

# Forestalling Value Added Tax and Personal Income Tax on Economic Growth in Nigeria

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**Abstract:** - This paper examined the impact of tax revenue on aggregate and disaggregate on economic growth in Nigeria covering a period of forty years (1979-2018). A purposive sampling technique was also used, adopting aARDL model. The result showed that Value Added Tax (VAT) has significance effect on gross domestic product with coefficient 0.4675 at 5% level of significance. Personal Income Tax (PIT) also has a positive significant effect on economic growth with coefficient 0.1975 with p-value of 5% level of significant. The overall result showed significant effect of tax revenue on aggregate on economic growth. The study then concluded that there is urgent need for government to prioritize her needs as petroleum revenue continues to decrease. Therefore the study recommends that government should try to diversify the economy as revenue generated from petroleum should be used to develop other sectors of income generation.

**Keywords:** Value Added Tax, Personal Income Tax and Economic Growth.

## I. INTRODUCTION

The main objective of any developing country is to increase the rate of economic growth and per capital income which leads to a higher standard of living. Thus, taxation can be used as a stimulus to accelerate such growth in the Nigerian economy. Chigbuand Njoku (2015) asserts that the economic history of both developed and developing countries, reveals that taxation is a vital instrument of government that generates revenue, which also create fiscal goals that influence the direction of investment and taming the consumption and production of certain goods and services. Oriakhi (2014) supports that taxes are imposed to regulate the production of essential goods and services, protection of infant industries, control business and commerce, curb inflation, reduce income inequalities.

Taxation is the key to promoting sustainable growth and poverty reduction. It provides developing countries with a stable and predictable fiscal environment, promote growth and to finance their social and physical infrastructural needs. Combined with economic growth, it reduces long term reliance on aid and ensures good governance by promoting the accountability of governments to their citizens (Romer & Romer, 2010). According to Gwangdi and Abubakar (2015), availability and mobilization of revenue is the fundamental factor with which an economy is managed and run. Tax revenue is a core instrument in the hands of the government to fulfill expenditures and it helps in acquiring sustained growth

targets. The nature of taxes can help predict a growth pattern. The overall tax burden is significant in explaining variations in economic growth.

Government needs money to be able to execute its social obligations to the public and these social obligations include but not limited to the provision of infrastructure and social services. Meeting the needs of the society calls for huge funds which an individual or society cannot contribute alone and one medium through which fund is derived is through taxation (Murkur 2001).

Basically, there are two ways of financing government expenditure in Nigeria; which are oil revenue and non-oil revenue sources, the Nigerian government derives a large proportion of its total revenue from oil (Bawa & Mohammed, 2007). Empirical studies have shown that the quantum of revenue available to any government needed to meet the social and capital expenditure in a country depends on its ability to harness funds from internal and external sources and channel it towards national development and economic prosperity. Appah (2010), in his findings, stated that revenue from taxation forms the bedrock of the revenue base of most governments all over the world. The extent to which a government can provide social, economic and infrastructural development is a function of the amount of funds at its disposal. This paper therefore studied the impact of tax revenue on the economic growth in Nigeria, using Value Added Tax (VAT) and Personal Income Tax (PIT).

### 1.1 Statement of the problem

It has been observed over the years that tax revenue has generally been grossly understated due to improper tax administration arising from under assessment and inefficient machinery for collection. In Nigeria revenue derived from income taxes has been grossly understated due to improper tax administration, assessment and collection (Ola, 2001; Adegbe & Fakile, 2011). Persons and companies are known to routinely evade and avoid taxes due to corrupt practices and the existence of various loopholes in the tax laws. According to Oluba (2008), the success or failure of any tax system depends on the extent to which it is properly managed; the extent to which the tax law is properly interpreted and implemented.

The Nigerian government undertook various tax law reforms to improve tax administration and to increase tax yield. The

Value Added Tax (Amendment) Act, 2007; was for instance intended to widen the value added tax base and improve the machinery for its collection. Similarly the Company's Income Tax (Amendment) Act, 2007; the Federal Inland Revenue Services (Establishment) Act, 2007 and The Personal Income tax (Amendment) Act, 2011, were all aimed at encouraging tax compliance and increasing tax yield (Aguro, 2010).

According to Iweala (2013), about 75% of registered firms were not in the tax system and 65% of them had not filed their tax returns for 3 years (2010-2012). Over ₦80 billion was lost monthly from these companies, estimating the total Company Income Tax leakages in that period to about \$250 million.

According to Fowler (2018), there are 6,772 number of billionaire tax defaulters and they are of three categories: those that have Tax Identification Number (TIN), those that do not have TIN and of course no TIN no pay and those that have not even paid anything. On a minimum, every company or business included here over the last three years (2015-2017) have had a banking turnover of N3 billion and above while some of them have had banking turnover of over N5 billion and have not paid one kobo in taxes.

As noted by Tax Justice Network TJN (2012), tax is the most important, beneficial and sustainable source of financing for development. Tax revenue in Africa, for example, is worth ten times the value of foreign aid. The long-term goal of poor countries must be to replace foreign aid dependency with tax self-reliance. However, in Nigeria, the contribution of tax revenue has not been encouraging, thus expectations of government are being cut short. Corruption, evasion, avoidance and tax haven indicators are strongly associated with low revenue and indeed, corruption functions like a tax itself. According to Adegbe and Fakile (2011), the more citizens lack knowledge or education about taxation in the country, the greater the desire and opportunities for tax evasion, avoidance and non-compliance with relevant tax laws.

In this respect, the country becomes more adversely affected due to absence of tax conscience by individuals and companies and the failure of tax administration to recognize the importance of communication and dialogue between the government and the citizens in tax related matters. In the face of resource deficiency in financing long term development, Nigeria has heavily resorted to foreign capital such as loans and aid as the primary means to achieve rapid economic growth. This has accumulated huge external debt in relation to gross domestic product and serious debt servicing problems in terms of foreign exchange flow and as such, majority of the populace live in abject poverty.

Government has expressed concern over these and has vowed to expand the tax revenue, in order to meet its mandate, the current government introduced voluntary assets and income declaration schemes (VAIDS) which aims at increasing compliance by tax payers, so as to increase revenue generated from taxes. Kiabel and Nwokah (2009) argue that the

increasing cost of running government coupled with the dwindling revenue has left all tiers of government in Nigeria with formulating strategies to improve the revenue base. According to Akintoye and Tashie (2013), more-than-ever before, there is a great demand for the optimization of revenue from various tax sources in Nigeria now.

It has been observed that in Nigeria, the quantum of income generated from non-oil tax over the years by the federal government is grossly insufficient in relation to the ever increasing social, political and infrastructural developmental needs of the country. As noted by Odusola (2006), Nigeria economy has thrived largely on oil revenue in the past decades. In essence, Nigeria runs a monolithic economy which is subject to international oil price mechanism far beyond the control of the government, thereby exposing the economy to global market fluctuations, slant budgetary protrusions, and renders meaningful developments unapt. The current budget of borrowing in Nigeria is a fall out of the dwindling oil revenue that has sank into abysmal low prices in the international market and has thrown the Nigeria budget in recent years into serious crisis.

Therefore the problem of poor economic growth due to insufficient revenue collection and inefficient administrative framework by federal government of Nigeria were the major issues this research work is investigating. It is in this light that the research objectives were raised.

### *1.2 Research Questions*

The following research questions will be answered. These will include:

1. What influence Value Added Tax on economic growth in Nigeria?
2. What effect does Personal Income Tax has on economic growth in Nigeria?

### *1.3 Objective of the paper*

The main objective of this paper is to examine the impact of tax revenue collected on the economic growth of Nigeria. The specific objectives are to:

1. Determine the impact of Value Added Tax on the economic growth in Nigeria;
2. Investigate the effect of Personal Income Tax on the economic growth in Nigeria.

### *1.4 Hypotheses of the paper*

This paper is guided by the following hypotheses:

- H<sub>01</sub>: Value Added Tax has no significant impact on the economic growth in Nigeria.
- H<sub>02</sub>: Personal Income Tax has no significant effect on economic growth in Nigeria.

## II. CONCEPTUAL AND LITERATURE REVIEW

### 2.1 The Concept of Taxation:

Tax is a compulsory contribution imposed upon persons and firms by a public authority to cover government expenses (Attamah, 2004). Attamah opined that tax is a good source of revenue to government, as it is regularly imposed annually or as government thinks fit. He affirmed that income from taxes on people and firms play critical roles in any nation's economic growth and development. Tax administration and collection is a major problem facing taxation world-wide. Bad administration and collection of tax has led to tax evasion. Udobah (2002), referred to tax as a necessary vice to meet the cost of those services a society wishes its government to provide. According to Udobah (2002), tax is an obligatory transfer from tax payers to the public authority. Udobah (2002), argued that taxation was originally formulated to raise revenue so as to cover the state expenditure. Today however, it has been assumed to play a more far reaching role which includes curtailing the consumption of harmful commodities, to regulate the production of certain commodities. It is used as an instrument of economic policy, to control monopoly, curb inflation, and protect infant industries. The Institute of Chartered Accountants of Nigeria (2014) and the Chartered Institute of Taxation of Nigeria (2002), defined tax as an enforced contribution of money to government pursuant to a defined authorized legislation.

### 2.2 Value Added Tax in Nigeria

The idea of introducing VAT in Nigeria came from the report of the Study group set up by the Federal Government in 1991 to review the entire tax system. VAT was proposed and a committee was set up to carry out feasibility study on its implementation. In January 1993, Government agreed to introduce VAT by the middle of the year. It was latter shifted to 1st September, 1993 by which time the relevant legislation would have been made and proper ground work done.

The implementation of VAT officially commenced on 1st December, 1993 when the VAT Decree No. 102 of 1993 came into effect. However, registered person were given the whole of December to adjust their accounts, particularly the incorporation of VAT information into their general ledgers, in order to comply with the record keeping requirements of the tax. That means that registered persons started issuing VAT invoices to their customers from 1st January, 1994.

The VAT system in Nigeria is administered by the Federal Inland Revenue Service (FIRS) which is a Federal Government agency. The VAT Directorate, within the FIRS, is centrally located at the Head Office in Abuja with a network of Zonal and Local VAT offices throughout the federation. VAT is operated using the existing machinery of the FIRS in close cooperation with the Nigeria Customs Service (NCS).

Value Added Tax has been described by Sam Aluko, a Nigeria Professor of Economics, as "the increase in the value

of goods or services in the process of their production or delivery". (In a paper titled "An analysis of the classical VAT as operated in selected Countries"). In other words Value Added Tax is the amount of value a firm contributed to a good or service by applying its own factors of production namely: Land, Labour, and Capital and Entrepreneurial ability. Generally speaking, value can be added to a product in the following three ways:

- a- By altering its form (improving on it)
- b- By moving it to an area of higher need (transportation) and
- c- By passage of time (storage).

### 2.3 Personal Income Tax in Nigeria

This is a tax levied on employment income and any other income received by individuals. Individuals here being those in paid employment and those in self-employment, i.e. those engaged in a trade, business, profession or vocation such as lawyers, accountants, doctors, traders in shops etc. The assessment and collection of this tax in Nigeria is regulated by the Personal Income Tax Act No. 104 LFN, 1993. It is this law that gives the necessary procedures and administrative powers to impose and collect taxes from persons, individuals, partnerships, executors, trustees Family or Communities Corporation sole or body of individuals. Personal Income Tax is collected by the various state governments through the State Board of Internal Revenue (SBIR) from individuals resident in the tax territory. Taxes from certain categories of individual - members of the Armed Forces, the Nigeria Police, FCT residents, External Affairs Officials and non-resident individuals- are collected by the Federal Government via the Federal Board of Inland Revenue (FBIR).

### 2.4 Economic Growth in Nigeria

According to Olopade and Olapade (2010), growth means an increase in economic activities. Jhingan (2004) defined economic growth as the process where by the real per capita income of a country increases over a long period of time. However, it can also be seen simply, as the increase over time of an economy's capacity to produce those goods and services needed to improve the wellbeing of the citizen in increasing numbers and diversity. It is the steady process by which the productive capacity of the economy is increased over time to bring about rising level of national income (Anyanwu & Oaikhenan, 1995).

Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with same input of labour, capital, energy and materials. However, economist draws a distinction between short term economic stabilization and long term economic growth. Economic growth is primarily concerned with the long run. The short run variation of economic growth is termed the business cycle (Devaranjan, Swaroop & Zou, 1996). A country's economic growth is a long term rise in

capital to supply increasing diverse economic goods to its population (Oremade, 2006).

## 2.5 Theoretical Framework

### 2.5.1 Theory of Economic Growth

Interest in growth issues has led to the development of various theories of growth, each purporting to explain the mechanics of growth. However, in the context of this study, the Keynes' growth theory provides the theoretical basis for this study because it explains how expansion through increase in government expenditure can bring about growth, whereas government expenditure is a function of revenue, of which petroleum taxation is a major source.

Keynes was of the opinion that increase in government expenditure leads to higher economic growth. The theory demonstrates a long-term full employment which requires that two fundamental conditions be met, that is, the ratio of investment to income must equal the full employment savings ratio, and the economy's rate of growth must equal the natural rate of growth.

### 2.5.2 Responsive Regulation Theory

Responsive regulation theory in modern tax administration connotes the establishment and implementation of regulatory framework capable of influencing the whole body of tax community's commitment to voluntary tax payment through respectful treatment, identifying non-compliant behaviour, reforming faulty processes and fairly but firmly directing disapproval of non-compliant behaviour while recognizing the limitations and peculiarity of individual firm or organization. Paying taxes is contestable in terms of the amount, method of collection, modalities of enforcement and how well it serves the general public interest (Braithwaite, 2007). Responsive regulation entails responsive measures put in place by tax administrators capable of responding to various needs of those they regulate with a view to removing to paying their taxes as at when due. (Braithwaite 2003).

## 2.6 Empirical Review

Okoli and Afolayan (2015), examined the Correlation between Value Added Tax (VAT) and National Revenue in Nigeria: An ECM model. The study employed an Error Correction Model (ECM) for the analysis. Data spanning 1994 -2012 sourced from Central Bank of Nigeria annual report & CBN Statistical Bulletin were used for the analysis. Result from the study revealed that VAT is the second long term source of the total federally collected revenue.

Anyaduba and Aronnwan (2015), investigate the impact of tax revenues collected by the government on infrastructural development in Nigeria. This study restricts itself to taxes collected by the federal government of Nigeria. The longitudinal research design was used. The choice of this design is based on the observation of variables over a period of time (1980 to 2014). The hypotheses raised were evaluated using the Error Correction Model. The findings show that CIT

and TET have significant impact on the level of infrastructural development while PPT and VAT have non-significant impact.

Akhor and Ekundayo (2016), examined the impact of indirect tax revenue on economic growth in Nigeria. The study uses value added tax revenue and custom and excise duty revenue as independent variables and economic growth was proxy with real gross domestic product as the dependent variable. The study employ secondary data collected from Central Bank of Nigeria statistical bulletin for the period covering 1993 to 2013 for the empirical analysis using the convenient sampling techniques. The research design is time series and the data were analysed using descriptive statistics, correlation, unit root test, co-integration test and error correction model regression. The result revealed that value added tax had a negative and significant impact on real gross domestic product. In the same vein, past custom and excise duty had a negative and weakly significant impact on real gross domestic product. The Error Correction Model (ECM (-1)) coefficient had a correct negative and statistically significant sign. This shows that short-run deviation can be quickly corrected. The Durbin-Watson positive value indicates the absence of autocorrelation in the model.

## III. METHODOLOGY

### 3.1 Research Design/Population and Sample

A quantitative research design was used in this paper, using time series data due to the nature of the variables under study. The population of this paper is the sample size. The paper make use of the purposive sampling technique. The Central Bank of Nigeria (CBN) and Federal Inland Revenue Service (FIRS) have been chosen for the purpose of this paper.

### 3.2 Model Specification

Guided by the perceived functional relationship between the matrix of economic growth (GDP) with PPT, CIT, CED, VAT, and PIT revenue, a link is forged among the 5 (five) variables. From sub-macro and micro economic perspectives, the model for this study states that economic growth (GDP) depend on PPT, CIT, CED, VAT, and PIT revenue. The model which is in line with the work of Ogbonna and Ebimobwei (2012) is a modified form of the model specified by Anyanwu (2007) in his study of Nigeria's tax efforts and economy development. Thus, the functional relationship and the resultant models are as specified below:

$$GDP_t = f(PPT_t, CIT_t, CED_t, VAT_t, PIT_t)$$

$$\log GDP_t = \alpha + \beta_1 \log PPT_t + \beta_2 \log CIT_t + \beta_3 \log CED_t + \beta_4 \log VAT_t + \beta_5 \log PIT_t + U_t$$

Where:

GDP= Economic growth (dependent variable)

Economic Growth; GDP is measured using:

Gross Domestic Product at a given time



PPT= Petroleum Profit Tax (independent variable)

PPT; is measured using PPT at a given time

CIT= Company Income Tax (independent variable)

CIT is measured using CIT at a given time

CED= Custom Excise Duties (independent variable)

CED is measured using CED at a given time

VAT= Value Added Tax (independent variable)

VAT is measured using VAT at a given time

PIT= Personal Income Tax (independent variable)

PIT is measured using PIT at a given

U= Error term

### 3.3. Method of Data Analysis

Autoregressive Distributed Lag (ARDL) model was employed. This is because ARDL model have more advantages than the Johansen cointegration approach. First, the ARDL approach can be applied irrespective of whether the regressors are I(1) and I(0). Second, while the Johansen cointegration techniques require large data samples for validity, the ARDL procedure provides statistically significant result in small samples (Pesaran and Shin, 1997; Pesaran and Shin, 1999; Narayan, P., 2005; Udoh and Ogbonna, 2009).

The generalized aggregate ARDL (p,q) model can be shown as follows (Green, 2003):

$$TLGDP = b_0 + \sum_{i=1}^p b_1^i TLGDP^{t-i} + \sum_{i=1}^q b_2^i LTAXREV^{t-i} + \sum_{i=1}^q b_3^i TEXR^{t-i} + \sum_{i=1}^q b_4^i INT^{t-i} +$$

$$\sum_{i=1}^q b_5^i INF^{t-i} + a^1 LGDP^{t-1} + a^2 LTAXREV^{t-1} + a^3 EXR^{t-1} + a^4 INT^{t-1} + a^5 INF^{t-1} + e^t$$

However, the disaggregate model of the ARDL is specified as:

$$TLGDP_t = b_0 + \sum_{i=1}^p b_1^i TLGDP_{t-i} + \sum_{i=1}^p b_2^i LPPT_{t-i} + \sum_{i=1}^p b_3^i LCIT_{t-i} + \sum_{i=1}^p b_4^i LCED_{t-i} +$$

$$\sum_{i=1}^q b_5^i TLVAT_{t-i} + \sum_{i=1}^q b_6^i TLPIT_{t-i} + a^1 LGDP^{t-1} + a^2 LPPT^{t-1} + a^3 LCIT^{t-1} +$$

$$a^4 LCED^{t-1} + a^5 LVAT^{t-1} + a^6 LPIT^{t-1} + e^t$$

The ARDL model is divided into two parts, the first part of the equation with  $\beta_0$  to  $\beta_5$  represent short run model of the relationships among the variables while the coefficients  $\alpha_1$  to  $\alpha_5$  represents the long run model of the ARDL.

### 3.4 Estimation Technique

The paper adopted a time series data analysis which was estimated using Fully Modified Least Square (FMLS) Regression Technique. The data were analysed using E-views version 7. After that, the paper proceeded to search for the existence of long-run equilibrium causal relationship among

value added tax, personal income tax as well as economic growth variables.

## IV. DISCUSSION OF FINDINGS

In order to analyze the model of the study empirically, the nature of the data distribution is examined using the descriptive statistics (mean, median, standard deviation, skewness and kurtosis). The normality of the data distribution is ascertained by the Jarque Bera test. The variables under study were found to be normally distributed as shown in Table 4.1.

The time series property of each variable was investigated through the Augmented Dickey-Fuller (ADF) test for the unit root. The Phillips-Perron (PP) test was also used to confirm the ADF test results. The null hypothesis of ADF and the PP tests is that the series are stationary. The results as reported in Table 4.2 shows that all the series appear non-stationary at level value but became stationary at first difference. Hence, the null hypothesis of a unit root is accepted for the level series, but rejected for the first differenced data.

At 1% level of significance also, the F statistic is greater than upper bound. It also means that long run equilibrium exist among the variables at 1% level of significance. F-statistics exceeds the upper bound in all three cases. Hence, at 1%, 5% and 10% level of significance respectively, the null hypothesis of no co-integration is also rejected. This implies that there exists a stable long-run relationship among Value Added Tax (VAT) and Personal Income Tax (PIT) included in the model. This is in line with the studies conducted by Benson & Yakubu (2017), Chukwu, Liman, Enudu & Ehiaghe (2015), Rosemary (2015).

ARDL Bounds test result of aggregate from table 4.2 above revealed that the F-statistics is greater than the upper bound. Hence, the null hypothesis of no co-integration is rejected at 5% level of significance. This means that there is a long run equilibrium relationship among the variables gross domestic product, tax revenue, exchange rate, interest rate and inflation rate. It is also evident that F statistic is greater than upper bound at 10% level of significance which means that there is long run equilibrium among the gross domestic product, tax revenue, exchange rate, interest rate and inflation rate. at 10% level of significance. At 1% level of significance also, the F statistic is greater than upper bound.

Table 4.10 shows the long run results estimates of the VECM. It revealed that long run equilibrium relations of the variables Value Added Tax (VAT) and Personal Income Tax (PIT) under estimation. Value Added Tax will lead to decrease in GDP by 101.37% and 81.72% respectively in the long run. This result is in line with the findings of the study carried out by Eniji, Dimis & Rose (2016).

The estimated short run coefficients of the ARDL show that Error Correction Model (ECM) has the correct sign that is less than one, negative (-0.2873) and statistically significant at 1% (0.0000). This proved the evidence of co-integration among

the variables Value Added Tax and Personal Income Tax. It implies that in the event of any disequilibrium in the economy, the system may correct itself from short run to long run equilibrium at the speed of about 29% every year.

Value Added Tax and Personal Income Tax have negative and statistically significant impact on economic growth performance indicator.

While carrying out Diagnostic test, the results of serial correlation test conducted using Breusch-Godfrey LM test revealed a p-value of 0.3105. This indicates that the null hypothesis of no serial correlation is accepted, since F-statistic is not significant even at 10% level. The normality test revealed that the model is normally distributed as shown by the insignificant p value of Jaque-Bera test (0.6610). From the foregoing, we can conclude that the VECM model is strongly adequate.

### V. CONCLUDING REMARKS

Based on the findings of this paper, the following recommendations were made:

1. Government should transparently and judiciously account for the revenue it generates through Value Added Tax (VAT) and Personal Income Tax by investing in the provision of infrastructural facilities. It is expected that the more effectively and efficiently revenue is utilized by government to create employment opportunities, satisfy the basic needs of her population, and sustain her quest for the development.
2. Government should try to diversify the economy. In so doing, revenue accrue to government through VAT should be judiciously used to develop other sectors, especially in developing other mineral resources and agricultural sector since the country has what it takes in terms of fertile land, favorable climate and manpower which will lead to economic growth.
3. The Federal Inland Revenue Service (FIRS) should properly monitor the activities of companies and individual tax payers to achieve optimum collection of taxes payable to the government as Personal Income Tax (PIT) and Value Added Tax (VAT) are potential source of alternative income as well as improve condition for Businesses to flourish thereby lead to additional job creation which will in tune lead to growth in economy.

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## Appendix

**Table 4.1: Summary Statistic of Variables Under Study**

	LGDP	LTAXREV	EXR	INT	INF
Mean	14.68407	12.91224	84.14561	17.28417	18.89963
Median	14.92968	12.89658	57.20175	17.24625	12.15626
Maximum	18.66568	15.94139	306.0837	31.65000	72.83550
Minimum	10.79368	9.811542	0.546781	8.150000	5.382224
Std. Dev.	2.672443	2.212421	87.06655	5.159094	16.91202
Skewness	-0.131468	-0.090285	0.863195	0.122664	1.823848
Kurtosis	1.631835	1.442098	3.042948	3.305173	5.151322
Jarque-Bera	3.235020	4.099439	4.970446	0.255528	29.88978
Probability	0.198392	0.128771	0.083307	0.880061	0.000000
Sum	587.3629	516.4896	3365.824	691.3669	755.9853
Sum Sq. Dev.	278.5361	190.8975	295642.8	1038.034	11154.64
Observations	40	40	40	40	40

Source: Author's Computation using Eviews version 9.

**Table 4.2: Unit Root Test (Augmented Dickey-Fuller and Phillips-Perron)**

Variables	Augmented Dickey- Fuller		Phillips-Perron	
	Level	First Diff.	Level	First Diff.
LGDP	-0.850202	-8.628229***	-3.399892*	-8.603426***
LTAXREV	-1.866311	-9.247034***	-2.701688	-9.268198***
EXR	-1.769274	-4.677705***	-0.993301	-4.504574***
INR	-2.118267	-7.075954**	-2.061399	-7.139592***
INF	--3.795872**	-6.161422***	-2.926976	-11.36580***

Note: \*\*\*, \*\* and \* indicate significant at 1%, 5% and 10% respectively.

Source: Authors computation from Eviews output.

**Table4.2: ARDL Bounds Test**

Test Statistics		
F-Statistics	8.05	
Critical Value Bounds		
Significance levels	I(0) Bounds	I(1) Bounds
10%	2.2	3.09
5%	2.56	3.49
1%	3.29	4.37

Source: Authors' Computation from Eviews Output.



Table 4.3: Result of the Estimated Long-Run Coefficients of the ARDL

Dependent Variable: LGDP				
Variables	Coefficients	std. Error	t-Statistics	Prob.
LTAXREV	1.718758	0.258426	6.650862	0.0000
EXR	-0.016296	0.007536	-2.162380	0.0390
INT	0.041782	0.032450	1.287582	0.2081
INF	0.012411	0.011395	1.089228	0.2850
C	-6.444793	2.677524	-2.406997	0.0227
$R^2 = 0.62$ , Adj. $R^2 = 0.51$ , AIC = 1.100287, SIC = 1.488137, HQC = 1.238281, DW = 2.04, F-Stat. = 5.94 (0.0001)				

Source: Authors calculation Using Eviews Version 9.

Table 4.4: Estimated Short-Run Coefficients of the ARDL Model

Dependent Variable: $\Delta$ LGDP				
Variables	Coefficients	std. Error	t-Statistics	P-value
D(LTAXREV)	0.346622	0.168757	2.053971	0.0491
D(EXR)	-0.008797	0.003001	-2.931230	0.0065
D(INT)	0.031349	0.020641	1.518782	0.1396
D(INF)	-0.000629	0.003656	-0.171941	0.8647
ECM (-1)	-0.469159	0.059252	-7.918041	0.0000

Source: Authors' computation Using Eviews Version 9.

Table 4. 5: Results of the Diagnostic Tests

Serial Correlation Test			
F-statistic	1.054430	Prob. F(2,27)	0.3623
Obs*R-squared	2.752999	Prob. Chi-Square (2)	0.2525
Normality Test			
F-Statistics	6.055	Probability Value	0.048

Source: Authors' Computation Using Eviews Version 9.