TAX COMPONENTS AND ECONOMIC GROWTH IN NIGERIA

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Abstract

This paper examined the effect of Nigerian tax system on her economic growth. It set out to determine the causal relationship between various identified components of taxes considering her growth trajectory. The paper answered the question of the contribution of the identified tax components using econometric methodology. Using the cointegration methodology ala granger the paper estimated the disequilibrium return rate and found that the contribution of Petroleum Profit Tax to gross domestic product is positive and significant over the years and a further increase will result to a rise in gross domestic product. This shows that PPT is vital to the growth of the Nigerian economy. Therefore, the government and the Institution in charge of tax collection should ensure that companies dealing with petroleum both in downstream and upstream should not avoid or evade tax. The study fails to accept the null hypothesis which state that PPT as a component of taxation has no significant impact on GDP. This result agrees with the findings of other earlier studies.

Keywords: Tax, Economic Growth, Nigeria.

Introduction

Taxation is the most important institutional instrument for government acquisition of resources for financing the discharge of its responsibilities. Agiobenebo et al(2003) Historically, the Nigerian tax system has undergone challenges ranging from poor tax administration, obsolete tax laws, multiplicity of taxes, structural challenges in the economy affecting the maximization of Value Added Tax (VAT), unavailability of tax statistics, paucity of tax data base, poor governance, corruption and poor methods collection. Odusola (2006). Ariyo (1997), Amin (2000), Muriithi and Maji (2003) cited in Ifurueze and Ekezie (2014) pointed out that a good tax system should be able to generate the needed revenue for government for

redistribution and investment infrastructure its provision guarantee for business to strive and economic growth if government expenditure is majorly derive from tax. Various researchers and experts differs on the impact tax has on economic growth. For instance, Ogbonna and Ebimobowei (2012) Umoru and Anyiwe (2013) results differs on the impact tax policy has on economic growth hence, it become hard to draw policy implication from. This made it more Important to make some clarity about how the Nigerian tax system affect economic growth and development.

In the course of this study, the following specific research questions were be asked.

What is the relationship that exists between economic growth and tax components in Nigeria?

ii) What are the impacts of the tax components on the growth of the Nigerian economy?

iii. What is the way forward to effective and efficient tax system in Nigeria?

This study evaluated the Nigerian tax system challenges and way forward. The study covered a period of 35years, (1981 – 2015) in order to have wide coverage, that will provide results that are robust. Such result will address a wider scope and have better implication for policy.

The broad objective of this study examined the effect of tax system on the Nigerian economy; the specific objectives of this study were as follows:

to determine the relationship that exists between economic growth and tax proxies in Nigeria; and

to evaluate the impact of tax components on the growth of the Nigerian economy.

Literature Review

An Overview of the Nigerian Tax System

The tax system in Nigeria is made up of the tax policy, the tax laws and the tax administration. All of these are expected to work together in order to achieve the economic goal of the nation. According to the Presidential Committee on National tax policy (2008), the central objective of the Nigerian tax system is to contribute to the well being of all Nigerians directly through improved

policy formulation and indirectly though appropriate utilization of tax revenue generated for the benefit of the people. In generating revenue to achieve this goal, the tax system is expected to minimise distortion in the economy. Other expectations of the Nigerian tax system according to the Presidential Committee on National tax policy (2008) include;

1. Encourage economic growth and development.
2. Generate stable revenue or resources needed by government to accomplish loadable projects and or investment for the benefit of the people.
3. Provide economic stabilization.
4. To pursue fairness and distributive equity
5. Correction of market failure and imperfection.

In an attempt to fulfill the above expectation, the national tax policy is expected to be in compliance with the principle of taxation, the lubricant to effective tax system.

The Nigerian Tax Policy

The tax policy is a formal, articulated and documented set of fundamental principles to guide the tax system in a country. According to the report of the presidential committee on National Tax policy (2008), "The National tax policy provides a set of rules, modus operandi and guidance to which all stakeholders in the tax system must subscribe". Tax policy formulation in Nigeria is the responsibility of the Federal inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies but under the guidance of the National Assembly i.e. the law making body in Nigeria (Presidential committee on National tax policy, 2008). Suffice it to say that if there must be any effective implementation of the Nigerian tax system or attainment of its goal, the use of the national tax policy document remain absolutely essential. According to the Presidential Committee on tax policy (2008), "Nigeria needs a tax policy which does not only describe the set of guiding rules and principles, but also provide a stable point of reference for all the stakeholders in the country and upon which they can be held accountable. James and Nobes (2008) as stated in James and Moses (2012) decried the inability of tax policy to meet up with efficiency and equity criteria against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcome that are in line with the

overall goal. Unfortunately, most policy changes in Nigeria are without adequate consideration of the taxpayers, administrative arrangement and cost plus the existing taxes. This has in no small measure hindered the effective implementation and goal congruence of the nation's tax system.

The Nigerian Tax Laws

The Nigerian tax laws are purely statutory and remain the legal instrument of authority to implement the tax policies of the country. The following are the tax laws in Nigeria which have undergone series of amendments over the years.

Companies Income Tax (CIT) Cap 60 LFN, 1990. This tax imposes a tax at the rate of 30% on total profits of companies.

Education Tax Act No.7, 1993 which imposes a 2% rate on assessable profits of Nigerian companies.

Petroleum profit Tax Act Cap354, LFN 1990. This act imposes tax on the operation of companies in the oil and gas industry.

Personal income Tax Act (PITA) No.104, 1993 which imposes a graduated tax rate on the total income of individuals as well as on the income of enterprise, trusts, partnership, settlements and estate of deceased persons.

Capital Gain Tax Act Cap 42, LFN, 1990. This act imposes tax rate of 10% on the gains accruing from the disposal of fixed assets.

Value Added Tax Act, No.102 of 1993 which imposes tax at the rate of either 0% or 5% on the consumption of goods and services. The tax base is on the value added.

Stamp Duties Act, Cap 411, LFN 1990. The act imposes tax on all instruments that require stamping to become legal and to be admissible in a court of law.

Industrial Development (Income Tax Relief) Act, Cap 179 LFN 1990. This act grants income tax relief on companies with a pioneer status.

National Information Technology Development Agency (NITDA) levy 2007. This imposes a 1% tax on the profit before tax (Net profit) on the following companies with a turnover of N100, 000.00 and above.

- GSM and telecommunication companies

-Bank and financial institutions

- Cyber cafes and internet service providers

- Insurance companies

- Pension companies and pension fund administrators

x. Taxes and levies (approved list for collection) Act No.21, 1998. This act clearly defined the taxes operating in Nigeria outline the taxes collectable by each tier of government within the federation.

The Nigerian Tax Administration

The tax administration in Nigeria is a function of the three tiers of government. Each tier of government set up its own machinery to ensure the effective collection of taxes within its jurisdiction.

At the federal level, the organ of tax administration is Federal Inland Revenue Service. The FIRS collects taxes under the jurisdiction of the federal government. Under the structure of the FIRS, there is a Technical Committee (Telcom) which considers all tax matters that require technical and professional expertise and give appropriate advice.

At the state level, there is a State Board of Internal Revenue (SBIR) for each state in the federation. The SBIR is responsible for collecting the taxes under the jurisdiction of the state. Each SBIR also has a technical committee as obtainable under the FIRS. At the state level, there is a Joint Revenue Committee responsible for implementing decisions of the Joint Tax Board (JTB) and also advising the state and local government on revenue matters.

The local Government Revenue Committee is charged with the responsibility of assessment and collection of all fines and rates under the jurisdiction of Local Government Councils.

Tax Type and Tax Jurisdiction

The assignments of fiscal instrument in Nigeria were guided by constitutional provision. The federal constitution gave the federal government exclusive power to collect levies like customs and excise, company tax, education tax and mining rents, VAT etc. All these revenues (with the exception of education tax) are paid into the federation account for distribution among the three tiers of government in line with national constitution. The states and

local governments are left with the powers to collect other fees. The main types of tax revenue for the Federal and sub-national government are listed in Table 2.1.

Table 1: Nigeria's Federal, State and Local Tax Jurisdiction and Assignment.

S/N	**Tax**	**Legal Jurisdiction**	**Collection**
1	Import duties	Federal	Federal
2	Excise duties	Federal	Federal
3	Export duties	Federal	Federal
4	Mining rents & royalty	Federal	Federal
5	Petroleum profits tax	Federal	Federal
6	Capital gains tax	Federal	Federal/State
7	Personal income tax (other than listed in 8)	Federal	State
8	Personal income tax: armed &police forces, external affairs officers, non residents, residents of the Federal Capital Territory	Federal	Federal
9	Value added tax	Federal	Federal
10	Companies' income tax	Federal	Federal
11	Stamp duties	Federal	Federal/State
12	Gift tax	Federal	State
13	withholding tax	Federal	Federal

13	Property tax and ratings	State	State/Local
14	Licenses and fees	Local	Local
15	Motor park dues	local	Local
16	Motor vehicle	State	Local
17	Capital transfer tax (CTT)	Federal	State
18	Pools betting and other betting taxes	State	State
19	Entertainment tax	State	State
20	Land registration and survey fees	State	State
21	Market and trading license and fees	State	Local

Source: Federal Inland Revenue Service (2014)

Unique Taxpayer Identification Number

As an effort and commitment of Nigerian tax authorities to increase the revenue generation and eliminate the leakage of the taxes through evasion, the Federal Inland Revenue Services (FIRS) introduce a program called Unique Taxpayer Identification Number (U-TIN). The program is one of the basic steps set in the tax administration process to have a data base of all registered taxpayers in the country. The program was recorded as one of the mechanism toward having a pool of taxpayers' registration and proper unique identification. Nevertheless, in order to certify the effective application of this scheme of registration, there is a need for clear thoughtful of the concept and idea behind its introduction. The main and paramount contextual to the institution of U-TIN in Nigerian tax system was the necessity to change the registration of taxpayers in the country from a manual process which is uncoordinated to an electronic or computerized, structured, harmonized and coordinated system. The former (which is manual) system was unreliable, boring, cumbersome and posed a main challenge to tax authorities as well as taxpayers. Thus, there was a need from the authorities to substitute that old

system with a new modernizes and more effective system which is additionally taxpayer friendly.

The basic idea of U-TIN is to provide harmonized and coordinated taxpayer identification system that is based on computerized system and easily accessible to all relevant stakeholders' perspective Ayodeji (2014). It is a collective and integrated system for taxpayer's identification throughout the country and would incorporate a database meant for all registered taxpayers at both the Federal and State level (local government is under state registration). This program would generate proper linkages within tax authorities (Federal and State) and yield cooperation and information dissemination about taxpayers thus, led to better compliance by taxpayers Ayodeji, (2014). The followings are some of the benefits of the U-TIN system in Nigeria such as:

* Minimizing the cost and time needed for tax compliance from taxpayer by tax authorities.

* Having a single and effective taxpayer's data base for federal and state level.

* Expansion of tax system which is useful for national security and social planning purposes.

* A friendly tax system that is well coordinated and accessible to all stakeholders.

* Modernizes an efficient way of assessing and detecting taxpayer defaulters.

* Increase voluntary compliance and discourage tax evasion.

It is anticipated that with the introduction of the program Governments and tax authorities at all levels shall collaborate to ensure the positive implementation and the evenly establishment of U-TIN system in Nigeria, in relations to funding, platforms and personnel for the organization of the system, nationwide.

Empirical literature

The previous studies in the performance of tax systems on economic growth, (Ogbonna and Apph (2016); Oseni (2015); Ogoun (2014), considered the role of effective and efficient tax administration considering various scales of

enterprises as an engine of growth. Independently both studies acknowledge the need for strong institutional framework powered by the information technology. Due to the lack of weak administrative system some economies have experienced the declining benefit taxes.

Studies in the adverse consequences of limited tax components and the evasion of identified taxes such personal income taxes (Kenedy and Alade; 2014); (Oboh, Y and Isa 2013), are clear on stand that that high tax rates, poor relationship between tax payers and tax authority and weak tax penalties are disincentives to tax compliance. As such the education of the general public would suffice to maintain a healthy relationship between economic agents and thus would foster voluntary compliance

Methodology

The framework for this study is anchored on the Keynesian theory. According to the Keynesian model, an increase in government expenditure accelerates economic growth and taxation as an instrument of fiscal policy can be used to stimulate the economy therefore, contributes to economic growth.

Discussion of variable and their functional relationship

Gross Domestic Product (GDP) - This is the monetary value of the final goods and services produced within a country's border in a specific period of time. GDP is adopted as a dependent variable in the model as a proxy for economic growth. GDP is used since the figure will either increase or decrease each year showing positive or negative growth.

Petroleum Profits Tax (PPT): PPT is imposed on all companies engaged in the extraction and transportation of petroleum products in Nigeria. It is a major source of revenue to the federal government. Petroleum Profit Tax is expected to show a positive relationship with GDP. This is because increase in PPT will lead to increase in GDP.

Company Income Tax (CIT): Company Income Tax is a tax imposed on the profit or gain of any company accruing in, derived from, brought into, earned in or received in Nigeria. It is expected to show a negative with GDP. This is because an increase in CIT will increase cost of production of companies thereby reduces output and GDP.

Custom and Excise Duties (CED): This type of tax is imposed on the importation of good into the country and manufacturing of goods within the Government territory. It is a source of income to the government and it is expected to show a positive relationship with GDP

Value Added Tax (VAT) - This is a form of taxation imposed on the value added at each stage of production process. VAT is a consumption tax and it is expected to show a negative relationship with consumption and GDP.

Model Specification

The study employed Gross Domestic Product as the proxy for the Nigerian economy and also identified the proxies for taxation which includes Petroleum Profit Tax, Company Income Tax, Custom and Excise Duties, Value Added Tax in order to evaluate the relationship and impact of tax revenue on economic growth in Nigeria. This follows the work of Salami, Apelogun, Omidiya and Ojoye (2015). The work presents the models as follows:

GDP= f (PPT, CIT, CED, VAT,)

The structural form is expressed as

$$gdp = \alpha_0 + \alpha_1 ppt + \alpha_2 cit + \alpha_3 ced + \alpha_4 vat + u_t$$

The lower case letters represent the logarithmic transformation

Where,

GDP	=	Gross Domestic Product
PPT	=	Petroleum Profit Tax
CIT	=	Company Income Tax
CED	=	Custom and Excise Duties
VAT	=	Value Added Tax
a_o	=	Intercept or constant term
$a_1 - a_4$	=	Coefficient of the explanatory variables
log	=	Natural logarithm notation
μt	=	Error term.

Empirical analysis

The empirical analysis provides insight on the data required, sources and method of the data collection, data analysis techniques and some test comprising both statistical and diagnosis test

Type and Sources of Data

The data needed for the model are;

Gross Domestic Product (GDP)	1981 – 2015
Petroleum Profit Tax (PPT)	1981 – 2015
Company Income Tax (CIT)	1981 - 2015
Custom and Excise Duties (CED)	1981 -2015
Value Added Tax (VAT)	1994 – 2015

The sources of these data are the Central Bank of Nigeria (CBN) statistical bulletin for various years, National Bureau of Statistics (NBS) and the Federal Inland Revenue Service (FIRS) published report.

Method of data analysis

In the course of analyzing the data obtained, the study employed Ordinary Least Squares (OLS) estimation approach to evaluate the relationship and the impact among the variables under investigation. The OLS method was employed because of its BLUE properties and minimum variance ensure the facilitation of the process of estimation, produces values that are true in a large sample and have smaller variance compared to other methods. Based on the observation from the OLS result, the study determined whether further test will be carried out.

Table 2 Descriptive Statistics Result

	LNGDP	LNPPT	LNCIT	LNCED	VAT
Mean	8.096895	11.87356	10.43472	9.836381	174932.1
Median	8.343600	11.36890	10.44107	9.688418	36293.47
Maximum	11.47336	15.34318	14.02698	13.79659	867737.1

Minimum	4.348544	4.507669	4.458653	3.640544	14.07997
Std. Dev.	2.207895	2.423227	2.243596	2.401964	251257.6
Skewness	-0.106463	-0.314627	-0.102658	-0.402807	1.439543
Kurtosis	1.737677	2.166478	2.041654	2.400536	3.750765
Jarque-Bera	9.559652	6.362538	5.603397	5.882168	51.64124
Probability	0.008397	0.041533	0.060707	0.052808	0.000000
Sum	1133.565	1662.299	1460.860	1377.093	24490500
Sum Sq. Dev.	677.5971	816.2124	699.6877	801.9507	8.78E+12
Observations	35	35	35	35	35

Source: Researcher's computation from E-views 9.

Table 3.1 above shows the descriptive statistics of the model. The mean of variables GDP, PPT, CIT, CED, and VAT are 8.096895, 11.87356, 10.43472, 9.836381 and 174932.1 respectively. The median of GDP, PPT, CIT, CED, and VAT are as follows 8.343600, 11.36890, 10.44107, 9.688418, and 36293.47. Also the minimum and maximum values of GDP, PPT, CIT, CED, and VAT ranges from 4.348544 to 11.47336, 4.507669 to 15.34318, 4.458653 to 14.02698, 3.640544 to 13.79659 and 14.07997 to 867737.1 respectively. The standard deviation of GDP, PPT, CIT, CED, and VAT which measures the series spread around its mean are 2.207895, 2.423227, 2.243596, 2.401964 and 251257.6 The skewness show that GDP, PPT, CIT and CED are negatively skewed with values -0.106463,-0.314627, -0.102658, -0.402807 respectively while VAT with value 1.439543 tailed to the right. The Kurtosis which show the peak of GDP, PPT, CIT, CED and VAT are 1.737677, 2.166478, 2.041654, 2.400536, 3.750765 respectively. The probability value of the Jarque-Bera statistic indicates that GDP, PPT, CED and VAT are normally distributed at 5% level of significance except CIT.

Results

Table 3: Static Ordinary Least Square Estimates

Dependent Variable: LNGDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNPPT	0.223991	0.038315	5.846050	0.0000
LNCIT	0.349353	0.044439	7.861378	0.0000
LNCED	0.002718	0.018199	0.149324	0.8815
VAT	5.95E-07	3.09E-07	1.926512	0.0561
TIME	0.026334	0.001914	13.75817	0.0000
R-squared = 0.970754, Adjusted R-squared = 0.969888. Durbin-Watson stat = 0.748936				

Source: Researcher's Computation

From the static regression above, it is observed from the coefficients that Petroleum Profit Tax (PPT) Company Income Tax (CIT), Custom and Excise Duties (CED) and Value Added Tax are positively related with the dependent variable (GDP). The P-value indicates that PPT is statistically significant at 5% level and that a 1% increase in PPT will result to about 22 percent increase in GDP. Also, CIT is statistically significant level at 5% which indicates that a 1% increase in CIT will cause GDP to increase with about 35 percent. Furthermore, CED and VAT exert a statistically insignificant influence on GDP at 5% level while The t statistics for Time variable indicates a significant upward trending pattern. Therefore, the data has to be detrended for further analysis. The coefficient of determination (0.970) and the adjusted R- square (0.969) reveals that the explanatory variables accounted for about 97 percent variations in the dependent variable. The DW-statistic (0.748936) shows presence of serial correlation in the model. Based on the existence of serial correlation in the model, further test will be carried out to test the stationarity of the variables and also test for the presence of long run relationship among the variables under review.

Engel and Granger Residual Cointegration test

Table 4: **Test Performed on the Residual of the Static OLS Equation**

Null Hypothesis: RESID03 has a unit root

Exogenous: Constant, Linear Trend

Bandwidth: 10 (Newey West automatic) using Bartlett kernel

	Adj. t-Stat	Prob.*
Phillips-Perron test statistic	-6.762916	0.0000
Test critical values 1% level	-4.025426	
5% level	-3.442474	
10% level	-3.145882	

Source: Researcher's computation from Eviews 9

The above table shows the residual two step cointegration ala Engel and Granger methodology. The linear combination of the integrated variable result to a stationary process as confirm by the unit root test on the residuals of the static equation above. The null of non stationarity failed to be accepted at 5% level of significance using the PP test. This establishes the presence of long run relationships among the variables under review, there is a long run relationship between Gross Domestic Product, Petroleum Profit Tax, Company Income Tax Custom and Excise Duties and Value Added Tax.

Error Correction Model

Base on the empirical evidence of cointegration among the variables, the Granger Representation Theorem proposed by Engel and Granger (1987)

requires that dynamic relationship among the variables can be expressed with an error correction model (ECM).

Table 4.3 Error Correction Model (ECM).

Dependent Variable: D(LNGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LNPPT)	0.056455	0.025150	2.244736	0.0264
D(LNCIT)	0.124957	0.030295	4.124695	0.0001
D(LNCED)	0.018417	0.015530	1.185890	0.2378
D(VAT)	1.09E-07	5.35E-07	0.204043	0.8386
ECM(-1)	-0.310897	0.053028	-5.862927	0.0000
TIME	0.000619	0.000450	1.375214	0.1714
C	-0.015264	0.036677	-0.416170	0.6780
R-squared = 0.320260, Adjusted R-squared = 0.289362				

Source: Researcher's Computation from Eviews 9

Table 4.3 shows the ECM estimates. It was uncovered from the result that Petroleum Profit Tax (PPT) has a significant positive effect on Gross domestic product. The result indicates that a 5 percent increase in PPT will result to about 5 percent increase in GDP. This finding is welcoming and it suggests that PPT is instrumental to the growth of Nigerian economy. Company Income Tax (CIT) also indicates a significant positive relationship with GDP. The result shows that a percentage increase in CIT will lead to about 12 percent increase in GDP. The coefficient of Custom and Excise Duties (CED) indicates that CED is statistically insignificant at 5 percent level and Value Added Tax (VAT) also exerts an insignificant impact on GDP at 5 percent level. The parameter estimate of the ECM is rightly signed and significant at 5 percent significance level. The coefficient suggests that a temporary deviation in the system is reconciled at the speed of 31 percent. The coefficient of

determination (0.32) reveals that the explanatory variables accounted for about 32 percent variations in the dependent variable while other variables not captured in the model accounted for about 68 percent variation in the dependent variable.

Other Robustness Test Results

Table 5 Test for Autocorrelation

F-statistic = 0.059229	Prob. F(1,131) = 0.8081
Obs*R-squared = 0.062817	Prob. Chi-Square(1) = 0.8021

Source: Researcher's computation from Eviews 9

The Table 4.3.4 above depicts the Breusch-Godfrey Serial Correlation LM test for the presence of autocorrelation.The result of the test reveals that the p-value of about 0.80% is greater than the critical value of 0.05%. This shows the non existence of autocorrelation.

Table 6 Test for Heteroscedasticity

F-statistic = 0.031909	Prob. F(6,132) = 0.8591
Obs*R-squared = 0.033403	Prob. Chi-Square(6) = 0.8550

Source: Researcher's computation from Eviews 9

The table above shows the ARCH test for heteroscedasticity to test whether constant variance exists. The table reveals that the p-value of about 85% is greater than the critical value of 5%. This shows that there is no evidence for the presence of heteroscedasticity. The study therefore fails to accept the null hypothesis.

Summary of Findings.

Summarily, the finding showed that:-

The contribution of Petroleum Profit Tax to gross domestic product is positive and significant over the years and a further increase will result to a rise in

gross domestic product. This shows that PPT is vital to the growth of the Nigerian economy. Therefore, the government and the Institution in charge of tax collection should ensure that companies dealing with petroleum both in downstream and upstream should not avoid or evade tax. The study fails to accept the null hypothesis which state that PPT as a component of taxation has no significant impact on GDP. This result agrees with the findings of Ogbonna and Ebimobowei (2012)

Company income tax (CIT) also depicts a similar result as PPT but contributes more to GDP when compared with PPT. It signifies that taxes realized from companies in Nigeria contribute positively to the growth of the Nigerian economy. Therefore, the study fails to accept the null hypothesis that CIT has no significant impact on GDP. The result here does not agree with the study conducted by Ifurueze and Ekezie (2014). However, it agrees with Salami et al (2014)

Custom and Excise Duties (CED) as a component of taxation depict a positive but insignificant contribution to GDP. It is expected that the revenue generated from CED should impact more on GDP since Nigeria is import dependant. The insignificant of CED to GDP may be may be as a result of corruption in the system, or porous borders that allow smugglings into the country.

Value Added Tax (VAT) shows a positive insignificant relationship with GDP. This may be as a result of obsolete method of VAT collection, Inability to Prioritize VAT as means of revenue generation or failure to deduct and remit VAT to the body in charge. The study therefore accepts the null hypothesis that VAT has no impact on gross domestic product in Nigeria.

Concluding Remarks

The study assessed tax system and the Nigerian economy from 1981 to 2015. Nigeria's tax system is characterized by complex and inequitable taxation laws, corrupt processes, weak tax assessment and multiplicity of taxes that have limited application in the informal sector that dominates the economy thereby limiting revenue generation and economic growth. For the tax system to be efficient and effective, Proper or adequate tax administration is required so as to generate sufficient revenue to trigger economic growth as it may have

favourable consequences on the systematic stability of the revenue base of the nation at any point in time. The magnitude of this effect depends on specific circumstances of the Nigerian, such as regulatory framework, supervision practices and policy issues. Furthermore, since taxation as a means of revenue generation for the nation, the agencies involved should be strengthened, officials should be well-paid, well-motivated, properly organized, adequately equipped, well-disciplined and professionally inclined.

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