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Impact of Tax Reforms on Economic Growth in Nigeria

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Abstract:
The study investigated the impact of tax reform on economic growth of Nigeria from 1991 to 2016, using 2004 as a bench mark point. The year 2004 was used as the bench mark year given that the reforms undertaken by the federal government touched all facet of tax system and administration. Data used for the analysis of this study were obtained from annual bulletin published by the Central Bank of Nigeria CBN from 1991 to 2016 and data obtained Federal Inland Revenue Service FIRS on demand. The study employed linear regression and the test hypotheses formulated were carried out using chow test. The research found out the following: PPT has positive but insignificant impact on GDP of Nigeria before and after the 2004 tax reform, CIT has significant positive impact on GDP of Nigeria before and after the 2004 tax reform, VAT has positive but insignificantly impacted on the GDP of Nigeria following the 2004 tax reform, EDT has significant and positive impact on GDP of Nigeria before and after the 2004 tax reform, and CONS has positively but insignificantly impacted on the GDP of Nigeria following the 2004 tax reform. The research concludes that 2004 tax reform has warranted only a mixed result on the gross domestic product such that while some tax measures showed insignificant relations some other measures of tax show that significant relationship with time.

Keywords: *Tax, reforms, economy and growth*

1. Introduction

Governance all over the world is a social contract between the citizen and the people in control of the government apparatus. The citizens surrender their loyalty to the government, expecting the government in turns to reward their loyalty through provision of social amenities. The core mandate of the government is to protect lives and properties of her citizens, which subsumes the provision of social welfare of the populace. Government cannot work effectively without adequate revenue stream to fund these obligations. As such it has designed different means to diversify the revenue generation stream of the federal government (FG). To diversify the revenue streams of the FG, is a major challenge facing Nigeria's Economy. However, this diversification has become necessary with the realization that dependency on crude oil earnings cannot sustain public expenditure. The Economy face the danger of being grounded if proactive efforts are not made towards sustaining the diversification of the revenue base, especially now the turbulence in international market for sale of crude oil is unpredictable. The U.S.A. and other major oil consuming nations have consistently reduced their demand for Nigeria's oil over the last few years. This is not a good signal for our fiscal operations which are oil revenue driven. The U.S.A and other developed economies have designed new energy policies and strategies which motivates the creation of synthetic products that may eventually displace or drastically reduce their dependency on crude oil. These developments are a clear invitation to Nigeria to make adequate move towards diversifying the revenue base (Oriakhi and Ahuru 2014: 93).

Various efforts have been made to initiate tax policy reform by the successive government since pre-independence. With the advent of oil in commercial quantity in Nigeria, the quest for a tax reform that will diversify the revenue stream of the FG were tilted toward oil revenue. According to Odusola (2006), the management of the Nigerian economy from 1967-1979 and from 1983 to 1999 did not initiate appropriate diversification of the revenue base of the economy. Though some tax reforms were implemented during military rule, they did not contain adequate initiatives for appreciable revenue productivity. The circumstance has plunged the Nigeria's tax contribution to GDP to the lower elb.

The country has a deceptively high tax revenue-GDP ratio, a situation that reflects what is obtainable in countries like USA, United Kingdom and Netherlands. However, this spurious high tax-GDPratio is betrayed by its external effective incidence and its high instability (Oriakhi and Ahuru 2014: 93).

Taxation is the main source of government funds. In line with KPMG (2006), the Nigerian tax system is basically structured as a tool for revenue collection. As mentioned earlier, the Nigeria's tax system has structured in such a manner that it is dependent on oil for its revenue generation. It is interesting to remind us that before the discovery of oil in large and commercial quantity, the bulk revenue accruing to tax is basically from other primary products (Odusola: 2006). The

implication of this is grave, as any obstruction in the income from the primary product spells doom to the Nigerian economy.

According to Oriakhi and Ahuru 2014, on returning to democratic dispensation in 1999, the FG under the leadership of Obasanjoput machinery in place to accelerate the reform of the tax system in order to broaden the revenue stream of the nation so as to hedge the economy fromre-occurring incidence of oil market shocks and provide sufficient financial resources to meet the profundity of the financial needs of the country. Taxation has been defined as the transfer of resources from private sector to the public sector, so that the government can meet its financial responsibilities (Azubuike, 2009).Tax reform is simply the series of action taken by Nigeria's government to promote the tax system. It is not novel as Nigeria has embarked on series of tax reforms. The several tax reforms were designed to broaden the tax base, reduce the tax burden on tax payers, restore the confidence of the tax payer on the tax system, and promote voluntary compliance on the part of the tax payer. On the whole, the ultimate goal of tax reform is the enhancement of public revenue generation. The aim of this paper is to assess the impact of the various tax reforms on the economic growth of Nigeria, using the year 2006 as a bench mark year and GDP as proxy for economic growth measurement. The year 2006 was used as a bench mark year being two years after the report of the Study Group on tax reform was submitted to the National Assembly for passage into law. The paper is divided into: introduction, literature review, methodology, data presentation and analysis and finally findings and recommendations

1.1. Problem of the Study

The Nigerian tax revenue is such that has been oscillating from one primary product as its main stay to another. Prior to the discovery of oil, the tax revenue has been based on the taxes collected from agricultural products. With the coming on stage of oil, the tax income was based on the revenue from the oil sector. This has consequences that could stagnate the economic growth of the country. With coming on stage, the democratic dispensation in 1999, efforts were made to broaden the revenue base of the country through various tax reform of different tax system, especially, in year 2004, comprehensive tax reforms that cut across all the tax system were instituted. The main aim of such the 2004 reform like other tax reforms were to increase the tax collectability and enhance economic growth through tax revenue. It is expected that the volume of revenue coming from direct and indirect system would increase. Therefore, the research is geared towards ascertaining the contributions of various tax system to economic growth in Nigeria.

1.2. Objective of the Study

The main objective of this research work is to assess the impact of tax reform on economic growth in Nigeria. The specific objectives are:

The main objective of this research work is to assess the impact of tax reform on economic growth in Nigeria. The specific objectives are:

- To determine the impact of PPT on GDP before and after the 2004 tax reform in Nigeria.
- To evaluate the impact of CIT on GDP before and after the 2004 tax reform in Nigeria.
- To examine the impact of VAT on GDP before and after the 2004 tax reform in Nigeria.
- To ascertain the impact of EDT on GDP before and after the 2004 tax reform in Nigeria.
- To determine the impact of CONS on GDP before and after the 2004 tax reform in Nigeria.

1.3. Research Questions

The following questions were necessary for this paper:

- To what extent has PPT impacted on GDP of Nigeria before and after the 2004 tax reform?
- How has CIT impacted on the GDP of Nigeria during the pre and post 2004 reform eras?
- To what extent has VAT impacted on the GDP of Nigeria during the pre and post 2004 tax reform?
- What is the impact of EDT on the GDP of Nigeria before and after the 2004 tax reform?
- To what extent has CONS impacted on the GDP of Nigeria during the pre and post 2004 tax reform?

1.4. Research Hypotheses

The following hypotheses shall be tested in this study:

- Ho_1: PPT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.
- Ho_2: CIT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.
- Ho_3: VAT has not significantly impacted on the GDP of Nigeria following the 2004 tax reform.
- Ho_4: EDT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.
- Ho_5: CONS has not significantly impacted on the GDP of Nigeria following the 2004 tax reform.

2. Literature Review

The literature is classified into three categories: conceptual framework, theoretical framework and empirical review

2.1. Concept of Tax Reform

The Nigeria tax system is a legacy of the colonial tax system. This is a legacy from the pre-independence government. Based on 1948 British tax laws and have been mainly static since enactment. The Nigerian tax system, is characterized by:

- Low contribution of Tax Revenue to Gross Domestic Product.
- Lack of precision in tax statutes.
- Inadequate level of quality personnel.
- Low technology utilisation.
- Pervasive tax evasion and non-compliance especially by the informal private sector and the public sector.

2.1.1. Previous Tax Reforms

Various attempts at reforming the Nigerian tax system, have taken the following forms: During the military governments (1966-1979 & 1983-1999), there was relative success in introducing new tax legislation, e.g.:

- The Companies Income Tax Act 1979;
- The PITA in 1992 (which took effect in 1993);
- The VAT Act 1993;
- Successive Finance Acts on an annual basis, implementing amendments to tax legislation; and
- Budget pronouncements issued by the Minister of Finance, which served as precursors to passage of tax legislation.

During 1991, a Study Group was established to review direct taxes under the jurisdiction of the Federal and State Governments. In 2002, another Study Group (the SG) was inaugurated to review the entire tax system in Nigeria. The terms of reference included:

- Review all aspects of the Nigerian Tax System and recommend improvements therein;
- Review the entire tax administration and recommend improvements in the structure for the whole country; and
- Consider measures to bring international developments in tax administration to bear in
- Nigeria.

In 2004, a Working Group (the WG) was inaugurated to review the report and recommendations of the SG. Organisation and methodologies of the SG:

- The SG was chaired by Professor Dotun Phillips and comprised members from the Federal/ State Tax authorities and the private sector.
- The SG divided itself into 8 sub-committees and divided its terms of reference among the committees;
- The SG worked for six days in every month, over a 12-month period before completing its work in July 2003.
- The SG invited memoranda from the public and from consultants and toured the geo-political zones in Nigeria to hold workshops and other focus sessions. The findings and recommendations of the SG is as follows:
- A National tax policy for the use of taxation to stimulate economic growth, and, exceptionally, to regulate social conduct.
- Codification of all tax laws and strengthening of tax administration personnel.
- A primary recommendation was for the tax authorities and the customs service to be granted autonomy, with funding to be provided by retention of a part of tax revenue collected.
- A wholesale review of all tax legislation, incentives and waivers. The SG included in its report, proposed amendments to be incorporated into the existing tax legislation.

The 2004 Working Group was chaired by Seyi Bickersteth and also comprised members from the Federal/ State Tax authorities and the private sector. The WG divided itself into 4 sub-committees and divided its terms of reference among the committees; The WG was concerned primarily with a detailed review of the workings and report of the SG although some further memoranda was received from stakeholders. The Report and recommendations made by the working group were as follows: Agreed with the SG's recommendations for the National Tax Policy.

- Recommended the creation of an autonomous National Customs &Revenue Authority to assimilate all tax administration powers and duties with funding from retained tax revenues.
- Reviewed each SG proposed modification to existing tax laws and provided comments thereon.
- Strengthening of Tax Administration.
- Proposed prioritised strategies for implementing the proposed reform and passage of new tax Bills.

Subsequent to the report of the WG in 2004, the government has presented the following tax legislation to the National Assembly:

- The Federal Inland Revenue Service Act to establish the agency as an autonomous body and guarantee its funding from a percentage of retained tax collections;
- Amendments to the Personal Income Tax Act, Companies Income Tax Act and the VAT Act.
- For the most part, the amendment Bills reflect the recommendations of the SG and WG.

In 2006, the recommendations and findings of the SW and WG were passed into law. Other reforms have taking place through various amendments of various tax system since 2006 till date. The table below shows the various tax reforms in Nigeria from 1900 to 2014

Year	Description
1904	Land Revenue Proclamation Law
1906	Native Revenue Ordinance
1943	Autonomy granted to Nigerian Inland Revenue
1957	Introduction of the Raisman Fiscal Commission
1958	Formation of Inland Revenue Board
1959	Petroleum Profit Tax Ordinance (PPT), No 15
1961	Income Tax Management Act (ITMA), Personal Income Tax Lagos Act
1967	Establishment of the Lagos State Inland Revenue Department
1979	Promulgation of Company Income Tax Act (CITA), C174
1990	Capital Gains Tax Act (CGTA), Minerals and Mining Act, Stamp Duties Act
1993	Finance (Miscellaneous Taxation Provisions) (Amendment) Decree No 3, Establishment of the Federal Inland Revenue Service (FIRS)
1998	Tax and Levies (Approved List for Collection)
1999	Constitution of Federal Republic of Nigeria
2001, 2004	Tax Policy and Administration Reforms Amendments
2004	Federal Inland Revenue Service Act, Companies Income Tax Act (CITA), Petroleum Profit Tax Act (PPTA), Personal Income Tax Act (PITA), Value Added Tax Act (VAT), Education Tax Act Custom and Excise Tariffs (Consolidation) Act National Sugar Development Act, National Automotive Council Act
2007	Nigerian technology Development Agency (NITDA) Act, Federal Inland Revenue Service Establishment Act

Table 1: Timeline of Major Tax Reforms in Nigeria, 1900-2014
Source: Nwaorgu, Herbert and Onyilo (2016)

2.1.2. Overview of Tax Administration Reform Actions in Nigeria

2.1.2.1. Restructuring the Regime of Taxation

The Study Group (2002) on the Nigerian Tax System, and the subsequent Working Group (2003) which reviewed the work of the former, helped to develop a new national tax policy. The Study Group concluded that Nigeria needed a national tax policy hinged principally on the foundation of fostering national development. Such a policy would constitute a means of

- attracting foreign direct investment;
- consolidating several policy documents into a single document for easy reference;
- blending various opinions on taxes of different kinds, as well as the issues surrounding those opinions; and
- providing direction and focus on general tax practice.

Consequently, the Study Group recommended, among other things, that:

- Tax should be regarded as a citizen's obligation to the Nigerian state for which he or she expects in return good governance, the provision of security, clean water, and other social amenities.
- Only career tax administrators, who are public servants, not ad-hoc consultants or agents, should collect tax.
- Tax efforts and focus should be shifted from direct taxation to indirect taxation.
- The number of taxes should be small in number, broad-based, and yield high revenues.
- The machinery of tax administration should be configured to be efficient and cost effective.
- All the three tiers of government should be free to set up their own administrative machineries for taxes under their jurisdiction, subject to the national minimum standards.
- The various tiers of government must avoid the hitherto common internal double taxation by the federal, state and local governments.
- In furtherance of the desire to reduce the tax burden on individual Nigerians, the national tax policy should be geared towards a low tax regime.

2.2. Organisational Restructuring

The implementation of the harmonised report of the two Groups started in 2004. To achieve the objectives of the reforms, the conclusion was reached that a structure 'that facilitates work flow from bottom to up, with work designed

around work teams' was required. The pre-2004 structure was inadequate for this task. It not only bred inefficiency, indiscipline, and fraud, it was so chaotic that it sorely limited the revenues that were derived from taxation all over the country. The reorganisation of the FIRS to ensure efficiency and effectiveness commenced in September 2004 with new administrative structure. Departments and units were created for effective management of tax operations. As a follow up on these initial steps, the FIRS management, after due consultations with internal stakeholders, identified seven strategic flanks upon which to drive the reform agenda. The seven strategic flanks are: funding/autonomy; capacity building (improved structure and staffing); process reengineering (human resources, finance and procurement processes); audit oil and gas/large taxpayers; taxpayer education; strengthen investigation and enforcement; automate tax collection. There were also the quality assurance and change process coordination division. The latter was one of the key organs created to drive the reforms by ensuring that all planned and systemic activities were implemented in the best possible way in terms of quality.

In June 2007, the management of the Service introduced the 'group system' structure in which roles and functions cascade from the group levels to departmental levels down to unit levels and finally to individual levels. The restructuring that saw the introduction of the group system made away with 'divisions'. Under the current arrangement, groups are headed by coordinating directors who report to the executive chairman. The groups consist of several departments headed by directors and the departments are comprised of units and sub-units down the line. The five groups that emerged from this are:

- Corporate Development Group (CDG);
- Support Services Group (SSG);
- Tax Operations Group (TOG);
- Compliance and Enforcement Group (CEG); and,
- Chairman's Office Group (COG).

However, with effect from March 2012, the Corporate Development Group (CDG)was renamed Modernization Group (MOG) in order to focus on our modernization projects and ensure our processes are technology enabled in all spheres of the organisation's activities. The Compliance and Enforcement Group was renamed Standards and Compliance Group (SCG) in alignment with its roles and functions, while Tax Operations Group became known as Field Operations Group (FOG) to enhance focus on taxpayer's needs. New departments were also created such as the Risk Management Department, charged with the responsibility of reviewing and addressing internal and external risks to the Service.

2.3. The Nigerian National Tax Policy

A presidential committee was inaugurated in July 2005 to drive the recommendations of the Study and Working Groups on the development of a national tax policy. The Committee appointed a Technical Sub-Committee on the National Tax Policy headed by the Executive Chairman of the Federal Inland Revenue Service and charged it with the responsibility of developing the background policy document. In 2010, the final draft of the National Tax Policy was submitted to the Federal Executive Council. While the draft incorporated contributions from various stakeholders, the fundamentals of the draft were based on the harmonised report of the Study Group and Working Groups. The Federal Executive Council adopted the National Tax Policy on 20 January 2010. The National Tax Policy defines tax as'a financial charge or levy imposed upon an individual or legal entity by a State or a legal entity of the State; it is a pecuniary burden laid upon individuals or property to support government expenditure'. The key economic thrusts of the National Tax Policy as a tool for national economic development include:

- Stimulating the growth of the Nigerian economy by using tax revenues to develop basic infrastructure such as power, roads, transportation, and other such infrastructure which will stimulate economic growth
- Direct stimulation of certain sectors of the economy which are identified to be important for the creation of employment opportunities for Nigerians
- Regulating and strengthening financial and economic structures and for correcting market imbalances and economic distortions
- Income redistribution, such that tax earned from high-income earners is used for the provision of infrastructure for the lowest income earners. Taxes shall act as a means to create a social security net.
- Stimulating domestic and foreign investment

2.4. Tax Legislation: FIRS Autonomy

The Presidential Technical Committee identified critical areas of amendment and provided justification for the amendment proposed in the existing laws. Between 2005 and 2011, six of these bills were passed by the National Assembly, while two are still pending. Perhaps the most critical in these new laws is The Federal Inland Revenue Service (Establishment) Act 2007. The Act grants the FIRS autonomy from the civil service bureaucracy, chiefly in the areas of funding and human resource management.

2.5. Tax Appeal Tribunal

The Federal Inland Revenue Service (Establishment) Act 2007 establishes the Tax Appeal Tribunal to settle disputes arising from the operations of the Act, as well as the administration of the legislations listed in the First Schedule to the Act. The Tribunal was inaugurated on 5 February 2010. All eight zones of the TAT commenced sitting in the first quarter of 2011. The cases before the Tribunal include new and old cases that were initially pending before the Body of Appeal Commissioners and the Value Added Tax Tribunal.

2.6. Modernisation

Against the background of the resolve to modernise the FIRS in other to remain relevant and virile in the face of economic realities, the Service adopted a programme of reforms along seven strategic flanks. These include: funding FIRS/Acquiring autonomy; strengthening investigation/enforcement; auditing oil, gas and large taxpayers; providing taxpayer education and services; re-engineering and automate collections/tax administration system; building capacity in the areas of structure, staffing and specialisation; and, re-engineering and automating human resource processes, finance and procurement. These were followed by aggressive anti-corruption campaign, revised code of ethics and performance management/result orientation. The Modernisation Department was created in November 2005. The department's primary function is to provide a focused attention on all modernisation projects. This has led to monumental changes and proposed initiatives in the operations of the Service, in particular, and tax administration in Nigeria, in general. In March 2012, the Corporate Development Group (CDG) was renamed Modernization Group in order to focus on our modernization projects and ensure our processes are technology enabled in all spheres of the organization's activities. The MOG comprises of three Departments, namely: Information and Communication Technology (ICT), Programme Management Office-Tax (PMO-T) and Programme Management Office –NON-TAX.

2.7. Automation of Key Processes

To increase productivity and reduce defects the Service introduced initiatives aimed at automating core business processes. These initiatives include among others:

- Integrated Tax Administration System (ITAS): The ITAS project essentially aims at standardizing and automating our tax processes, to make them efficient, transparent and supportive of good service delivery, voluntary compliance and increase in tax revenue on a sustainable basis. It is built to readily integrate with third-party data bases for easy enhancement/widening of the tax net, with a taxpayer registration module that is complemented by the pan-Nigeria taxpayer registration system of the Joint Tax Board (the UTIN).
- Unique Taxpayer Identification Number (U-TIN) The U-TIN Project is a pan-Nigeria taxpayer database with unique taxpayer identification numbering and biometric capabilities. It is aimed at fostering common standards between FIRS and States and protecting the tax bases of the collaborators by preventing tax shopping.
- E-Tax Pay; E-Tax Pay is an electronic payment channel provided in collaboration with commercial banks in the country aimed at providing alternative tax payment channels.
- Direct/Auto VAT Collection This initiative aims at improving collection of non-oil taxes by deducting VAT at source wherever it is charged across the sectors of the economy.

2.8. Finance and Expenditure Management

- Automation of Finance and Procurement Functions (SAP/FiCO) the SAP/ Finance and Procurement Automation project is aimed at automating the Finance and Procurement Functions of the Service from budgeting to funding and reporting, including Stores and Assets management.
- The Government Integrated Financial Management Information Systems (GIFMIS) The Service aims through this to enhance visibility and transparency around tax collection/payments by Ministries, Departments and Agencies of Government (MDAs), and thereby curtailing, if not eliminating the problem of delayed and non-remittance of taxes by MDAs and the resultant build-up of tax arrears, which has been a perennial pain point for the Service**.**

2.9. Human Capital Management

Automation of the Human Capital Management Function using SAP.

This project aims overall at transforming the HR processes of the Service to effectively engage with the quest for a modern Tax Administration.

2.9.1. Records Management and Document Tracking Project

The RMDT project aims at modernizing records and documents handling and lifecycle management in the Service.

2.10. Compliance and Enforcement

Following the continues structural re-organisation of the Service, the Compliance and Enforcement Group (CEG) was renamed Standards and Compliance Group (SCG) in 2012 in alignment with its roles and functions which is to develop, reengineer, sustain and implement policies and programmes through standard setting, operational guidelines, monitoring, automation, interpretation of Laws, tax treaty arrangements etc. that would propel the Tax Administration to attain and retain international best practices in optimum revenue yield and voluntary compliance. The Tax Operations Group (TOG) was also renamed Field Operations Group (FOG) to enhance focus on Taxpayers needs and to manage the taxpayer population and their compliance with revenue laws in accordance with the FIRS Establishment Act. The Field Operations Group shall be responsible for delivery, implementing FIRS business plan for taxpayer registration, filing, payment, service audit and collection enforcement functions.

The Field Operations Group (FOG) is expected to implement in full, all policies, programmes and procedure as developed by SCG.

2.11. Taxpayer Services

In 2007, the taxpayer education service function was moved to the Fields Operations, Policy and Programmes Department. In June 2007, the Internal Affairs Department was created and TPS functions were moved to the new department. The Internal Affairs Department later relinquished taxpayer services to the Corporate Communications Department. Prior to the merger, the Taxpayer Service Unit had two broad roles and responsibilities, which were programme development, monitoring and evaluation, and taxpayer education policy and strategy. These were executed through the:

- Initiation and monitoring of taxpayer education policy;
- Preparation of manuals, brochures and circulars for field officers;
- Representation of the unit on taxpayer service matters in other departments;
- Publication of issues relating to the taxpayer identification number;
- Monitoring the effective implementation of both electronic and print media publicity;
- Distribution of relevant printed educative/informative materials to taxpayers;
- Drafting and distribution of executive briefs, matters arising and general correspondence; and
- Performance of any other duties assigned to it.

Following restructuring of the Service in 2012, Taxpayer Service unit was upgraded to a department to put in place and entrench relevant policies, processes and programmes that will engender effective and efficient taxpayer service as an integral part of tax administration within FIRS. The department is responsible for developing policies and evaluating the provision of taxpayer service in the field offices and also identifying taxpayers need and developing strategies to meet these needs.

2.12. Entrenching a Strong Ethical Code

Prior to the reform era, there was no policy framework of ethics or values defining the operations of FIRS staff. However, in December 2005, the Values and Doctrine Division was established. The division, which was built on the foundations laid by the 'Whistle blower' Unit, was established with the aim of projecting the image of the Federal Inland Revenue Service in positive light. The new division was placed directly under the FIRS Chairman with a mandate to ensure that all FIRS staff adhere strictly to the rules and regulations of the Service as well as the provisions of the public service rules, financial regulations and other guidelines and administrative circulars of the federal government. Also, in 2004, the Investigation and Intelligence Division was created. The division consisted of three units namely Intelligence, Criminal Investigation and Civil Investigation Units. The division adopted the surprise-spot-check strategy in achieving its mandate of checking corrupt practices amongst staff. Through this strategy some staff members were apprehended over charges ranging from illegal possession and/or processing of documents (including Tax Clearance Certificates) and illegal tax consultancy services for taxpayers.

2.13. Capacity Building

The Learning and Development Department was created in 2007 to deliver qualitative, functional, and professional training and improve the skills and capacity of members of staff to enable them drive the vision and mission of the Service. The restructuring of various organs of the Service, which is still on-going, is to ensure that skills and competencies are pooled and harnessed within the requisite structures needed to drive the goals and objectives of the Service. The mission statement of the Learning and Development Department is to deliver qualitative, functional, and professional development of staff, to support their ability to deliver the Service mandate at all times, and to equip staff to meet the challenges associated with delivering the Service mandate in terms of value, culture, professional, and personal development. The key objective of the department is to strive for the emergence and sustenance of a learning organisation by providing the much-needed environment that is conducive to continuous learning across the Service.

For a holistic management and development of staff the FIRS management in 2012 reintegrated the learning and Development Department (L&D) with the Human Capital Management Department (HCMD) and was renamed Human Capital Management & Development Department (HCMDD). As the pace of change continues to increase in the Service, training and staff development becomes paramount in ensuring organizational success and it was on this note that the FIRS Management built a training school, which was commissioned on the 7th April 2014 by the CME/HMF. All training related functions were taken away from HCMDD to the FIRS Training school for better coordination and implementation.

2.14. Domestic and International Cooperation and Collaboration

Collaboration with external stakeholders has been part of FIRS culture for a long time. However, the new orientation that is an intrinsic attribute of the reform's agenda has placed greater emphasis on collaboration. This orientation seeks to re-focus the Service as, not just the government's 'cash cow', but as a 'customer-centric' organisation. The taxpayer is perceived not just as a source of revenue, but also as a client whose satisfaction is central to the organisational goals of the Service. Against this backdrop, the Service has maintained and renewed its relations and cooperation with relevant domestic institutions. For instance, the cooperation with the Joint Tax Board (JTB) has resulted in the development and management of the tax identification number (TIN) Project. The Service has also cooperated with The Tax Appeal Tribunal (TAT), The Nigeria Customs Service (NCS), The Central Bank of Nigeria (CBN), Federal Ministry of Finance, Corporate Affairs Commission (CAC), The National Assembly (NASS), The Nigerian National Petroleum Corporation (NNPC), The National Salaries, Income and Wages Commission (NSIWC), Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC), The Economic and Financial Crimes Commission, banks, and other government MDAs

and other tax agents as well as taxpayers who are the most important. Apart from the Nigerian stakeholders, the FIRS interfaces with a number of international development partners in order to achieve excellence in its operations. These partners include the United Nations Development Programme, the Department for International Development, the World Bank, and the International Monetary Fund. The Federal Inland Revenue Service has also assumed the status of a key player in some international organisations, which include the Commonwealth Association of Tax Administrators (CATA), African Tax Administrators Forum (ATAF) and Value Added Tax (VAT) Administrators in Africa (VADA), Organisation for Economic Cooperation and Development (OECD), and the United

Nations. Nigeria has Double Taxation Agreement with nine (10) countries. The Service has also prepared and transmitted a memorandum to facilitate the domestication of DTA with four (4) countries namely; Qatar, India, Kenya, and Singapore to the Coordinating Minister for the Economy and Attorney General and Minister of Justice. Meanwhile DTA negotiations are on-going with South Korea, Spain, Sweden and Mauritius.

2.15. Strategic Performance Management

In the pre-reform era, a division of the Human Resource Management Department was responsible for planning, research, and statistics (PRS). In June 2004, the PRS and ICT Units were merged to form Planning, Research and Information Technology Department with an expanded mandate covering information technology, planning, research and statistics, procurement and due process, bank collection services, collection accounting and coordination, monitoring, and reconciliation. The organisational restructuring that took place in the Service in 2007 led to the de-merger of planning, research and statistics functions from ICT functions leading to the creation of separate departments to drive both functional areas. Since its creation in 2007, the Planning, Research and Statistics Department has been the key driver of planning in the Service. In the area of Corporate Strategic Planning, in 2005, the management produced the 2005-2007 Medium-Term Corporate Plan. The second Medium-Term Corporate Plan was developed in 2008 spanning the period 2008-2011 while the third medium term plan covers the period 2012-2015. Both documents laid out where FIRS aspire to be and how it intends to get there. Specifically, corporate planning was intended to help drive the Vision and Mission of the Service by:

- providing a roadmap outlining the current status of the Service and where it aspires to be;
- providing a framework for the FIRS management on areas of focus in tax administration as well as key initiatives/strategies to embark upon;
- providing a benchmark against which actual performance can be measured and reviewed; and,
- Outlining tasks, goals and objectives for all stakeholders within the Service. The major goal of the 2005-2007 Medium Term Strategic Plan that covered the proposed programmes of the organisation for the same period was 'to triple 2004 revenue collection by 2007'. The major focus of the 2011-2015 is to complete the modernization of the Service and to make taxation to play a central role in enabling government achieve its targets.

2.16. Joint Tax Board

The Joint Tax Board keyed into the reform process by defining a new vision. This included a resolve to be innovative, dynamic, and proactive in its assigned functions of advising, monitoring, implementing, and evaluating an efficient and uniform tax and revenue generating systems for the benefit of the nation. In pursuit of the above vision, the Joint Tax Board embarked on institutional and operational reform, which included organizational restructuring at both administrative and operational levels.

2.17. Theories of Taxation

According to Ogbonna and Appah (2012), a taxation theory may be derived on the assumption that there need not be any relationship between tax paid and benefits received from state activities. In this group, there are two theories, namely,

2.17.1. Socio-political theory

2.17.1.1. The Expediency Theory

Also, a taxation theory may be based on a link between tax liability and state activities. This reasoning justifies the imposition of taxes for financing state activities and also providing a basis for apportioning the tax burden between members of the society. This reasoning yields the benefit received theory and cost of service theory. There is also the faculty theory of taxation.

2.17.1.2. Socio Political Theory

This theory of taxation states that social and political objectives should be the major factors in selecting taxes. The theory advocated that a tax system should not be designed to serve individuals, but should be used to cure the ill-off society as a whole.

2.17.1.3. Expediency Theory

This theory asserts that every tax proposal must pass the test of practicality. It must be the only consideration weighing with the authorities in choosing a tax proposal. Economic and social objectives of the state as also the effects of a tax system should be treated irrelevant.

2.17.1.4. Benefit Received Theory

This theory proceeds on the assumption that there is basically an exchange relationship between tax-payers and the state. The state provides certain goods and services to the members of the society and they contribute to the cost of these supplies in proportion to the benefits received.

2.17.1.5. Cost of Service Theory

This theory is similar to the benefits received theory. It emphasizes the semi- commercial relationship between the state and the citizens to a greater extent. In this theory, the state is being asked to give up basic protective and welfare functions. It is to scrupulously recover the cost of the services and therefore this theory implies a balanced budget policy.

2.17.1.6. Faculty Theory

According to Ogbonna and Appah (2012), this theory states that one should be taxed according to the ability to pay. It is simply an attempt to maximize an explicit value judgment about the distributive effects of taxes.

2.18. Empirical Review

A study of this type requires implicit analysis of the work of other researchers. As such the work of other researchers were empirically reviewed. Nwaorgu, Herbert and Onyilo (2016), in their work on A Longitudinal Assessment of Tax Reforms and National Income in Nigeria: 1971-2014. The study assesses the impact of tax reforms on Nigeria's national income over the period, 1971 to 2014. Using a variety of growth indicators signifying tax reforms, the regression model specified growth rate of national income (proxied by GDP) as a function of growth rates in these indicators. Diagnostic tests (F-statistics, Adjusted R-Square and Durbin-Watson) were carried out to ascertain the robustness of the parameter estimates. They found out that tax reforms significantly improved national income and economic growth during the period of study, especially growth rates of value added tax and personal income tax. The results show that growth rate of personal income tax has a positive significant effect on the national income and economic growth, while that of value added tax has a negative significant effect on growth of national income. The growth components of company income tax and petroleum profit tax are positive but not statistically significant. On the other hand, reforms in custom and excise duties were found to yield negative and statistically non-significant effect. The leading conclusions from these findings are: (1) strategic tax reforms significantly influence the behaviour of national income and GDP; (2) tax policy significantly fosters the growth of national income; and (3) policy makers, especially Ministry of Finance and Federal Inland Revenue Service and their state counterparts, should give requisite attention to tax policy issues, in the light of their obvious implications on growth of the national income and economic development.

Ojong, Ogar and Arikpo (2016), on their research "the impact of tax revenue on economic growth: evidence from Nigeria". Data were sourced from Central Bank Statistical Bulletin and extracted through desk survey method. Ordinary least square of multiple regression models was used to establish the relationship between dependent and independent variables. The finding revealed that there is a significant relationship between petroleum profit tax and the growth of the Nigeria economy. It showed that there is a significant relationship between non-oil revenue and the growth of the Nigeria economy. The finding also revealed that there is no significant relationship between company income tax and the growth of the Nigeria economy. They recommended that government should endeavour to provide social amenities to all nooks and crannies of the country. Also, that government should engage in a complete re-organization of the tax administrative machineries; in order to reduced tolerable problems of tax evasion and avoidance and finally, to enhance the tax base of government, employment opportunities should be created and a good environment for entrepreneurship and innovation to thrive made using tax proceeds.

Ofoegbu, Akwu and Oliver (2016), in their work "empirical analysis of effect of tax revenue on economic development of Nigeria". They hitch the purpose of the study to examine the effect of tax revenue on the economic development of Nigerian, and to ascertain whether there is any difference in using Human Development Index (HDI) and Gross Domestic Product (GDP) in establishing the relationship. The approach adopted in the study was that of using annual time series data for the period 2005 to 2014 to estimate a linear model of tax revenue and human development index using ordinary least square (OLS) regression technique. Findings show a positively and significantly relationship between tax revenue and economic development. The result also reveals that measuring the effect of tax revenue on economic development using HDI gives lower relationship than measuring the relationship with GDP thus suggesting that using gross domestic product (GDP) gives a painted picture of the relationship between tax revenue and economic development in Nigeria. The researchers, therefore, conclude that tax revenue can be an instrument of economic development in Nigeria. Development of any tax policy on tax revenue for economic development should better be based on human development index rather than GDP.

Ibanichuka, Akani and Ikebujo (2016), in their paper "a time series analysis of effect of tax revenue on economic development of Nigeria"

This study investigated the effect of tax revenue on the Economic development of Nigeria for the period of 1995-2014, with the purpose of finding out if tax revenue represented by Value Added Tax (VAT), Company Income Tax (CIT) and Customs and Excise Duties (CED) could affect economic development proxied by Human Development Index for the period of the study. The data were analysed using Multiple Regression Analyses in line with the research objectives of the study. The findings reveal that revenues collected by the federal government through CIT, VAT and CED have a positive relationship with Human Development Index. Based on the findings, it was concluded as follows: That revenues collected by the federal government through company income tax, value added tax, customs and excise duties help to improve the

human development index of Nigeria. The study therefore recommends based on the findings that the federal government should sensitize tax payers on the need for tax payment and punishment for non-compliance. Furthermore, incentives should be provided to tax payers to encourage them (especially corporate bodies) to pay their taxes. Tax authorities should encourage tax education for its workforce in order to achieve the desired revenue drive.

Jones and Ekwueme (2016), carried out a research work on Assessment of the Impact of Tax Reforms on Economic Growth in Nigeria. The study is an empirical assessment of the impact of tax reforms on the economic growth of Nigeria. Time series data were extracted from the Central Bank of Nigeria statistical bulletin, Federal Inland Revenue Service and Federal Ministry of Finance from the period 1985-2011. The ordinary least squares based multiple regression was adopted to analyse the data. The study found that the adjusted R-square of 0.99 implies that 99% of the total variation in gross domestic product, that is economic growth, is as a result of variation in petroleum profit tax, company income tax, customs and excise duties, value added tax, personal income tax and education tax and tax reforms in Nigeria. Customs and excise duties, value added tax, personal income tax and education tax have no statistically significant impact on economic growth at 5% level of significance. However, Petroleum profit tax and company income tax each has positive significant impact on economic growth at 0.35% and 2.87% level of significance respectively. The Durbin Watson statistic of 1.98 indicates that there is no presence of serial autocorrelation in the model. The probability of the F statistic, a test for the overall significance of the model is rightly specified at zero level of significance. We would therefore conclude that overall, tax reforms have significant impact on the economic growth in Nigeria. This confirms the existence of long-run equilibrating relationship between the variables, i.e. economic growth and all the independent variables in the model. The study therefore recommends that chartered tax practitioners should be allowed to play leading roles in any tax reform process to ensure a robust tax system. There should be harmony in the objectives of tax reforms with macro-economic objectives. Government should always consider tax payers and other key stakeholders‟ interests in fiscal policy formulation and implementation in order to achieve improved tax compliance rate in the country. All government agencies and other stakeholders should ensure the full implementation of the National tax policy and the long-awaited petroleum industry bill should be passed to law.

Omesi and Nzor (2015), in their work: Tax Reforms in Nigeria: Case for Value Added Tax (VAT), they highlighted the reasons for the replacement of sales tax with value added tax (VAT), yearly contributions of value added tax to the total revenue base of the nation and revealed that Value Added Tax (VAT) was designed to favour development at the lower tier level of government. They further revealed that Nigerian value added tax rate was the least in the world. Based on these revelations, the recommend that value added tax rate should be increased from five (5) percent to 10 percent in Nigeria. They recommended that Value added tax (VAT) Act should be amended based on destination principle to impose VAT on imported services rendered outside Nigeria by a non-resident company.

Asaolu, Dopemu and Monday (2015), carried an extensive research work on the Impact of Tax Reforms on Revenue Generation in Lagos State: A Time Series Approach. The study assessed the impact of tax reforms on revenue generation in Lagos State of Nigeria using Time Series quarterly data between the period of 1999 and 2012, obtained from the records of Tax Payer Statistics and the Revenue Status Report of Lagos State Internal Revenue Service (LIRS). Data collected were analysed using ordinary least square regression techniques (OLS). The study showed that Lagos State captured more people into the tax net as there was a continuous increase in taxpayers' cumulative growth (more than 20% each year); and found that the primary source of revenue generation in Lagos State was the internally generated revenue (IGR) in which tax revenue constituted about 80%. The result also showed that, on trend, between 1999 and 2005, there was no noticeable increase in revenue generated from tax; but from 2006, there was a sharp, steady and noticeable increase in the tax revenue generated. On the pattern of tax administration in the state, from 2006 the state concentrated more on tax reforms with less dependence on other sources of internal revenue generation. The result further revealed that there was a long run relationship between the tax reforms and revenue generated in Lagos State; thus, the tax reforms had positive and significant effect on the revenue structure of the State. The study concluded that tax reforms had significantly contributed to revenue generation in Lagos State, which had enabled the state to carry her responsibilities to the citizenry with less reliance on the Federal Government.

Adudu and Ojonye (2015), in their research "the impact of tax policy on economic growth in Nigeria". The study finds statistical evidence that efficient tax reforms are necessary conditions for enhanced sustainable economic growth. On the basis of the findings, the study recommends among other issues that improvement in tax regimes, removal of distortions in taxation, discouragement of tax holidays to MNCs and diversification of revenue base as necessary catalysts for sustained economic growth and development.

Oriakhi and Ahuru (2014), carried a research on the impact of tax reform on federal revenue generation in Nigeria. They made attempt to verify the relationship between federally collected revenue and specific tax revenue generation sources. They employed annual time series data spanning the years (1981-2011) and used various income taxes as aproxy for tax reforms. They concluded that tax reform improves the tax system and reducing tax burden enhances the ability of the government to generate more revenue. They study that VAT and CED provides good tax handle for the government to maximize its revenue. Saheed, Abarshi and Ejide (2014), carried out a research on the impact of petroleum tax on economic growth in Nigeria (1970-2012). They examined the empirical relationship between Economic growth and petroleum taxation as a fundamental step to understanding the economy on the basis of endogenous growth theory and its applicability to the Nigerian situation. In their attempt to investigate the effect of petroleum taxation on economic growth, they used simultaneous equation model to establish a relationship between the variables Domestic Consumption and production of crude oil, petroleum taxation and government policies. They found out that a strong positive relationship exists between domestic consumption, Petroleum profit tax (PPT), government policy and economic

growth (GDP). They also found in the study that crude oil production had a negative but significant effect on economic growth and other variables. Based on these findings, they made policy recommendations that part of the revenue accrued to the government purse from the PPT should be directed towards exploration and development of other mineral resources in order to achieve diversification of economy.

Ihenyen and Mieseigha (2014) in their research entitled “taxation as an instrument of economic growth (the Nigerian perspective)”. They examined taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin during the period 1980 through 2013, a linear model of Corporate Income Tax (CIT), Value Added Tax (VAT) and Economic Growth (GDP) was estimated using the Ordinary Least Square (OLS) technique. The empirical result suggests that the hypothesized link among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Thus, the result offer tantalizing evidence that taxation is an instrument of economic growth in Nigeria. In conclusion they point to the need for additional measures by government in ensuring that taxpayers do not avoid and evade tax so that income can be properly redistributed in the economy. In addition, regulatory authorities charged with the sole responsibility of collecting tax should further be strengthened to enforce compliance by tax payers.

Nwamkpa and Nnamdi (2014) made good attempt in their work “taxation and national development”. They investigated taxation and national development using a small macro econometric model estimated for 1970-2010. Based on the least square’s methodology, and specified a lin-log model of Human Development Index as a proxy for national development. An important finding was that taxation has a very positive impact on national development of Nigeria, especially in its socio-economic contribution since the 1970’s. They found out that Petroleum Profit Tax, Company Income Tax and Excise Tax respectively exhibit a positive relationship with the level of national development. Also, a negative relationship exists between corporate tax and Human Development Index. They also found out that a long-run relationship exists among the variables.

Afuberoh and Okoye (2014) carried out a research work on “the Impact of Taxation on Revenue Generation in Nigeria: A Study of Federal Capital Territory and Selected States”. The study was aimed at finding out the impact of taxation on revenue generation in Nigeria, with reference to FCT and some selected states in the country. Attempt was also made in the study (through the means of secondary data) at highlighting the concept and nature of taxation, objectives of taxation, features in Nigerian tax system, taxation as a tool for wealth creation and employment, classification of taxes, Nigeria’s major taxes and other issues that relate to taxation. In achieving the objective of the study, they adopted also primary sources of data to present and analyze the information for the study. The testing of the hypotheses of the study was done using regression analysis computed with the aid of SPSS version 17.0. The research discovered among others that, taxation has a significant contribution to revenue generation and taxation has a significant contribution on Gross Domestic Product (GDP).

Umoru and Anyinwe (2013) did a research on tax structures and economic growth in Nigeria: disaggregated empirical evidence. They investigated the empiricism behind the New National Tax Policy in Nigeria by employing cointegration and error correction as methods of empirical estimation with an empirical strategy of disaggregation. In line with the objective of the paper, empirical results indicate that while the policy of direct taxation is significantly and positively correlated with economic growth, indirect taxation proved insignificant with its negative impact on economic growth in Nigeria. The paper indeed ascertained that the tax-based revenue profile in Nigeria is skewed towards direct taxes. By implication, the global transition from direct taxation to indirect taxation lack empirical justification in developing countries such as Nigeria. In their conclusive remarks, they recommend that rather than expand the indirect tax structures, the government should expand the structures of direct taxes in Nigeria. A major contribution of the paper to knowledge is the fact that on the basis of the hypotheses tested, the empirical paper closes the knowledge gap induced by inconclusive evidence on the growth effects of taxation composition which most often has resulted in situations where empirical findings of researches done in developed economies are generalized to developing countries.

Usman and Bilyamina (2013), on their part carried out a research on taxation and societal development in Nigeria: tackling kano’s hidden economy. They look at taxation as a tool for societal development with a view to assessing the nature and size of Kano’s hidden economy; identify those in the hidden economy; and the appropriate approach to tackling such an economy. They survey method to administer questionnaire on 40 respondents to generate data which is measured on a simple majority or percentage of opinions. It was discovered that informality is a self-reported lack of tax compliance in a sample of individuals and businesses who also answered questions on a large set of issues**.** The study found that more tax compliance is significantly associated with adequate campaign and judicious utilization of tax funds and recommends that the tax base should be expanded in order to bring the hidden economy into the tax net, the tax law shall also be simplified to get rid of ambiguity in the interpretation of its provisions.

Otu and Adejumo (2013) in their research “the effects of tax revenue on economic growth in Nigeria (1970 – 2011)”, the study examines the effect of tax revenue on economic growth in Nigeria, utilizing time series data for the period spanning from 1970 to 2011. The study adopts the Ordinary Least Square (OLS) regression technique and established that tax revenue has positive effect on economic growth in Nigeria. The result shows that domestic investment, labour force and foreign direct investment have positive and significant effect on economic growth in Nigeria. It is recommended that efficient tax policy be implemented. Also, policy to improve labour productivity should be sustained, while policies to attract foreign investment should be implemented.

Ogbonna and Appah (2012), on their own carried out a research on Impact of Tax Reforms and Economic Growth of Nigeria: A Time Series Analysis. The study examines the impact of tax reforms on the economic growth of Nigeria from 1994 to 2009. Secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland

Revenue Service (FIRS), Office of the Accountant General of the Federation, and other relevant government agencies. The data collected were analysed using relevant descriptive statistics and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test, Jacque Berra test, Augmented Dickey Fuller test, Johansen test, and Granger Causality test. The results from the various test shows that tax reforms are positively and significantly related to economic growth and that tax reforms granger cause economic growth. On the basis of the findings, the study concluded that tax reforms improve the revenue generating machinery of government to undertake socially desirable expenditure that will translate to economic growth in real output and per capita basis. However, it was recommended that sustainable economic growth cannot be attained with tax reform processes except obsolete tax laws and rates are reviewed in line with macro-economic objectives, corrupt-free and efficient tax administrative machinery with personnel's and accountability and transparency of government officials in the management of tax revenue.

Odusola (2006) took a research on "Tax Policy Reforms in Nigeria". He is of the opinion that Nigeria's tax system is lopsided, and dominated by oil revenue. It is also characterized by unnecessarily complex, distortionary and largely inequitable taxation laws that have limited application in the informal sector that dominates the economy. The primary objective of this paper is to prepare a case study on tax policy reforms in Nigeria, with the specific objectives of examining the main tax reforms in the country; highlighting tax revenue profile and composition; analysing possible distributional impacts on the poor; discussing major problems that could prevent effective tax implementation in the country; and offering suggestions for reforms.

3. Research Methodology

In this chapter the researcher examines the procedures adopted in conducting this research, that is, the methods adopted in collecting data and the procedure adopted in analyzing the collected data.

3.1. Sources of Data

The main source of collecting data for the research work will be through the secondary data system, collected through the Central Bank of Nigeria (CBN), and Federal Inland Revenue (FIRS). The macroeconomic data cover tax revenue (TR) and Economic Growth (EG) between 1991 and 2017 in Nigeria.

3.2. Method of Data Analysis

Data analysis technique employed in this study is linear regression with the aid of Statistical Package for the Social Sciences (SPSS) version 21.

3.2.1. Model Specification

In line with the objectives of the study, the following regression models are formulated:

$GDP_b = \alpha + \beta PPT_b + E$ …… 1
$GDP_a = \alpha + \beta PPT_a + E$ …… 2 *For Hypothesis 1*
$GDP = \alpha + \beta PPT + E$ ……. 3

$GDP_b = \alpha + \beta CIT_b + E$ …… 4
$GDP_a = \alpha + \beta CIT_a + E$ …… 5 *For Hypothesis 2*
$GDP = \alpha + \beta CIT + E$ …….. 6

$GDP_b = \alpha + \beta VAT_b + E$ ….. 7
$GDP_a = \alpha + \beta VAT_a + E$ …… 8 *For Hypothesis 3*
$GDP = \alpha + \beta VAT + E$ ……… 9

$GDP_b = \alpha + \beta_4 EDT_b + E$ …… 10
$GDP_a = \alpha + \beta_4 EDT_a + E$ ……. 11 *For Hypothesis 4*
$GDP = \alpha + \beta_4 EDT + E$ …….. 12

$GDP_b = \alpha + \beta_5 CONS_b + E$ …… 13
$GDP_a = \alpha + \beta_5 CONS_a + E$ …… 14 *For Hypothesis 5*
$GDP = \alpha + \beta_5 CONS + E$ ……. 15

Where:

GDP_b represents Gross Domestic Product before the 2004 tax reforms
GDP_a represents Gross Domestic Product after the 2004 tax reforms
GDP represents Gross Domestic Product before and after the 2004 tax reforms
PPT_b represents Petroleum Profit Tax before the 2004 tax reforms
PPT_a represents Petroleum Profit Tax after the 2004 tax reforms
PPT represents Petroleum Profit Tax before and after the 2004 tax reforms
CIT_b represents Company Income Tax before the 2004 tax reforms
CIT_a represents Company Income Tax after the 2004 tax reforms
CIT represents Company Income Tax before and after the 2004 tax reforms
VAT_b represents Value Added Tax before the 2004 tax reforms
VAT_a represents Value Added Tax after the 2004 tax reforms
VAT represents Value Added Tax before and after the 2004 tax reforms
$CONS_b$ represents Consolidated Pool Account (comprising Personal Income Tax and Pre-operational Levy) before the 2004 tax reforms

$CONS_a$ represents Consolidated Pool Account (comprising Personal Income Tax and Pre-operational Levy) after the 2004 tax reforms

CONS represent Consolidated Pool Account (comprising Personal Income Tax and Pre-operational Levy) before and after the 2004 tax reforms

α represents the slope (or intercept) of the regression lines

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ represents the coefficient of the six independent variables

E represents the error term or stochastic variable.

To test the six hypotheses of the study, the Chow-test was employed. The Chow test is a special kind of F-test propounded by Chow in 1960 which is considered more appropriate in testing time series data which contains structural break. The test is considered relevant for this study in that the various tax data must have been affected after the 2004 tax reforms; thus 2004 is considered the year of structural change.

Chow test is given as follows:

$$FC = \frac{RSSC - (RSS1 + RSS2)/K}{(RSS1 + RSS2)/n-2k}$$

Where:

FC represents the calculated F-statistics

RSS1 represents Residual Sum of Squares of the regression model after the 2004 tax reforms

RSS2 represents Residual Sum of Squares of the regression model before the 2004 tax reforms

RSSC represents Residual Sum of Squares of the pooled regression model (i.e. before and after reforms)

K represents the total number of variables

N represents the sample size

3.2.2. Decision Rule

The decision to accept or reject the null hypothesis against the backdrop of the alternative hypothesis is guided by the following criteria:

- Accept H_0 and reject H_A if F-tabulated is greater than F-Calculated
  OR
- Accept H_A and reject H_0 if F-Calculated is greater than F-tabulated

4. Data Presentation, Analysis and Interpretation

4.1. Data Presentation

Data used in the analysis of this study is presented in Appendix 1.

4.2. Data Analysis

The data collected in this study were analyzed using linear regression in line with the various models formulated in the preceding chapter with the aid of SPSS version 21. The results of the analyses are captured in appendix 2. However, Table 2 presents a summary of the analyses results.

	Hypothesis 1 (Eqn. 1-3)	**Hypothesis 2 (Eqn. 4-6)**	**Hypothesis 3 (Eqn. 7-9)**	**Hypothesis 4 (Eqn. 10-12)**	**Hypothesis 5 (Eqn. 13-15)**
RSS_1 (after)	8321229313.608	455706214.610	532681351.351	3146872735.551	580261790.869
RSS_2 (before)	59666401.60	1884075.92	2341628.092	172847278.00	28538402.852
RSS_C (Pooled)	10193693874.391	695516737.707	556182763.353	4895325723.691	899925454.926
β (after)	13.648	67.118	111.459	289.155	1316.151
β (before)	21.540	115.567	90.051	77.415	2961.601
β (Pooled)	25.994	74.867	107.747	374.329	1480.590

Table 2: Summary of Data Analysis Results
Source: Deductions from Appendix 2

Table 4.2 reveals that there is positive relationship between the dependent variable (GPD) and each of the proxies for independent variable both before and after the 2004 tax reforms. This is evidenced in the various values of the coefficients of the independent variables (**β**). But to the significance of the relationships, the hypothesis tests are carried out.

4.3. Test of Hypotheses

The hypotheses tests are conducted using the chow-test.

4.3.1. Test of Hypothesis 1

The first hypothesis of this study is restated in null form as follows:

Ho_1: PPT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.

$$FC = \frac{RSSC - (RSS1 + RSS2)/K}{(RSS1 + RSS2)/n-2k}$$

$$= \frac{10193693874.391 - (8321229313.608 + 59666401.60)/2}{(8321229313.608 + 59666401.60)/26-2(2)}$$

Therefore, FC = 2.38

But F-tabulated = $F\alpha, V_1, V_2$(where: α = 0.05, V1 = K = 2; V2 = n-2k = 26-2(2) = 22)

$F_{tab} = F_{0.05,2,22} = 3.44$

The test result reveals that F-tab > F-cal. Therefore, the null hypothesis is accepted and the alternative rejected. We therefore affirm that PPT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.

4.3.2. Test of Hypothesis 2

The second hypothesis of this study is restated in null form as follows:

Ho_2: CIT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.

$$FC = \frac{RSSC - (RSS1 + RSS2)/K}{(RSS1 + RSS2)/n-2k}$$

$$= \frac{695516737.707 - (455706214.610 + 1884075.92)/2}{(455706214.610 + 1884075.92)/26-2(2)}$$

Therefore, FC = 5.72

$F_{tab} = F_{0.05,2,22} = 3.44$

The test result reveals that F-Cal > F-tab. Therefore, the null hypothesis is rejected and the alternative accepted. We therefore hold that CIT has significant impact on GDP of Nigeria before and after the 2004 tax reform.

4.3.3. Test of Hypothesis 3

The third hypothesis of this study is restated in null form as follows:

Ho_3: VAT has not significantly impacted on the GDP of Nigeria following the 2004 tax reform.

$$FC = \frac{RSSC - (RSS1 + RSS2)/K}{(RSS1 + RSS2)/n-2k}$$

$$= \frac{556182763.353 - (532681351.351 + 2341628.092)/2}{(532681351.351 + 2341628.092)/26-2(2)}$$

Therefore, FC = 0.44

$F_{tab} = F_{0.05,2,22} = 3.44$

The test result reveals that F-tab > F-cal. Therefore, the null hypothesis is accepted and the alternative rejected. We therefore affirm that VAT has not significantly impacted on the GDP of Nigeria following the 2004 tax reform.

4.3.4. Test of Hypothesis 4

The fourth hypothesis of this study is restated in null form as follows:

Ho_4: EDT has no significant impact on GDP of Nigeria before and after the 2004 tax reform.

$$FC = \frac{RSSC - (RSS1 + RSS2)/K}{(RSS1 + RSS2)/n-2k}$$

$$= \frac{4895325723.691 - (3146872735.551 + 172847278.00)/2}{(3146872735.551 + 172847278.00)/26-2(2)}$$

Therefore, FC = 5.22

$F_{tab} = F_{0.05,2,22} = 3.44$

The test result reveals that F-Cal > F-tab. Therefore, the null hypothesis is rejected and the alternative accepted. We therefore hold that EDT has significant impact on GDP of Nigeria before and after the 2004 tax reform.

4.3.5. Test of Hypothesis 5

The fifth hypothesis of this study is restated in null form as follows:

Ho_5: CONS has not significantly impacted on the GDP of Nigeria following the 2004 tax reform

$$FC = \frac{RSSC - (RSS1 + RSS2)/K}{(RSS1 + RSS2)/n-2k}$$

$$= \frac{899925454.926 - (580261790.869 + 28538402.852)/2}{(580261790.869 + 28538402.852)/26-2(2)}$$

Therefore, FC = 5.26

$F_{tab} = F_{0.05,2,22} = 3.44$

The test result reveals that F-Cal > F-tab. Therefore, the null hypothesis is rejected and the alternative accepted. We therefore conclude that CONS has not significantly impacted on the GDP of Nigeria following the 2004 tax reform.

5. Summary of Findings, Conclusion and Recommendation

5.1. Summary of Findings

From the analysis in the preceding chapter, the findings are summarized as follows:

- PPT has positive but insignificant impact on GDP of Nigeria before and after the 2004 tax reform.
- CIT has significant positive impact on GDP of Nigeria before and after the 2004 tax reform.
- VAT has positive but insignificantly impacted on the GDP of Nigeria following the 2004 tax reform.

- EDT has significant and positive impact on GDP of Nigeria before and after the 2004 tax reform.
- CONS has positively but insignificantly impacted on the GDP of Nigeria following the 2004 tax reform.

5.2. Conclusion

The 2004 tax reform has warranted only a mixed result on the gross domestic product such that while some tax measures showed insignificant relations some other measures of tax show that significant relationship with time.

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Appendix

YEAR	**PPT N'B**	**CIT N'B**	**VAT N'B**	**EDT N'B**	**CONS N'B**	**GDP N'B**
Before the 2004 Tax Reforms						
1991	38.6159	3.8279	-	-	-	596.04
1992	51.4767	5.4172	-	-	-	909.80
1993	59.2076	9.5541	-	-	-	1,259.07
1994	42.8027	12.2748	7.2608	-	-	1,762.81
1995	42.8579	21.8783	20.7610	-	-	2,895.20
1996	47.5	23.1	32.5	3.3	-	3,779.13
1997	64.3	27.8	35.3	2.9	0.5	4,111.64
1998	24.6	33.3	37.6	3.2	0.7	4,588.99
1999	71.1	46.2	47.8	5,7	1.1	5,307.36
2000	334.5	53.3	58.0	8.3	1.2	6,897.48
2001	407.1	69.4	91.7	16.2	2.2	8,134.14
2002	224.4	89.1	108.6	10.1	1.7	11,332.25
2003	438.0	114.8	136.4	9.7	4.2	13,301.56
After the 2004 Tax Reforms						
2004	878.6	130.8	163.3	17.1	5.0	17,321.30
2005	1,352.2	170.2	192.7	21.8	4.9	22,269.98
2006	1,349.5	246.7	232.7	28.4	5.9	28,662.47
2007	1,132.0	332.4	312.6	59.6	10.3	32,995.38
2008	2,060.9	420.6	401.7	59.5	27.0	39,157.88
2009	939.4	600.6	481.4	139.5	29.9	44,285.56
2010	1,480.4	666.1	564.9	89.2	32.9	54,612.26
2011	3,070.6	715.4	659.2	130.7	43.9	62,980.40
2012	3,201.3	846.6	710.6	188.4	51.6	71,713.94
2013	2,666.4	998.4	802.7	279.4	48.9	80,092.56
2014	2,453.9	1,204.8	803.0	189.6	53.3	89,043.62
2015	1,290.0	1,408.4	767.3	206.0	57.7	94,144.96
2016	1,157.8	1,124.7	828.2	130.1	59.9	101,489.49

Table 3: Tax Revenue Collection and GDP from 1991-2016 (Naira in Billion)
Source: Tax Figures from Federal Inland Revenue 2017
GDP from CBN Statistical Bulletin 2016

Note
PPT – Petroleum Profit Tax
CIT – Company Income Tax
VAT – Value Added Tax
EDT – Education Tax
CONS – Consolidated Pool Account, comprising Personal Income Tax (PIT0 and Pre-operational Levy, (POL)