AN ASSESSMENT OF FEDERAL TAX POLICY AND ECONOMIC DEVELOPMENT

ISHOLA, Mercy & BABAJIDE, Abiola
Department of Finance, College of Business and Social Sciences, Covenant University, Ota, Ogun State, Nigeria

Abstract

The contribution of taxation to any economy internationally cannot be over stresses. Aside from the income function it performs for the administration, it is additionally used to help the national government accomplish the macroeconomic goals in the area of financial and money related arrangements. The part of taxation in advancing economy development is not felt, mostly as a result of feasible proof which can't be seen by the people in terms of framework and fundamental amenities. Accordingly, the aim of this study is to look at the government tax strategy and economic development in Nigeria. Time series data were applied in carrying out the research work, simple and multiple linear regression was used to analyze and test the research hypotheses, the findings uncovered that value added tax, Company Income Tax and Petroleum Profit Tax have a positive significance with total national output while custom and excise duty have a negative significance with GDP. However generally speaking a significant relationship exists between value added tax, Company Income Tax, Petroleum Profit Tax and custom and excise duty. We suggest that among others that the requirement for the legislature to make prudent exploit of income produced for the advantages of Nigerians, and among others the requirement for tax changes to address the issue of tax avoidance and evasion. And the overall population ought to be taught appropriately from the grassroots on the significance of tax to the whole national advancement.

Keywords: Company Income Tax, Petroleum Profit Tax, GDP, Value Added Tax

INTRODUCTION

The economic, social and political advancement of any nation may not adequately expand if not for the returns generated from tax. Tax is used in the provision of diverse infrastructural enhancement that will improve economic growth. Tax is an enforced levy that the governments impose on the general public (and their property) with the aim of providing infrastructures for economic growth, (Adudu and Ojonye, 2015).

The financial development of Nigeria is a continuous and unfaltering change over the long haul which comes to fruition by a general addition in the rate of reserve funds and populace, (Jhingan

2005; Salami et al., 2015). Monetary development is measured by the expansion in the measure of merchandise and enterprises a country deliver. An economy is said to produce when it expands its production limit which later yield more generation of products and ventures (Salami et al., 2015). Financial development is realized by mechanical advancement. It is the measuring stick for raising individuals' standard of living. It similarly suggests diminish in the disparity of wage conveyance (Salami et al., 2015).

Nzolta (2007) cited Adudu and Ojonye (2015), outlined these four key issues that must be grasped in assessment accumulation for expenses to have its essential influence in the general public. In any case, expense is a mandatory instalment the subjects provide for the administration for the fundamental use of the general public. Besides, a general commitment is forced by assessment on the citizens. Thirdly, it is accepted that the advantages gotten may not be equivalent to the commitment of the citizen to open income. Fourthly, inconvenience of assessment on a resident by the administration has nothing to do with the administrations rendered.

Taxation and its arrangement have a basic influence in progressing monetary development. The government make sure assets are diverted in the direction of crucial activities that will enhance the development of the economy. The part of taxation in progressing monetary action and development is not felt fundamentally in light of its poor organization. Imposed approach has been accepted to be a noteworthy wellspring of income for most economies including Nigeria. The Nigerian government at all levels has set out on observing its accumulation. In any case, combined with the accumulations, the economy has neglected to encounter the needed development that will incite to the focused on financial development. Nigeria taxation framework has been a standout amongst the most disputable and unbending mainstay of our economy.

Amid scholars, there seems to be a wide-ranging lack of accord on the contribution of tax revenue to the economic growth of nations. The advent of oil as a major tax revenue is one of the means a country's government uses in solving the economic problems of the country and to enhance government spending which is expected to be of great benefit to the citizens of such country through the provision of social and economic infrastructures, (Adereti et al 2011). In Nigeria, this has not been the case because despite the tax revenue and expenditure reported yearly, the corporal position of the state in form of infrastructure and social amenities is backward. This is apparent in the lack of electricity supply, portable drinking water, basic health care delivery, bad roads, just to mention but a few.

The fall in oil price in 2014 led to a tremendous fall in Government proceeds and this is palpable in government struggle to cover recurrent expenditure like wages and salaries. By mid 2016, Nigeria entered a technical recession as a result of the fall in aggregate demand. The focal intention of miscellaneous advancing nation is to inflate the rate of economic maturity which frequently leads to an advanced standard of living. Various channel and actions have being taken by the Nigerian administration to inflate the economic escalation and expansion and which is yet to yield the expected result. The national poverty mitigation curriculum designed by the Nigerian administrators to trim down poverty rate amid the populace was introduced. The curriculum included providing job opportunities for young and unemployed, small and medium-sized businesses to a minimum rate loan. With all these channels and policies adopted so far, the Nigerian economy has shown no appreciable progress. As a result, tax takings over the years have been very low and there has been no corporal maturity. For this reason, the poor are yet to feel the impact of the curriculum. Insufficient tax personnel, fallacious conduct of tax collectors and lack of indulgent of the magnitude of paying taxes by tax payers are some of the problems of this study.

Hence, the study intends to fill the void of analyzing the effect of federal government policy and the interactions that exist between taxation and economic development in Nigeria. The purpose is to determine how the economy should be affected by various taxes. Gross domestic product will be used as a parameter to measure economic development. The gap in terms of the period covered is also a contributory factor to the disparity in the outcomes of nexus between tax revenue and the economy.

The aim of the study is to investigate the extent to which federal tax policy influence Nigeria economy development. Hence the following are the precise objectives:
To assess the relationship between value added tax (VAT) and Gross domestic product (GDP).
To determine the nexus between custom &excise duty (CED) and Gross domestic product (GDP).
To find out the effect of Petroleum Profit Tax (PPT) on Gross domestic product (GDP).
To ascertain the influence of Company Income Tax (CIT) on Gross domestic product (GDP)
To know whether the combination of all the independent variables (value added tax (VAT), custom and excise duty (CED), Petroleum Profit Tax (PPT) and Company Income Tax (CIT) have a significant effect on gross domestic product (GDP)

In light of the research objective listed above, the following are the research questions which will be answered in the research study:
What is the nexus between value added tax (VAT) and Gross domestic product (GDP)
To what extent does custom &excise duty (CED) affect Gross domestic product (GDP)
What is the influence of Petroleum Profit Tax (PPT) on Gross domestic product (GDP)
Does Company Income Tax (CIT) significantly impact Gross domestic product (GDP)
What is the combine effect of all the independent variables (value added tax (VAT), custom and excise duty (CED), Petroleum Profit Tax (PPT) and Company Income Tax (CIT) on gross domestic product (GDP). Research Hypotheses are:

H01: There is no significant nexus between value added tax (VAT) and gross domestic product
H02: Custom & excise duty (CED) does not have a significant effect on gross domestic product (GDP)
H03: Petroleum Profit Tax (PPT) does not influence gross domestic product (GDP)
H04: Company Income Tax (CIT) does not significantly impact gross domestic product (GDP)
H05: The combination of the independent variables (VAT, CIT, CED and PPT) does not significantly explain change in gross domestic product (GDP).

There can't be a superior time to conduct research on tax assessment and its approaches as an impetus for economic development in Nigeria, especially with the developing expense among various governments in Nigeria. Over the years, a considerable measure of economic scholars within and outside the nation have advanced research on topics related to this research work.
This study intends to take a few steps and advance further from the knowledge of numerous scholars by taking a critical look on taxation as a catalyst for economic advancement in Nigeria. Through this research and the policies that would be recommended, government would be appropriately guided on the best way to run a smooth and effective tax system and policies that would propel the socio and economic growth rate of the nation. This research work is also important because it aims at proving recommendations to address the savagery impact of poor taxation and tax system as an aid to economic growth and social development in Nigeria. This research work would contribute to the empirical literature by concentrating on the impact of each of the federal tax policy indicators on economic growth.

This research work would likewise be of incredible advantage to decision makers even at the federal stage as they formulate policies aimed at enhancing economic development through a better tax revenue system. Interested academicians, government personnel and even students will discover the finding from this study useful and of great benefit on tax issues, as it will be added to the current writing.

This research study is categorized as time series study which will be covering the period from 1986 – 2015. Hence, various types of federal tax policies will be used as the proxies in the study which are value added tax (VAT), custom and excise duty (CED) Petroleum Profit Tax (PPT) and Company Income Tax (CIT) which will be measured on the GDP as parameters for measuring economic development. Lack of co-operation from institutions as certain revenue generating and tax institutions were not forthcoming with their record. Certain libraries did not have contemporary materials for the researcher to work with.

LITERATURE REVIEW

Taxation can be said to be an instrument that the legislature has utilized to create returns for the general public, (Anyaduba, 2004 cited from Ofoegbu, Akwu and Oliver, 2016). The administration forces it on the income, abundance of individuals, gathering of individuals and corporate association.

Bukie and Adejumo (2013), assessed the impact of taxes earnings on Nigeria monetary progress from period 1970-2011. The signals used for monetary growth are; home investment, labour push and foreign immediate investment. There's an affirmative and momentous correlation involving the signals and financial improvement, (Ofoegbu et al., 2016).

The involvement of just Value Added Tax (VAT) to Development of Lagos Point out Current economic climate from 2001 to 2005 was analyzed by Owolabi and Okwu (2011). Different development signals were regressed on VAT earnings that Lagos Condition produced through the analysis period. The earnings made from VAT have a good and significant romance on development of respected areas of Lagos Express economy. The analysis was expanded by Adereti et al. (2011), and the result of VAT earnings on financial expansion of Nigeria through the period 1994 to 2008 was evaluated. There's an affirmative and noteworthy liaison involving VAT earnings and Nigeria GDP which result is relative to that of Owolabi and Okwu (2011).
The result of Petroleum Income Taxes on the economic expansion of Nigeria between the periods 2000 to 2010 was analyzed by Success et al. (2012). There is a positive and statistically significant impact of petroleum earnings duty on Nigeria GDP. Details about the financial development weren't provided. Enormous sum of money received from Petroleum Revenue Tax and earnings gotten from essential oil do not result in economic development and writers were more worried about this. The development in the development of the monetary does echo in Nigeria's basic monetary development was their debate.

The correlation between federally made income and monetary progress in Nigeria using Gross Local Product (GDP) for the time 1981 to 2007 was evaluated by Okafor (2012) cited from Ofoegbu et al. (2016). There's a positive marriage between TAX Earnings and Nigeria economic development. The partnership between Company TAX and Nigeria Economic Development was evaluated by Adegbie and Fakile (2011). There's a considerable correlation between company tax and Nigeria monetary development, (Ofoegbu et al., 2016).

Onaolapo *et al.* (2013), empirically examined “the outcome of petroleum profit tax (PPT) on Nigeria economy, in line with the aim of the study, secondary data were obtained from central bank of Nigeria statistical bulletin covering the period of 1970 to 2010.The study employed annual data on the rate of petroleum profit tax (PPT), inflation, exchange rate and economic growth (proxied by Gross domestic products) for Nigeria. The analysis was carried out in two forms and they are regression analysis and correlation. Regression analysis includes many techniques for modelling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables”.

The estimation of VAT contribution to the expansion of Lagos State was analyzed by Owolabi and Okwu (2011). "Enlargement aspects considered included infrastructural development, environmental management, education sector development, youth and social development, agricultural sector development, health sector development and transportation sector development. Result showed that VAT revenue contributed positively to the development of the respective sectors. However, the above studies show a shortage of inclusive research on the impact of tax revenue on the Nigerian Economy. Rather, most research has focused only on a single aspect of the tax sources".

The result of Tax Income on the economic progress of Nigeria between 1980 and 2007 was analyzed by Worlu and Emeka (2012) cited from Ofoegbu et al. (2016). "They used its influence on infrastructural development. Infrastructural development and gross local product respectively (GDP) has a primary and indirect romantic relationship with tax revenue. Infrastructural development, overseas immediate investment, and GDP will be the channels by which tax income influences the development of Nigeria current economic climate. The option of system stirs up investment and the investment subsequently brings about economic progress, (Mpia and Ejiodamen, 2016)".

DATA AND METHODOLOGY

This analysis is on the basic of econometric analysis. To examine the correlation involving inflation, taxation and economic augmentation in Nigeria, the analysis was examined using an econometric methodology of multiple regression statistical and econometric tools in analyzing and presenting data. This research study is categorized as time series study which covered the period from 1986 – 2015. The ordinary least square (OLS) technique of estimation was used in estimating the model. This is because of its intriguing BLUE (Best Linear Unbiased Estimator) properties. The OLS estimator has both numerical and statistical properties. Davidson and Mackinnon (1993) put the numerical properties as "those properties that hold as a consequence of the use of ordinary least squares, regardless of how the data was generated.

DATA PRESENTATION AND ANALYSIS

The major process of analysis used in the project is the regression analysis. Secondary data was used from the reports and bulletin of Central bank of Nigeria (CBN) and National Bureau of Statistics so as to explore the correlation involving inflation, taxation and economic escalation. Therefore, all variables are examined through the unit root tests and co-integration analysis.

Hypotheses testing

E-view statistical analysis was employed in order to substantiate the existence of correlation that exists involving the independent variables and the dependent variable.

Nigeria Economic Development = f (TAXATION)

The model is formulated below

$$GDP = f(VAT, CED, CIT, PPT) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (i)$$

Where GDP = Gross domestic product
VAT = Value Added Tax
CED = Custom and Excise Duties
CIT = Company Income Tax
PPT = Petroleum Profit Tax.
Mathematically the model is expressed as:
GDP = A. $VAT^{\beta 1}$. $CED^{\beta 2}$.$CIT^{\beta 3}$. $PPT^{\beta 4}$. μ_{it} .... (ii)
β1, β2, β3, β4 are parameters to be estimated; μ_{it} = stochastic term.
Where β_0 = the intercept or the constant
Explicit form therefore illustrates;
$GDP = \beta_0 + \beta_1 VAT_{it} + \beta_2 CED_{it} + \beta_3 CIT_{it} + \beta_4 PPT_{it} + \mu_{it}$.......................... (iii)

H_{01}: There is no significant nexus between value added tax (VAT) and gross domestic product
LOGGDP = β_0 + β1LOGVAT

Table 4.0.1Long-run regression analysis showing correlation involving Value added tax and GDP

Dependent Variable: LOG(GDP)				
Method: Least Squares				
Date: 04/25/17 Time: 12:42				
Sample (adjusted): 1994 2015				
Included observations: 22 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.958630	0.116366	76.98666	0.0000
LOG(VAT)	0.306878	0.022490	13.64498	0.0000
R-squared	0.903000	Mean dependent var		10.48983
Adjusted R-squared	0.898150	S.D. dependent var		0.452594
S.E. of regression	0.144441	Akaike info criterion		-0.945389
Sum squared resid	0.417262	Schwarz criterion		-0.846203
Log likelihood	12.39927	Hannan-Quinn criter.		-0.922023
F-statistic	186.1855	Durbin-Watson stat		0.761512
Prob(F-statistic)	0.000000			

Source: Author computation using Eview8.0.

Interpretation of result

From the results obtained in the Table above, it is observed that the constant parameter (β0) and Gross Domestic Product (GDP) have a positive correlation while β1 (VAT) have a positive coefficient values showing a positive relationship with the dependent variable Gross Domestic

Product (GDP). This means that an increase in value added tax (VAT) will cause an increase in Gross Domestic Product (GDP).

A critical examination of the results as reported above shows that about 95.3% of the total variation in the regress and or dependent variable Gross Domestic Product (GDP) can be explained by the repressors or independent variable values added tax (VAT). This is indicated by the coefficient of determination (R^2) value of 0.903000. This implies that values added tax (VAT) account for 90.3% of changes in Gross Domestic Product (GDP), an examination of the F-statistic value of 574.7947. Testing for overall significance shows that the overall model is significant at 5% level of significance. Since the observed value of 186.1855 is greater than the critical F-value of F0.05= 4.31.

Since the pvalue (0.0001) is less than significance value (5% or 0.05) we thereby fail to accept the null hypothesis and conclude that There is significant relationship between value added tax (VAT) on Nigeria economic development The regression is written as follow:

GDP= 8.958630+ 0.306878**VAT**

This implies that a unit increase in Value added tax (VAT) will propel an increase of 0.306878 billion Naira in Gross Domestic Product (GDP). When Value added tax (VAT) is zero, Gross Domestic Product (GDP) is 8.958630

H_{02}: Custom & excise duty (CED) does not have a significant effect on gross domestic product (GDP)

LOGGDP = β_0 + β1LOGCED

Table 4.0.2 Long-run regression analysis showing relationship between custom and excise duty and GDP

Dependent Variable: LOG(GDP)				
Method: Least Squares				
Date: 04/25/17 Time: 13:04				
Sample: 1986 2015				
Included observations: 29				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.435356	0.387582	19.18397	0.0000
LOG(CED)	0.259032	0.034921	7.417754	0.0000
R-squared	0.670824	Mean dependent var		10.28326
Adjusted R-squared	0.658633	S.D. dependent var		0.489183
S.E. of regression	0.285813	Akaike info criterion		0.399517
Sum squared resid	2.205611	Schwarz criterion		0.493813
Log likelihood	-3.792996	Hannan-Quinn criter.		0.429049
F-statistic	55.02307	Durbin-Watson stat		0.137772
Prob(F-statistic)	0.000000			

Source: Author computation using Eview8.0.

Interpretation of result

From the results obtained in the Table above, it is observed that the constant parameter (β0) has a positive relationship with Gross Domestic Product (GDP) while β1 (CED) have a positive coefficient values showing a positive relationship with the dependent variable Gross Domestic Product (GDP). This means that an increase in custom and excise duty (CED) will cause an increase in Gross Domestic Product (GDP).

A critical examination of the results as reported above shows that about 59.0% of the total variation in the regress and or dependent variable Gross Domestic Product (GDP) can be explained by the repressors or independent variable custom and excise duty (CED). This is indicated by the coefficient of determination (R^2) value of 0.670824. This implies that custom and excise duty (CED) account for 67.1% of changes in Gross Domestic Product (GDP), an examination of the F-statistic value of 55.02307. Testing for overall significance shows that the overall model is significant at 5% level of significance. For the reason that the observed value of 55.02307 is greater than the critical F-value of F0.05= 4.31. Since the p-value (0.0001) is less than significance value (5% or 0.05) we thereby fail to accept the null hypothesis and conclude that there is significant relationship between custom and excise duty (CED) on Nigeria economic development the regression is written as follow:

GDP= 7.435356+ 0.259032**CED**

This implies that a unit increase in custom and excise duty (CED) will propel an increase of 0.259032 billion Naira in Gross Domestic Product (GDP). When custom and excise duty (CED) is zero, Gross Domestic Product (GDP) is 7.435356

H_{03}: Petroleum Profit Tax (PPT) does not influence gross domestic product (GDP).

$GDP = \beta_0 + \beta_1 PPT$

Table 4.0.3 Long-run regression analysis showing relationship between Petroleum profit tax and GDP

Dependent Variable: LOG(GDP)				
Method: Least Squares				
Date: 04/25/17 Time: 12:39				
Sample: 1986 2015				
Included observations: 30				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.665787	0.273870	27.99065	0.0000
LOG(PPT)	0.214276	0.021937	9.767829	0.0000
R-squared	0.773115	Mean dependent var		10.30619
Adjusted R-squared	0.765012	S.D. dependent var		0.496819
S.E. of regression	0.240836	Akaike info criterion		0.054936
Sum squared resid	1.624051	Schwarz criterion		0.148350
Log likelihood	1.175954	Hannan-Quinn criter.		0.084820
F-statistic	95.41048	Durbin-Watson stat		0.595928

Prob(F-statistic)	0.000000			

Source: Author computation using Eview8.0.

Interpretation of result

From the results obtained in the Table above, it is observed that the constant parameter (β0) has a positive relationship with Gross Domestic Product (GDP) while β1 (PPT) have a positive coefficient values showing a positive relationship with the dependent variable Gross Domestic Product (GDP). This means that an increase in petroleum profit tax (PPT) will cause an increase in Gross Domestic Product (GDP).

A critical examination of the results as reported above shows that about 59.0% of the total variation in the regress and or dependent variable petroleum profit tax (PPT) can be explained by the repressors or independent variable petroleum profit tax (PPT). This is indicated by the coefficient of determination (R^2) value of 0.773115. This means petroleum profit tax (PPT) account for 77.3% of changes in Gross Domestic Product (GDP), an examination of the F-statistic value of 95.41048. Testing for overall significance shows that the overall model is significant at 5% level of significance. Since the observed value of 95.41048 is greater than the critical F-value of F0.05= 4.31. Since the p-value (0.0001) is less than significance value (5% or 0.05) we thereby fail to accept the null hypothesis and conclude that; there is momentous correlation between petroleum profit tax (PPT) on Nigeria economic development the regression is written as follow:

GDP= 7.665787+ 0.214276**PPT**

This implies that a unit increase in petroleum profit tax (PPT) will propel an increase of 0.214276 billion Naira in Gross Domestic Product (GDP). When petroleum profit tax (PPT) is zero, Gross Domestic Product (GDP) is 7.665787.

H_{04}: Company Income Tax (CIT) does not significantly impact gross domestic product (GDP).

LOGGDP = $\beta_0 + \beta_1$LOGCIT

Table 4.4.4 Long-run regression analysis showing relationship between company income tax and GDP

Dependent Variable: LOG(GDP)				
Method: Least Squares				
Date: 04/25/17 Time: 13:10				
Sample: 1986 2015				
Included observations: 30				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.023581	0.155159	51.71193	0.0000
LOG(CIT)	0.210542	0.014029	15.00804	0.0000
R-squared	0.889433	Mean dependent var		10.30619

Adjusted R-squared	0.885485	S.D. dependent var	0.496819
S.E. of regression	0.168124	Akaike info criterion	-0.663890
Sum squared resid	0.791438	Schwarz criterion	-0.570477
Log likelihood	11.95835	Hannan-Quinn criter.	-0.634007
F-statistic	225.2413	Durbin-Watson stat	0.210032
Prob(F-statistic)	0.000000		

Source: Author computation using Eview8.0.

Interpretation of result

From the results obtained in the Table above, it is observed that the constant parameter (β0) has a positive relationship with Gross Domestic Product (GDP) while β1 (CIT) have a positive coefficient values showing a positive relationship with the dependent variable Gross Domestic Product (GDP). This means that an increase in company income tax (CIT) will cause an increase in Gross Domestic Product (GDP).

A critical examination of the results as reported above shows that about 59.0% of the total variation in the regress and or dependent variable Gross Domestic Product (GDP) can be explained by the repressors or independent variable company income tax (CIT). This is indicated by the coefficient of determination (R^2) value of 0.889433. This implies that company income tax (CIT) account for 88.9% of changes in Gross Domestic Product (GDP), an examination of the F-statistic value of 225.2413. Testing for overall significance shows that the overall model is significant at 5% level of significance. For the reason that the observed value of 225.2413 is greater than the critical F-value of F0.05= 4.31.

Since the p-value (0.0001) is less than significance value (5% or 0.05) we thereby fail to accept the null hypothesis and conclude that; there is considerable correlation between company income tax (CIT) and Nigeria economic development. The regression is written as follow:

GDP= 8.023581+ 0.210542**CIT**

This implies that a unit increase in company income tax (CIT) will propel an increase of 0.210542 billion Naira in Gross Domestic Product (GDP). When company income tax (CIT) is zero, Gross Domestic Product (GDP) is 8.023581

Aggregate Effect

H_{05}: The combination of the independent variables (VAT, CIT, CED and PPT) does not significantly explain change in gross domestic product (GDP).

$LOGGDP = \beta_0 + \beta_1 LOGVAT + \beta_2 LOGCED + \beta_3 LOGCIT + \beta_4 LOGPPT + \mu_t$

Table 4.4.5 Regression showing the relationship between the dependent variable (GDP) and the independent variables

Dependent Variable: LOG(GDP)		
Method: Least Squares		
Date: 04/25/17 Time: 13:19		
Sample (adjusted): 1994 2015		
Included observations: 21 after adjustments		

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.969050	1.085052	7.344392	0.0000
LOG(CIT)	0.337329	0.081105	4.159147	0.0007
LOG(PPT)	0.051438	0.032110	1.601958	0.1287
LOG(VAT)	0.011248	0.105053	0.107066	0.9161
LOG(CED)	-0.188636	0.086264	-2.186732	0.0440
R-squared	0.968486	Mean dependent var		10.46691
Adjusted R-squared	0.960608	S.D. dependent var		0.450489
S.E. of regression	0.089411	Akaike info criterion		-1.786891
Sum squared resid	0.127909	Schwarz criterion		-1.538195
Log likelihood	23.76235	Hannan-Quinn criter.		-1.732917
F-statistic	122.9282	Durbin-Watson stat		1.441097
Prob(F-statistic)	0.000000			

Source: Author computation using E-view 8.0.

Interpretation

The regression result is presented in table 5 the adjusted R-square stood at 0.97 or 97 per cent which is acceptable because the R-square should be above 60 per cent to fit the data reasonably well on the regression line, provided that most of the endogenous variables were included in the model. Thus, the combination of the independent variables were able to explain 97 per cent of the variation in gross domestic product in the long run while the other 3 per cent was unaccounted for.

The F-statistic, 122.9282, shows that a joint or multiplicative relationship exists between value added tax, company income tax, petroleum profit tax and custom and excise duty and they collectively influence gross domestic product.

The coefficient of company income tax is positive implying a positive relationship between company income tax and gross domestic product. Reasoning economically, other variables being constant, it indicate that a 1 per cent change in exchange rate causes a 0.337329 units increase in GDP, while a 1 percent change in petroleum profit tax causes a 0.051438 units increase in GDP.

Still holding other variables constant, a unit change in value added tax increase GDP by 0.011248 per unit of time, while a unit change in custom and excise duty will reduce the GDP by 0.188636

Since the p-value (0.0001) is less than significance value (5% or 0.05) we thereby fail to accept the null hypothesis and conclude that there is joint significant relationship between value added tax (VAT), Custom and Excise Duties (CED), Petroleum Profit Tax (PPT) and Company Income Tax (CIT) on Nigeria economic development

The econometric equation can be written as:

$LOG\ (GDP) = \beta_0 + \beta_1\ LOGVAT + \beta_2\ LOGCED + \beta_3\ LOGCIT + \beta_4\ LOGPPT + \mu_t$

$LOG\ (GDP) = 7.969050 + 0.011248VAT + (-0.188636)\ CED + 0.337329CIT + 0.051438PPT$

DISCUSSION OF FINDINGS

The outcome of the hypotheses revealed a momentous correlation involving value added tax, company income tax, petroleum profit tax and custom and excise duty, the regression analysis test further revealed that value added tax, company income tax, petroleum profit tax have a affirmative effect on gross domestic product. This implies that an increase in value added tax, company income tax and petroleum profit tax will lead to increase in gross domestic product. This validate Success *et al.* (2012) findings, Anyanwu (1997) findings, and Salami *et al.* (2015) who found that companies' income tax positively and significantly affects GDP was also upheld by this study.

The result for the Petroleum profit tax is not surprising given that the oil and gas sector is responsible for about 90 percent of the country's total export earnings (Organization of the Petroleum Exporting Countries, 2015). The companies that pay these taxes and royalties render a huge amount of the taxes to the federal government.

Company Income tax revenue generated over the years has fuelled the growth of the economy. The thirty percent corporate tax rate may be consistent with the Ibn Khaldun's theory of taxation. This theory posits a significance of a positive impact from a sustained optimum tax rate has on the general revenue generation and output of the economy or economic growth.

The Custom & Excise duties on the other hand, have a negative relationship with GDP. This may be the result of improper management of revenue generated by customs and tax officials, corruption and faulty tax administration. This study is in agreement with that of Baba (2007) whose findings showed that a negative relationship exists between custom and excise duty and gross domestic product.

GRAPHICAL ANALYSIS

The graphical analysis is done to know the trend in the variables. It is done to know how the variables have being fluctuating over the years.

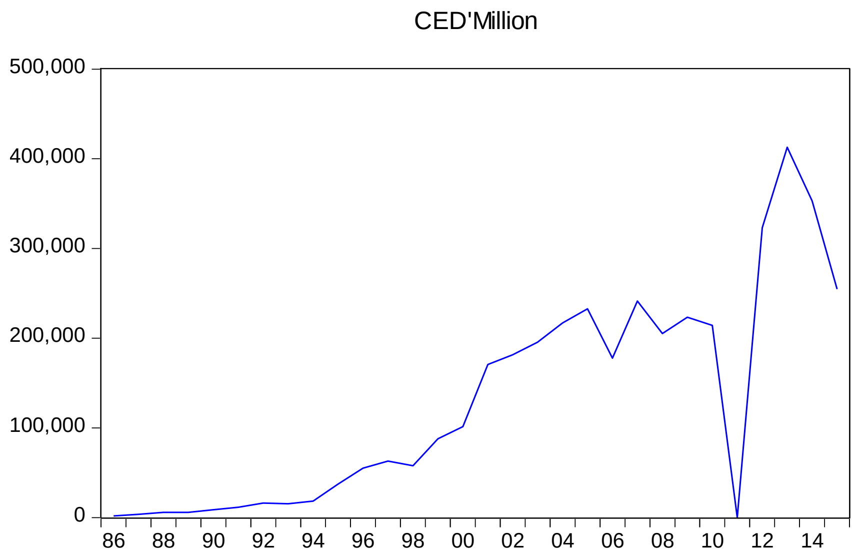

Figure 1: Custom and Excise Duty

Custom and excise duty which is an inland tax imposed on the sale or production of specific goods. It is levied on importation of goods and services brought into the country.
There have being fluctuations in the values of custom and excise duties within the period under survey. The value in custom and excise duties has being of a decrease since 1986. It began to increase in 1994 and went flat in 2011. It began to increase again in 2012 and was really high in 2012 but it dropped back in 2015.

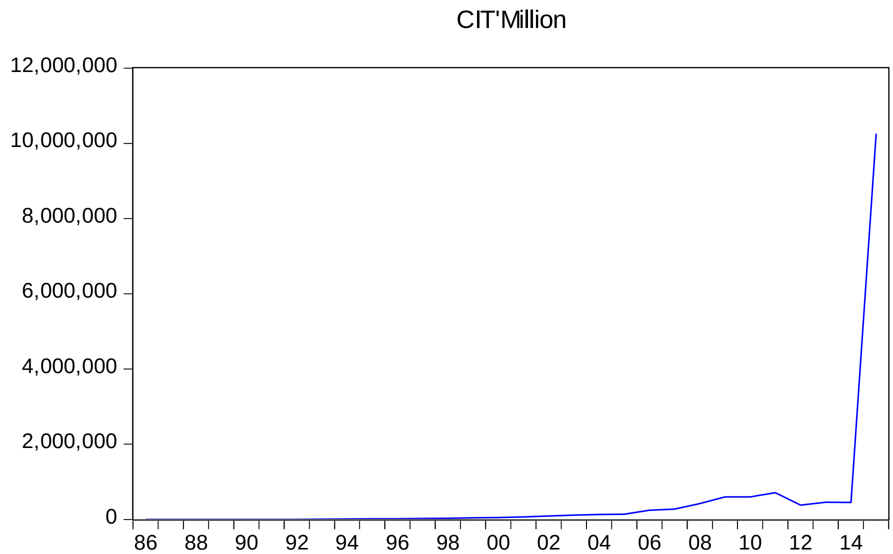

Figure 2: Company Income Tax

Company income tax is a corporate tax that is imposed on the profit of a company. It is levied on the proceeds of an organization

The values in company income tax have not being improving since 1986, the values have being on a decrease since 1986 to 2013. It began to increase in 2014 and is yet to drop since then so there have being improvement in the collection of company income tax.

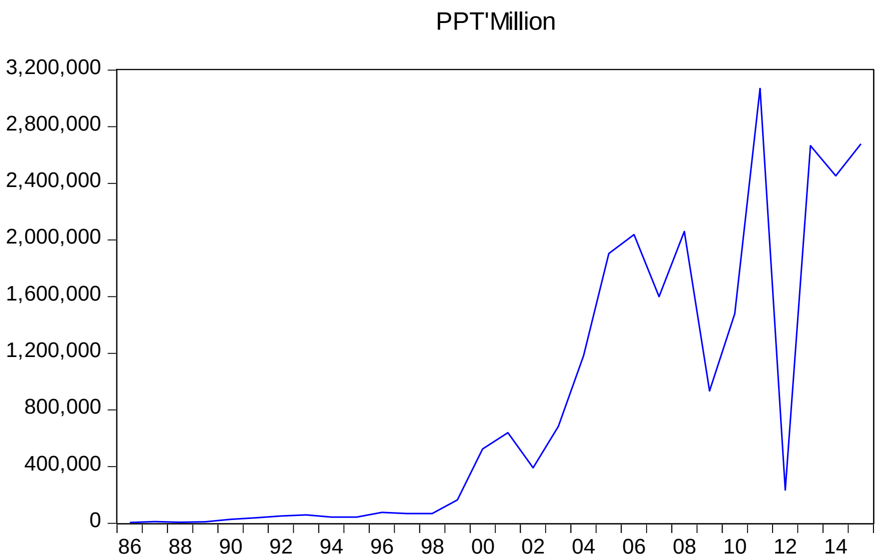

Figure 3: Petroleum Profit Tax

Petroleum profit tax is a tax collected from organizations involved in the extraction and transportation of petroleum.

Petroleum profit tax started increasing in 1999 and has being of an increase ever since then but in 2012, it dropped drastically. It began to increase in 2013 and there have being improvement since then.

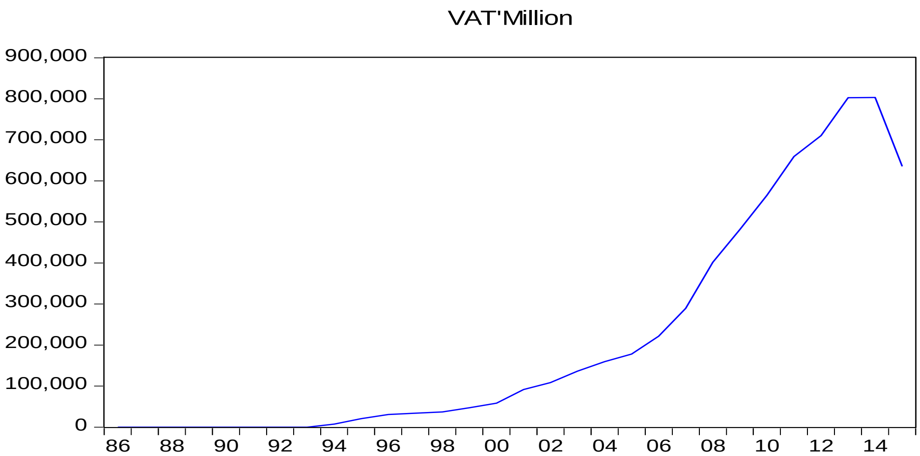

Figure 4: Value Added Tax

Value added tax which is an indirect tax is charged at each level of production and consumption of goods and services.

Value added tax began to increase in 1994 and has being improving since then. It later dropped in 2014 and since then, it is yet to increase again.

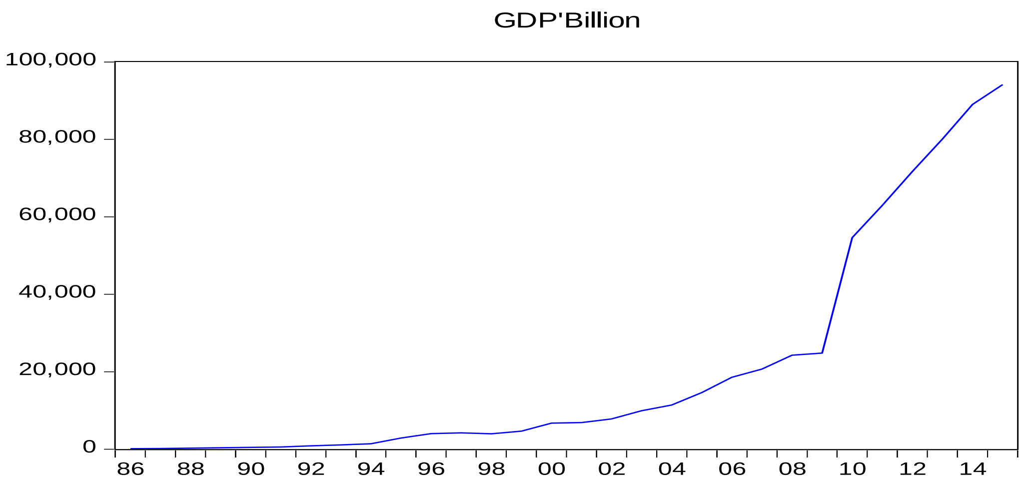

Figure 5: GDP

Gross domestic product is measured by the amount of goods and services a country produce over the year.

The gross domestic product as at 1986 as being of a decrease and it began to increase in 1994. Ever since then, the gross domestic product has being improving and has being increasing.

CONCLUSION AND RECOMMENDATIONS

The findings of the work throw in improved perceptive of tax takings and economic growth in Nigeria. GDP and four other variables that represent petroleum profit tax, company income tax, custom and excise duties, and value added tax were developed to test which factors best describes the intensification in Nigeria. The outcome reflected that petroleum profit tax, company income tax, custom and excise duties, and value added tax are significant variables in explaining the economic growth in Nigeria. Out of all the four independents variables, it is only custom and excise duties that shows ä negative relationship with economic growth which implies that they are both moving in inverse direction. The remaining three independent variables show ä positive relationship with economic growth. The implication of the findings is pointing majorly at policy makers, especially the Federal Board of Inland Revenue as most of our variables shows ä positively significant relationship with economic growth, meaning that there should be no area in tax collection that should be taken lightly as they have all proven to be ä major variable in connection to economy expansion. Also, for researchers, the study will re-introduce them to ä different direction of ways in which tax revenue can contribute to the economic growth in Nigeria and add to the existing literatures on this subject matter and also ensure that the regulatory body implement policies that will reduce the loop holes in tax laws which tax payers capitalize on to evade tax.

One of the main purposes of tax revenue is to raise revenue that the government can use to provide adequate amenities and infrastructure for its citizens as well as enhance growth and development but the case seems to be different in Nigeria as the physical evidences does not show that funds generated from tax revenue are used for this purpose. The work has thrown some light on the impact of tax revenue on Nigeria's economy. It is glaring that the Nigerian total tax revenue generated has ä momentous effect on the economy in general.

This study intends to take a few steps and advance further from the knowledge of numerous scholars by taking a critical look on taxation as a catalyst for economic advancement in Nigeria. Through this research and the policies that would be recommended, government would be appropriately guided on the best way to run a smooth and effective tax system and policies that would propel the socio and economic growth rate of the nation. This research work is also important because it aims at proving recommendations to address the savagery impact of poor taxation and tax system as an aid to economic growth and social development in Nigeria. This research work would contribute to the empirical literature by concentrating on the impact of each of the federal tax policy indicators on economic growth.

This research work would likewise be of incredible advantage to decision makers even at the federal stage as they formulate policies aimed at enhancing economic development through a better tax revenue system. Interested academicians, government personnel and even students will discover the finding from this study useful and of great benefit on tax issues, as it will be added to the current writing. However some of these limitations were encountered during the research process; Lack of co-operation from institutions as certain revenue generating and tax institutions were not forthcoming with their record. Certain libraries did not have contemporary materials for the researcher to work with.

Recommendations that emerged from the findings and conclusions of the study are as follows:
1. The prologue of the Tax Identification Number (TIN) which is a registration and storage of tax payers' data in Nigeria is ä welcomed idea but for it to be successful it should be structured in such ä way that will make all potential tax payers liable. Citizens and companies should be able to operate bank accounts only if they have TIN numbers. Government parastatals, multinationals, conglomerates and companies in the country should not engage any vendor who does not have ä TIN number. This will go ä long way in reducing Tax evasion.
2. The tribunal recommended by the Tax Act 1993 should be established to reduce cases of tax evasion and remittance of tax collections especially custom and excise duties which reported ä negative impact on GDP. Only professionals and trustworthy hands should be responsible for tax administration.
3. All taxes should be remitted via an e-payment system or via direct payment to the various tax authorities' accounts. This will enhance and support the cashless economy system introduced recently.
4. Tax Clearance Certificates and other tax documents used in government transactions should be referred back to the relevant revenue authority for authentication. The government should ensure that taxes are accounted for to the public via print and electronic media. The intent of government with such tax should be communicated to the general public. In so doing, ä separate body should be set up to inspect and ensure that the funds generated by government through tax at each level of government is properly used and any level of government that fails to utilize such taxes as communicated to the public should be charged to court.

REFERENCES

Adegbie, F.F. and A.S. Fakile, 2011. Company income tax and Nigeria economic development. *European Journal of Social Sciences*, 22(2): 309 - 332.

Adudu, S., & Ojonye, M. (2015). The impact of tax policy on economic growth in Nigeria. *Economics and Sustainable Development, 6*.

Adereti, S. A, Sanni, M. R, &Adesina, J. A (2011). Value added tax and economic growth of Nigeria, *European Journal of Humanities and Social Sciences* Vol. 10, No.1 (Special Issue), 2011 © JournalsBank.com (2011). ISSN 2220-9425 457

Ajakaiye, D.O (2000). Macroeconomic effects of VAT in Nigeria: A Computable General Equilibrium Analysis, assessed from www.citeseerx.ist.psu.edu/viewdoc/downlead on 4th October, 2014.

Anyaduba, J.O., 2004. Partnership taxation in Nigeria. *ICAN Student Journal*, 9(2): 15 - 17.

Bukie, H.O. and T. Adejumo, 2013. The effect of tax revenue on economic growth in Nigeria. *International Journal of Humanities and Social Invention*, 2(6): 16 – 26.

Jhingan, M.L. (1995). The economics of development and planning (28th Revised Edition). New Delhi: Prabhat Offset Press.

Nzotta, S.M. (2007): "Tax evasion problem in Nigeria: A critique. Nigerian Account, Vol 40. No 2 pp 40-43.

Ofoegbu, G.N, David, O. Akwu, O(2016).Empirical analysis of effect of tax revenue on economic development of Nigeria. *International Journal of Asian Social Science*,6(10): 604-613,

Okafor, R.G., 2012. Tax revenue generation and Nigerian economic development. *European Journal of Business and Management*, 4(19): 49 – 56.

Onaolapo AA, Aworemi RJ, Ajala OA (2013). Assessment of value added tax and effect of revenue generation in nigeria of value added tax on revenue generation in Nigeria. *Pakistan J. Soc. Sci.* 10(1): 22- 26.

Owolabi, S.A. and Okwu, A.T. (2011). Empirical evaluation of contribution of value added tax to development of Lagos State economy. Middle Eastern Finance and Economics, 1(9): 24 –34.

Salami, G.O., K.H. Apelogun, O.M. Omidiya and O.F. Ojoye, 2015. Taxation and Nigerian economic growth process. *Research Journal of Finance and Accounting*, 10(6): 93-101.

Success, M.J., E.B. Success and M.S.K. Ifurueze, 2012. Impact of petroleum profit tax on economic development of Nigeria. *British Journal of Economics, Finance and Management Sciences*, 2(5): 60-71.

Worlu, C.N. and Emeka,N. (2012). Tax revenue and economic development in Nigeria: A macroeconometric approach. *Academic Journal of Interdisciplinary Studies*, 1(2): 211-223.