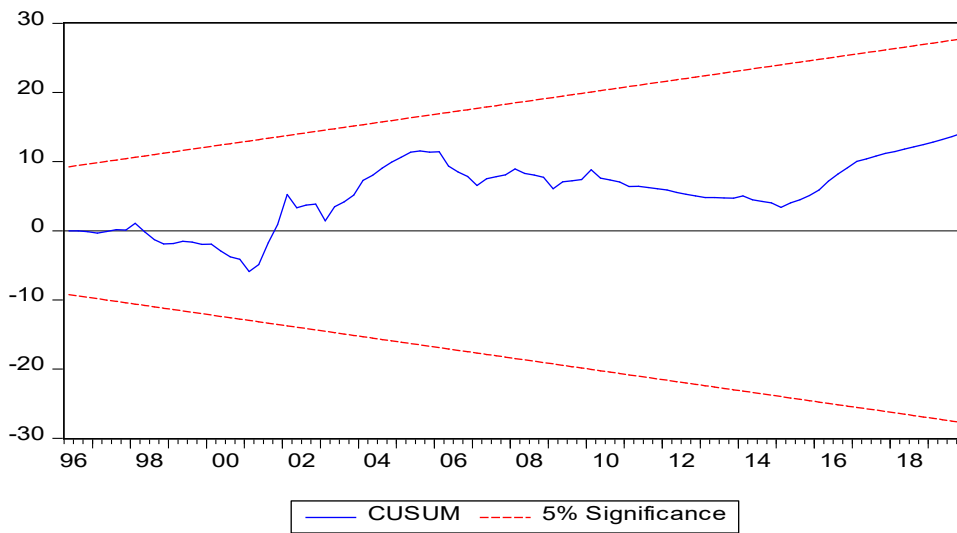
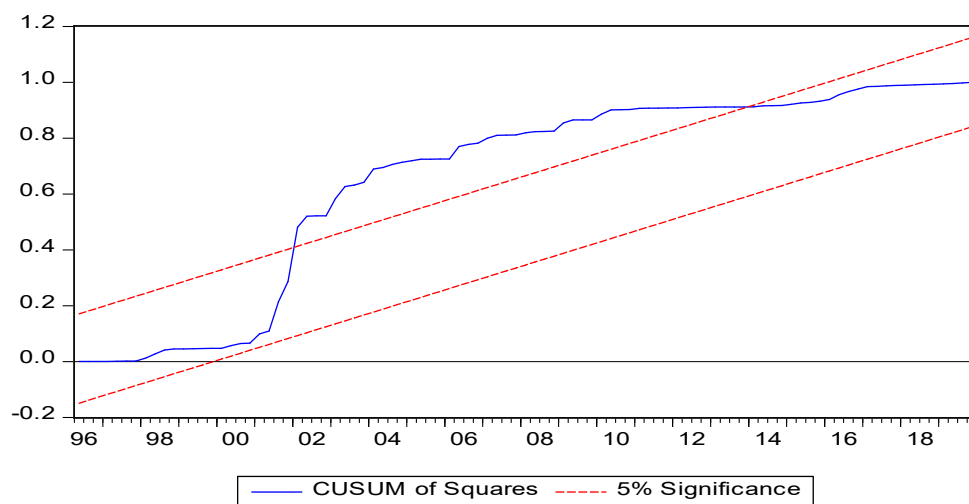


Figure 4.1: Stability Test - Plots of Cumulative Sum of Residual



For the validity and reliability of the parameter estimates and to draw valid conclusions based on the results, five types of residual tests are conducted. First, is the serial correlation test used to test whether the error term is uncorrelated? The second is to check if the finite variances of the error terms are equal. This assumption is referred to as homoscedasticity. A violation of this assumption is referred to as heteroscedasticity. Third, the normality test is a test for the degree of asymmetry and flatness and peakedness of the distribution; a non-significance of the Jarque-Bera test implies normality. Fourth is the linearity test, which is used to test if the model is linearly specified; the non-significance of the Ramsey RESET test suggests the model is linear set.

Fifth is the stability test, where the CUSUM and CUSUMSQ are used. For the stability of the estimated model, the plot of CUSUM and CUSUMSQ statistics must stay within a 5% significance level portrayed by two straight lines. The results revealed that the successive error terms are not serially correlated because the probability value of the F-statistic of 0.164 is not significant. This is in favor of the null hypothesis that there is no serial correlation in the residuals up to the specified lag order at a 10 percent significant level.

The results revealed that the successive error terms are not serially correlated because the probability value of the F-statistic of 0.164 is not significant. This favors the null hypothesis that there is no serial correlation in the residuals up to the specified lag order at a 10 percent significant level. Thus, the study concluded that the successive error terms were not correlated in the estimated model for petroleum profit tax, company income tax, customs and excise duties, and value-added tax on economic growth in Nigeria. Also, the heteroscedasticity results show that the statistic of 1.057 is not statistically significant at a 10 percent level of significance; this implies that the null hypothesis of homoscedasticity could not be rejected; thus, there is evidence that the covariance of the error terms has a finite constant variance. The Jarque-Bera statistic of 74.552 with the probability of 0.000 shows that the statistic is statistically significant at a 1 percent level of significance; thus, there is evidence that the error terms are not statistically distributed over time.

Also, the Ramsey RESET Test with the probability of F-statistics of 0.187 is not significant. Thus, the model is linearly and correctly specified; therefore, there exists a linear relationship among petroleum profit tax, company income tax, customs, and excise duties, and value-added tax and economic growth in Nigeria

Conclusion and Recommendations

This study examined if taxation as a tool matters for economic growth in Nigeria. It was discovered that there exists a short-run and long-run relationship. The study concludes that taxation is a significant factor that stimulates Nigeria's economy during a financial crisis or boom. Government should intensify efforts to encourage the companies to pay more taxes because it is significant and positively related to economic growth.

Besides, regulatory authorities charged with the sole responsibility of tax collection should be encouraged and motivated to generate more revenue from both the formal and the informal sector, the study recommends that government should ensure that proceeds from taxation are properly managed in a manner that will accelerate economic growth, reduce inflation rate and generate employment in the country. Also, the government should maintain the momentum of the convenience of tax payment to avoid any apathy from the taxpayer in the long run and also to meet the demands of the 21st century. Furthermore, a conducive environment should be created from the proceeds of taxation to encourage more investors for capital inflow, thereby

increasing company income tax since there exist a positive relationship between company income tax and economic growth.

To sanitize the tax system, the anti-graft agencies such as the Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practices, and other Related Offences Commission (ICPC) should be empowered to arrest and prosecute tax defaulters and corrupt tax officials for serving as a deterrent to others. Also, tax inspectors and officials should be professionally trained through on-shore and off-shore training programs to equip them with tax assessment and administration skills and expertise. Furthermore, through Federal Inland Revenue Service, the government should create a compelling and reliable database for every taxable person to minimize (if not eliminate) the incidence of tax evasion.

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