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TAXES AND ECONOMIC GROWTH: THE NIGERIA INSIGHT

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Abstract
This study examined the effect of tax structure on economic growth in Nigeria. The specific objectives were; to study the effect of petroleum profit tax on the economic growth of Nigeria and the effect of stamp duty on the economic growth of Nigeria. The study used time series data from the period 1999-2021. Relevant data is taken from Central Bank of Nigeria Statistical Bulletin (various years), National Bureau of Statistics and Federal Inland Revenue Service (FIRS) reports for various years. ARDL (Autoregressive Distributive Lag) regression analysis technique using STRATA 16 was used to test the assumptions. The study found that oil profit tax has a significant positive effect on Nigeria's economic growth, while corporate income tax has an insignificant effect on Nigeria's economic growth during the period under review. Meanwhile, stamp duty has a significant negative impact on Nigeria's economic growth during the study period. This study recommends that the government improve public institutions and provide strong public investment, which should be used as a source of domestic income for various business activities.

Key words: Taxation, Petroleum profit tax, Stamp duty and Economic Growth

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INTRODUCTION

Various tax structures have been used over the years to increase revenue for the Nigerian state. According to Akanbi (2018), these structures include oil profit tax, corporate income tax, capital gains tax, stamp duty and value added tax. Oil profit tax is a tax on the income of oil companies, while corporate income tax is a tax levied on the taxable profits of the company for a certain period, usually a year. Specifically, capital gains tax in Nigeria is a tax levied on the sale or exchange of capital assets and stamp duty governed by the Stamp Duty Act 1939 (SDA) which is levied as a fixed amount interest rate or percentage of the value of the transaction/instrument considering the nature of the instrument (Amah, 2021). In the press, academia and civil society lobbying, the economic policy debate continues to be dominated by the fiscal policy debate (Mcbride, 2012). This conclusion stems from the fact that taxes are not only the largest source of income for governments, states or municipalities, but also a means to influence fiscal policy and positively change behavior (Cobham and Janský, 2018; Merriman and David, 2015) .). A country's tax system is an important driver of other macroeconomic indicators (Pjesky and Rex 2006). Especially for countries with both developed and developing economies; there is a relationship between the tax structure and the level of economic growth (Shuai, Xiaobing and Christine 2013; Myles, 2009a). Indeed, it has been argued that the level of economic growth provides a very strong basis for a country's tax base and that tax policy objectives vary according to the stages of development (Mbanefoh, 2012). Consequently, the economic criteria by which the tax structure is assessed and the relative importance of each tax source change over time. For example, during the colonial period and immediately after the political independence of Nigeria in 1960, the sole purpose of tax revenue was to obtain income. Later, the focus shifted to the goals of protection and income distribution of young industries. Many countries impose taxes at the national level, and similar taxes may also be imposed at the national or local level. Contrary to what is presented in the literature, taxation has a negative effect on economic growth. For example, the imposition of a carbon tax can have a negative impact on economic growth by increasing fuel prices (Zhou, Shi, Li, & Yuan, 2011). This situation is comparable to the Nigerian experience, where multiple tax systems and high tax rates have been cited as shortcomings of the Nigerian tax system. Nigeria's tax policy and tax structure results in multiple taxation of businesses which forces most to lose money or fail (Azubike, 2009). Uncertainty regarding the impact of taxes on economic growth has led to several empirical assessments to which this research intends to contribute. However, the extreme uniqueness of this study is marred by the fact that, as noted, previous Nigerian studies did not include recent taxes, but this study focused on recent tax components including oil profit tax and stamp duty with a view to assessing their impact on Nigeria's economic growth.

Conceptual Framework

Researchers like Amadeo (2021) describe economic growth as an increase in the value of goods and services in the economy, which creates more profits for companies and means an increase in national income and income per person. As a result, stock prices rise, which gives companies capital to invest and hire workers. Economic growth is usually characterized by an increase in a country's gross domestic product (GDP), which is the total monetary value of goods and services produced in a country over a period of time. Therefore, economic growth can be defined as a process in which the real national and per capita income of a country increases over a long period of time. When measuring economic growth, Amadeo (2021) states that the increase in income per capita is a better indicator, because it reflects the increase in the standard of living of the masses, which should also be reflected in the increase in the production of goods and services. On the other hand, although most of the definition of tax in previous studies focused on mandatory payments to the government for the provision

of common goods and services, not much attention was paid to the fact that the individual must have income or profit transaction before tax. Therefore, in this study, the author believes that tax can best be defined as a government mechanism that earns revenue to finance its activities for the common good of the people, making it mandatory at a certain percentage of an individual's income or profit to give to the board of the company. In terms of tax structures, this study is limited to five different tax structures used by the Nigerian government in managing tax-related services. Tax structures include oil profit tax and stamp duty.

Petroleum Profit Tax

The Petroleum Profile Tax Act is a tax law that regulates the taxation of companies engaged in petroleum activities (Adedeji and Oboh, 2012). The Act defines petroleum operations as "the acquisition and transportation of crude oil or high quality crude oil in Nigeria by or on behalf of a company at its own expense through drilling, mining, quarrying or other similar operations or processes, including refining at a refinery, carried out by a company engaged in such operations and related activities, as well as paid sale or realization of oil by or on behalf of the company." Therefore, the definition can be applied to the upstream sector of the oil industry; therefore, the Petroleum Profit Tax (PPT) is levied only on upstream companies. Petroleum Profits Tax (PPT) is the Petroleum Profits Taxes Act, Cap P13 LFN 2004 (as amended). It should be noted here that companies that pay petroleum income tax are exempted from paying corporate income tax on the same income. During the first five years of operation, the interest rate for joint ventures is 65.75%. Joint ventures that have operated for more than five years must pay 85% of the taxable profit. Companies covered by the production-sharing agreement are also required to pay 50% of the taxable profit. Reports for each financial period must be submitted no later than two months after the beginning of the financial period. In addition, the final returns for each financial period are expected to be submitted within five months of the end of the financial period. Equally important, if the return is not filed before the deadline, it will earn N10,000 for the first month and N2,000 for every day the failure continues. Onyemaechi (2012) said the impact of the oil industry on the Nigerian economy can be seen in the generation and distribution of income among states in Nigeria, multiplying infrastructural development. Onaolapo Aworemi and Ajala (2013) argued that petroleum involved the recovery, production and distribution of crude oil to a refinery to ensure availability levels satisfactory to the public. Revenue generation is the main objective of government, which has a multiple effect in providing social services to citizens (Okoye, 2019). The above studies (Ojo (2008, Adereti et al., 2011) discussed that the oil profit tax ensured the development of Nigeria, while the World Bank Group (2020) discussed that Nigeria recorded a negative minimum income in relation to its total income .

Stamp Duty Tax

More recently, stamp duty has been recognized more as a means of federal revenue. NAN reports that the 2016, 2017 and 2018 Medium Term Expenditure Framework and Non-Oil Revenue Fiscal Policy Strategy Paper show that the Federal Government is set to generate ₦66.1 billion in 2017 from stamp duty alone. Revenue is also forecast to grow from ₦71.8 billion in 2017 to ₦78.5 billion in 2018. Furthermore, it has been observed that the Nigerian taxation system is being fully reformed to increase revenue massively without hurting the poor so that loopholes in the previous system are plugged. Odumlami, Mudashizu and Adugho (2016) reported that the government expects billions of naira from the stamp duty measures. As explained by the CBN, this policy is enshrined in the Stamp Duty Act 2004 and the Federal Government of Nigeria Financial Regulation 2009. The highest federal courts have jurisdiction over corporate income tax, petroleum profit tax, customs and user fees and

stamp duties, and corporate capital gains tax and education tax. Personal Income Tax (PIT) and Capital Gains Tax and Stamp Duty are regulated by the federal government but are required by state governments (Micah, Ebere and Umobany 2012).

Stamp duties are essentially taxes paid to the federal or state government on documents (also known as instruments within the meaning of the Stamp Duty Act, such as bills of sale, bills, notes, contractual agreements or even documents such as letters and acknowledgments) certificates, apprenticeship contracts, etc. legislation supporting the payment of stamp duty, which is the Stamp Duty Act 1939 (as amended by various Acts and Resolutions and contained in Part 22, cap 411 LFN 1990), which also lists the documents in the Schedule and the duty payable thereon. Odiambo and Olushola (2018) noted that the Stamp Duty Act (SDA) was promulgated in 1939 to provide a legal basis for the imposition of duty on executed tax instruments, but its application to instruments payable in Nigeria was limited or even ignored by authorities, taxpayers and debt collection companies. Stamp duty is governed by the Stamp Duty Act, CAP S8, LFN 2004 (as amended) and is administered by written instruments only and may be levied by the Federal Inland Revenue Service (FIRS), Federal Capital Territory (FCT) and the respective hinterland. Internal Revenue Service (IRS) (Ofoegbu, Akwu and Oliver, 2016). Until recently, stamp duty was one of the underutilized sources of revenue for the Nigerian government. The wide variety of taxable instruments presented in the SDA, including contracts, agreements, bank deposits, deeds of sale, bonds, certificates, documents, legal mortgages, etc., and the number of transactions requiring the execution of such taxable instruments. Stamp duty is one of the most important sources of government revenue (Edewusi and Ajayi, 2019). But the fact that the SDA has not been revised or updated for several decades has made it almost obsolete and out of touch with today's reality. This may have caused a lack of enthusiasm on the part of tax authorities towards tax collection and a general non-compliance with the provisions of the SDA. It is therefore not surprising that several fiscal instruments of transactions over the years have not been properly stamped. The fact that many economies around the world are moving away from stamp duty to more efficient taxes may also play a role.

Empirical Review

Ihenyen and Ogbise (2022) investigated the relationship between tax revenue and economic growth in Nigeria. Microsoft Excel package was used to analyze the data using multiple linear regression analysis. Therefore, oil profit tax, corporate income tax and sales tax positively affect economic growth in Nigeria, while customs excise and taxes negatively affect economic growth in Nigeria, but overall, there is a significant correlation between tax revenue and economic growth in Nigeria. . A major concern is the use of accumulated tax revenues, which requires special attention from decision-makers, the obstacles are violations of tax laws by taxpayers, and ineffective tax administration is a sufficient loophole for tax evasion. As a result, income decreases. First of all, the tax office is only responsible for qualified professionals and trustees, and the entire population must be thoroughly informed about the importance of taxes. Ezekwesili and Ezejiofor (2022) investigated the effect of tax revenue on economic growth in Nigeria. The specific objectives are: to determine the impact of tax revenue on the rate of inflation in Nigeria and to determine the impact of tax revenue on interest rates in Nigeria. An Ex Post Facto investigation plan was launched. The data comes from the Central Bank of Nigeria (CBN), Statistical Bulletin and annual NBS statistical data. Regression analysis: predicts the value of a variable based on the value of another variable and explains the effect of changes in the values of a variable on the values of other variables using E-view 9.0. The results conclude that tax revenue does not significantly affect inflation and interest rates in Nigeria at the 5 percent level of significance. Iriabiji,

Elhomun and Kolawole (2022) looked at the assessment of petroleum profit tax: its impact on economic growth in Nigeria. The purpose of the study is to find out the effect of the oil profit tax on national income, the effect of the oil profit tax on the gross domestic product, and the effect of the oil profit tax on capital income. Ex post facto was the design used in the study. The research uses linear regression, descriptive and correlation matrix. The research population was the national economic data important for the research. The results of the study show that PPT has negative and insignificant effects on Gross Domestic Product (GDP), National Income (NI) and Capital Income (PCI). Nweze, Ogbodo and Ezejiofor (2021) examine the impact of tax revenue on per capita income in Nigeria from 2000 to 2019. This study used time series data and adopted a retrospective research design. Secondary data was obtained from Central Bank of Nigeria (CBN), Statistical Bulletin, Federal Inland Revenue Service (FIRS), World Bank Statistical Bulletin and NBS Annual Statistical Bulletin. Descriptive statistics were used for study variables, while OLS regression analysis was used for hypothesis testing. The study concluded that tax revenue has a significant positive impact on Nigeria's per capita income. Olaoye, Ogundipe and Oluwadare (2019) examine the impact of taxation on economic development in Nigeria between 2003 and 2017. They used Vector Error Correction Model (VECM), Augmented Dickey-Fuller (ADF) unit root test, Autoregressive Distributed Lag (ARDL) test. jump test, Jarque-Bera normality test and eigenvalue stability test. Their result showed that corporate income tax, oil profit and sales tax are -0.225 (p-value = 0.000), -0.0005 (p-value = 0.699) and 0.211 (p-value = 0.000) in the long run. Ideh (2019) investigated the relationship between the components of tax revenue and the economic development of the Nigerian economy by adopting an ex post facto research design and secondary time series data for the period (2003-2017) were obtained from relevant government documents. The tax revenue components examined in the study were value added tax, oil revenue tax, personal income tax, corporate income tax, and customs and excise, and economic development was measured using real GDP and the Human Development Index (HDI). The study used Autoregressive Distributed Lag technique along with other necessary statistical tools to analyze the data. The results of the study showed that this has far-reaching policy implications. In particular, the study revealed, among other things, that although the oil profit tax constituted an important part of tax revenues, its relationship with indicators of economic development (real GDP and TDI) was negative. Ironkwe and Gbarakoro (2019) studied taxation and economic growth in Nigeria, using annual time series data from the Central Bank of Nigeria (CBN) Statistical Bulletin from 1990 to 2015, estimated a linear version of corporate income tax (CIT), value added tax and economic growth (GDP) and used the ordinary least squares (OLS) technique. Their result showed that the hypothesized relationship between corporate income tax, value added tax and economic growth definitely exists in Nigeria. Okeke, Mbonu and Ndubuisi (2018) examined the relationship between tax revenue and economic development in Nigeria from 1994 to 2016 using the annual summary of the Central Bank of Nigeria, the Federal Bureau of Inland Revenue and the National Bureau of Statistics. They based their research on time series data. In data analysis, they used Augmented Dickey Fuller Test, Multiple Linear Regression, Multicollinearity Test, Granger Causality Test, Johansen Cointegration Test and Error Correction Model. The results of their study showed that tax revenue has a statistically significant relationship with infant mortality rate, labor force and total capital investment in fixed assets in Nigeria at 5 percent significance respectively. Yahaya and Bakare (2018) assessed the impact of petroleum profit tax and corporate income tax on economic growth in Nigeria. A fully modified least squares (FMOLS) regression technique with an augmented Dickey Fuller unit root test and a one-equation cointegration test was used to estimate the model over a 34-year period (1981–2014). Petroleum Profit Tax (PPT) and Corporate Income Tax (CIT) were found to have a positive and significant impact on the Gross Domestic

Product (GDP) in Nigeria with an adjusted R^2 of 87.6% which directly increased growth in Nigeria. The study concluded that PPT and CIT are the most important source of revenue for the Nigerian economy and contribute to the growth of the Nigerian economy. Based on these findings, the study recommended that the government transparently and sensibly report its revenue from the oil profit tax by investing in infrastructure provision. FIRS should properly monitor the activities of companies to achieve optimal tax collection. The revenue received by the government through PPT and CIT should be used judiciously for economic development. Adeyemi and Disu (2018) examined the current challenges of corporate tax practices in Nigeria, where the Nigerian economy is generally characterized by low tax compliance and tax enforcement. There is no denying the fact that tax collection has become an integral part of tax administration because of the ingenious ways in which corporate taxpayers subvert the revenue generation process leaving the government in debt. The report looked at existing tax incentives and incentives for companies to facilitate voluntary compliance, and made recommendations for successful implementation of the Voluntary Asset and Income Declaration System (VAIDS) and improving corporate tax culture to increase tax efficiency gross domestic product. Onakoya and Afintinni (2016) examined the relationship between tax revenue and economic growth integration in Nigeria between 1980 and 2013. They conducted various preliminary tests such as descriptive statistics, trend analysis and stationarity tests using the Augmented Dickey Fuller (ADF) method. They also used the Engle-Granger cointegration test to determine if there was a long-run relationship between the variables. They used a vector error correction model to confirm the long-term relationship and determined the short-term dynamics between the variables and used two estimated diagnostic tests (autocorrelation and heteroskedasticity) to confirm the strength of their model. Their study showed that there is a long-run (but not short-run) relationship between taxation and economic growth in Nigeria. Their results also showed a significant positive relationship at the 5% significance level between oil profit tax, corporate income tax and economic growth, but a negative relationship between economic growth and customs excise duties. However, the tax components are collectively insignificant in affecting economic growth in Nigeria. Ojong, Ogar and Arikpo (2016) studied the impact of tax revenue on the Nigerian economy between 1998 and 2014. The objectives of the study were; to examine the relationship between oil profit tax and the Nigerian economy, the impact of corporate income tax on the Nigerian economy and the effectiveness of non-oil revenue on the Nigerian economy. The information was obtained from the statistical bulletin of the central bank and was collected using the desk survey method. Ordinary least squares multiple regression model was used to determine the relationship between the dependent and independent variables. The result showed that there is a significant relationship between oil profit tax and economic growth in Nigeria. This showed that there is a significant relationship between oil revenue and economic growth in Nigeria. It also revealed that there is no significant relationship between corporate income tax and economic growth in Nigeria. It was suggested that the government should try to provide social amenities to all corners of the country. This government should also carry out a complete review of the tax administration mechanism; job opportunities should be created and tax funds should be used to create a good environment for entrepreneurship and innovation to reduce the problems of tolerable tax evasion and tax evasion and finally to strengthen the country's tax base. Onaolapo, Fasina and Adegbite (2013) empirically examined the impact of the Petroleum Profit Tax (PPT) on the Nigerian economy between 1970 and 2010. Multiple regressions was used to analyze the data, which included variables such as gross domestic product (GDP), oil profit tax, inflation and exchange rates. The results of the study showed that all the variables were statistically significant with Nigeria's economic growth with an adjusted R2 of 86.3%. Based on the

findings of the study, they concluded that the abundance of oil and the accompanying revenue benefited the Nigerian economy.

METHODOLOGY

This study used a longitudinal research design. The choice of design is based on the idea that the method offers the observation of trends and patterns of change. This was important in determining the potential impact of tax structure revenues on economic growth over time. The study used time series data from the period 1999-2021.

Relevant data was collected from Central Bank of Nigeria Statistical Bulletin (various years), Central Bank of Nigeria Annual Report and Statement of Account, National Bureau of Statistics and Federal Inland Revenue Service (FIRS) reports for various years. From these various sources, the data for this study was obtained for the gross domestic product, GDP and all the different tax components. The collected information includes: The growth rate of the gross national product as a dependent variable (economic growth), while the independent variables (tax composition) are oil profit tax and stamp duty.

Model specifications

The econometric models of the study are adapted from Ilaboya et al. (2017), Ogbeide (2017). The general econometric model of the study was defined as follows;

$BTDit = \alpha + \beta 1SIZEit + \beta 2AGEit + \beta 3ROAit + \beta 4LEVit + \beta 5LIQit + \beta 6CPXit + \beta 7IOWit + \beta 8BIG4it + \varepsilon it$ ……..(i)

The modified model was presented below:

$GDPGt = \beta o + \beta_{1LOG}PPTt + \mu t$ - - - - - - - - - - -iGDPGt =

$\beta o + \beta_{4LOG}STDt + \mu t$--- - - - - - iv

Where:

GDPG = Gross Domestic Product Growth Rate
LOGPPT = Natural Logarithm of Petroleum Profit Tax
LOGSDT = Natural Logarithm of Stamp Duty Tax
Δ = First Difference Operator
μ_t = White-noise Disturbance Error Term
t = Time
i = Denotes the lag(s) being considered:
β_0-β_5 = Parameter Coefficients
ECT = Error Correction Term

Apriori expectation; $\beta_1, \beta_2 > 0$

The explanatory variables in this study consist of annual data on oil profit tax and stamp duty, with the dependent variable being growth in gross domestic product (GDP) as a proxy for economic growth. This study uses the regression analysis technique ARDL (Autoregressive Distributive Lag) developed by Pesaran, Schuermann and Weiner (2004). It was analyzed using STATA 16.

Decision rule

Accept the null hypothesis if the P Value is greater than 0.05 and then the alternate hypothesis will be rejected.

DATA ANALYSIS AND RESULT

Test of Hypotheses

Table 2: ARDL Regression Analysis Result

Variables	LOGPPT	LOGSDT
Gross Domestic Product Growth Model		
Long Run Effect		
Coefficient **t_ Statistics** **Probability_t**	10.659 (2.65) {0.021)	6.135 (1.87) {0.086)
Short Run Effect		
Coefficient **t_ Statistics** **Probability_t**		-8.913 (-2.75) {0.017)
No. of Obs = 20 **Prob. F statistics = 0.0000** **R^2 = 0.8833**		

When the assumption of independent errors in the classical linear regression model is violated, especially when the error terms are correlated between consecutive observations, the problem of autocorrelation arises. The main problem that appears is that the standard errors of the estimated coefficients are larger, which in turn means that the confidence intervals of the estimates are wider. This means that the researcher is more likely to find a non-significant relationship even if there is a statistically significant relationship between the variables. Several tests can be used to detect autocorrelation; however, we used the Durbin Watson test for autocorrelation. The Durbin-Watson test statistic tests the null hypothesis that ordinary least squares regression residuals are not autocorrelated against the alternative that the residuals follow an AR(1) process. The value of the Durbin-Watson statistic ranges from 0 to 4. A value close to 2 indicates non-autocorrelation; a value of zero indicates positive autocorrelation; a value of 4 in the direction means negative autocorrelation. The test results show that the value is 1.79 (Appendix A). This indicates the absence of autocorrelation because the value is closer to 2.

In particular, we provide an interpretation of the ARDL estimate following the recommendations of Pesarani, Shin, and Smith (2001). The model fits (15.52) and corresponding probability value (0.000) as presented by Fisher Statistics shows a statistically significant level of 1%, suggesting that the overall model is suitable and can be used for interpretation and policy recommendations. In addition, the R2 value of 0.8833 indicates that approximately 88% of the variation in the dependent variable is explained by all the independent variables in the model. This also means that only about 22% of the variation in the dependent variables remains unexplained, but is captured by the error term.

Hypotheses 1: Petroleum profit tax has no significant effect on economic growth in Nigeria. The ARDL model presented above shows the result of the oil revenue tax variable (LOGPPT) as follows: for the long-term effect (Coef. = 10.659, t = 2.65 and P-value = 0.021); and there is no short-term effect. Based on the above results, it turns out that the effect of oil profit tax on economic growth is positive and statistically significant in the long run at the level of 5%. The results also show that the oil profit tax has no short-term effect on economic growth. This finding contradicts the stated null hypothesis, leading to its rejection. Thus, the oil profit tax has a significant positive impact on Nigeria's economic growth over the period under review. Hypotheses 2: Stamp duty has no significant effect on economic growth in Nigeria. The above ARDL model shows the result of stamp duty (LOGSDT) variable as follows: for long-term effect (Coef. = 6.135, t = 1.87 and P -value = 0.086); and for the short-term effect (coefficient = -8.913, t = -2.75 and P-value = 0.017). Based on the above results, it turns out

that the impact of stamp duty on economic growth is positive and statistically insignificant in the long run, but negative and statistically significant in the short run at the 5% level. This finding contradicts the stated null hypothesis, leading to its rejection. Therefore, stamp duty has a significant negative impact on Nigeria's economic growth.

Conclusion

This study examines the impact of taxes on economic growth in Nigeria. the study used an Ex Post Facto survey design. This study documents evidence that the oil profit tax has a significant positive impact on economic growth in Nigeria. First of all, this study shows the high dependence of the Nigerian economy on oil from a realistic perspective. Also, the result obtained from the stamp duty variable shows a significant negative effect on Nigeria's economic growth. Tax fraud is a global problem, but against the background of the prevalence of corrupt practices, it seems commonplace. Since tax is an important source of income for the government, when individuals get away with legal or illegal means, the theoretical justice of the tax is largely lost, so tax evasion and evasion greatly undermine the effectiveness of government increasing economic growth. The result is consistent with the results of Asaolu et al (2018). With declining revenues from oil-related sources, the government should adopt strategic goals to expand the economy to support economic growth, as suggested in this study.

Based on the results of this study, it is carefully recommended that:
With declining revenues from oil-related sources, the government must initiate strategic efforts to expand the economy to promote economic growth and development. ii. The results showed that the increase in share tax income has a negative effect on the growth of GDP, which can be due to, among other things, an outflow of tax income. This study recommends that the government improve public institutions and provide strong public investment, which should be used as a source of domestic income for various business activities.

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