International Academy Journal of Africa Development

Volume 7, Issue 2, PP 57-71, ISSN: 2382-9038, September, 2019
Double Blind Peer Reviewed International Research Journal
asasubmitpaper@gmail.com
©Academic Science Archives (ASA)

Tax Incentives and Economic Development in Nigeria

Imoh, Benson C. (ACA)[1] and Enyinna, Chidi Emmanuel (ACA)[2]
[1]Accountancy Department Abia State Polytechnic, Aba | Phone: 07034861176 | Email: imoh.benson3@gmail.com
[2]Accountancy Department Abia State Polytechnic, Aba | Phone: 08138441920 | Email: pstchidienyinna@gmail.com

Abstract: *A major determinant for economic development is a favourable business environment for doing business. One of such business environment is a tax system in which the business operates. Favourable tax systems create room for an improved economic development while unfavourable tax systems create room for disinvestment which negatively affect economic development. The focus of this paper is to examine the impacts of tax incentives on the economic development of Nigeria from 2006-2016. Other specific objectives of this study centred on the impact of tax incentives on economic developmental. Statement of the problem was premised on fact that Nigeria has adopted various tax incentives aimed at encouraging economic development yet Nigeria has not developed economically. Hypotheses were structured in line with the objectives of the study. Expo-facto research design was adopted. Secondary data was collected from National Bureau of Statistics (NBS) and federal Inland Revenue service (FIRS) data bank. Data collected were analyzed through the use of a statistical package E-View version 9. The study found out that company income tax revenue, petroleum profit tax revenue, capital gain tax revenue and value added tax revenue positively enhance gross domestic product (GDP) while personal income tax revenue and education tax revenue negatively affect gross domestic product in Nigeria. The study concludes that tax incentive schemes in Nigeria have increased tax revenues which in turn enhanced the country's GDP. The study also concludes that development of Nigerian economy can be realized through tax incentive schemes as evidenced in the data analysis which showed that there is a significant relationship between GDP and various tax revenue sources. The study recommends that the relevant tax authorities in Nigeria should strengthen tax administrative mechanisms in order to bring more people into the tax net and ensure that revenues from education tax is properly channelled to achieve the desired goal.*

Keywords: *Tax Incentives, Economic Development, Gross Domestic Product (GDP)*

© 2019. Imoh, Benson C. and Enyinna, Chidi Emmanuel. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License http://creativecommons.org/licenses/by-nc/4.0, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

A SPECIAL ISSUE CONFERENCE PROCEEDING PAPER

INTRODUCTION

As a country that is desperate for funding development, with one of the lowest Human Development Index rankings in the world, and one of the lowest tax to GDP ratios, it is critical

that we re-evaluate our tax incentives framework. For every tax we give away, we may be giving away healthcare, security, good roads, improved welfare for the civil service and so much more. It is vital that the Nigerian Government carries out a thorough cost-benefit analysis on tax incentives and make transparent the opportunity cost of these incentives such that it will be clear if the incentives are serving the people or a few individuals. The discretionary powers given to the executives should be reviewed so that if and when the government deems it necessary to grant any form of incentives, they should be based on evidence, approved by the National assembly and with the active participation of relevant stakeholders. Tax incentive is a strong fiscal policy which can stimulate investment and savings leading to capital formation thereby enhancing industrial growth and economic development. The mode by which industrial development and economic growth can be effectively, efficiently, stimulated and developed is very demanding thus, government formulates policies to encourage private sectors to establish more business or diversify their business by granting them tax incentives, as it will contribute to the development of the Economy.

Amadiegwu (2008) Tax studies offer little guidance to policy makers who are concerned about tax rates or tax offerings and the effectiveness of employing tax incentives as an economic and developmental tool. Dotun and Sanni (2009) opined that some studies focus on the cost and benefit of tax incentives while a few look at whether public funds could have been better spent or if tax incentives were economically justified.

Amadiegwu (2008) define Tax incentive as “the use of government spending and tax policies to influence the level of national income” This measure encourages the springing up and gradual growth of new enterprises by the reduction of profit tax, which in turn encourages production, influences the production level and curbs unemployment. The International Monetary Fund defines tax incentives “as any special tax provisions that are granted to qualified investment projects or firms that provide a favourable deviation from the general tax code” Included in the examples given by the IMF in their definition are tax holidays, which are widely used in Africa and happen to be the most abused type of tax incentive in Nigeria. Osoro (1993) revenue adequacy is the basic elementary standard that a tax system ought to achieve. The existing budget deficits in many developing countries suggest that the tax systems are not revenue productive. Some may overlook this and attribute the cause of deficits to excessive spending, or temporary adverse economic conditions. Oriakhi and Osemwengie (2013) the importance of taxation as a veritable tool of economic growth and development depends on a proper tax system which has the capacity to generate revenue through tax. This implies that the tax system must be efficient and effective. This can be achieved through various tax incentives. Tax incentives have the potentials of attracting both local and foreign investment if properly harnessed. It is however regrettable that most developing countries have not been able to exploit the potent of tax incentives because of the need, perhaps, to meet the desires of the electorates and the poor management of tax system. However, to consider tax incentives as an influence to revenue generation implies that incentives may not be available to all citizens but rather must be tailored to crucial sector of the economy. This would emphasize to a large extent why in most developing country, where tax incentives are especially common, are targeted at attracting foreign direct investment and rarely to domestic investors.

Tax incentives according to Kuewumi (1996) encompass all the measures adopted by government to motive tax payers to respond favorably to their tax obligations. It includes adjustments to tax policy aimed at lessening the effects of taxation on an industry, a group of persons or the provision of certain services. Such measures may subsume the adoption of benign

low tax rate; the effective dissemination of fiscal information by tax authority; or the non-imposition of tax at all. Similarly, Phillips (1996) sees tax incentives as a deliberate reduction in tax liability granted by government in order to encourage particular economic units (e.g. corporate bodies to act in some desirable ways (e.g. invest more, produce more, employ more, export more, save more, conserve less, pollute less, and so on). Any tax is amenable to being modified to create a tax incentive. The reduction in tax liability, which a tax incentive constitutes, can be achieved through a reduction in tax rate, reduction in tax base, and so on. Nigeria's experience in the granting of tax incentives is traceable to the inception of British Administration in the territory, when all sorts of reliefs, allowances, and tax holidays were granted to British Companies and individuals as an attraction to establish trade links with the country.

OBJECTIVES OF THE STUDY

Tax incentive schemes aims at expanding the tax net, voluntary payment of taxes by tax payers and the long run effects of enhance tax revenue generation. Therefore, the main objective of the study is to examine the impact of tax incentive schemes on the economic development of Nigeria. Other specific objectives include;

1. To examine the relationship between personal income tax revenue and economic development
2. To examine the relationship between company income tax revenue and economic development.
3. To examine the relationship between petroleum profit tax revenue and economic development.
4. To examine the relationship between capital gains tax revenue and economic development.
5. To examine the relationship between education tax revenue and economic development.
6. To examine the relationship between value added tax revenue and economic development

STATEMENT OF THE PROBLEM

Virtually every sector of Nigerian economy have one or more tax incentives yet its impact is not visible in any form in Nigerian economic development and off course in the lives of an average Nigerian. According to Ndajiwo (2014) recently there seems to be a move towards finding a middle ground between the proponents of tax incentives, usually the organised business sector, and the opponents, the civil society organisations and campaigners. In March 2018, at a meeting of civil society organisations organised by Action Aid Nigeria, there was a heated discussion on the role of tax incentives in the development of Nigeria. The interesting thing about the discussion was the diversity that it had. While the representatives from the civil society organisations and campaigners were sceptical about tax incentives in general, the representatives of the organised private sector were inclined towards a more positive view about tax incentives. The proponents of tax incentives believed that the domestic manufacturing sector in Nigeria will simply cease to exist without tax incentives. However, the scepticism of the civil society organisations may not be unconnected to the fact that there is currently little or no evidence that suggests that tax incentives are significant to development. Odle (1977), Ohaka and Agundu (2012), Olabisi (2009), Omoruyi (1983) and Osoro (1993) studied tax incentives either in

relation to foreign direct investment or manufacturing sector and mainly adopted primary data. Based on these controversies surrounding the effect of tax incentives and the gap arising from narrow review (sectoral review) of the impact of tax incentives on economic development by previous researchers, this study tends to take a holistic review of economic development and tax incentives in Nigeria.

HYPOTHESES

HO 1: There is no significant relationship between personal income tax revenue and economic development

HO2: There is no significant relationship between company income tax revenue and economic development.

HO 3: There is no significant relationship between petroleum profit tax revenue and economic development.

HO 4: There is no significant relationship between capital gains tax revenue and economic development.

HO 5: There is no significant relationship between education tax revenue and economic development.

HO 6: There is no significant relationship between value added tax revenue and economic development

SCOPE OF THE STUDY

The study reviewed the impact of tax incentive scheme and economic development in Nigeria for a period of 11 years ranging from 2006-2016. All facets of economic developments were reviewed.

2.0 REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL FRAMEWOIRK

Tax incentives aimed at encouraging voluntary payment of tax and expansion of the tax net. Tax incentives presuppose that government provides the enabling environment and ensure that tax payers get maximum benefits and value from the taxes they pay. Implementation of tax incentives increases personal and corporate tax savings, investment and diversification which promote economic developments.

2.1.1 PERSONAL INCOME TAX AND TAX INCENTIVES

According to Nigerian Investment promotion commission and federal Inland Revenue Service 2017, the following are the tax incentives under personal income tax

a. Tax credit allowable against tax payable on income derived from outside Nigeria-Double Tax Relief
b. Consolidated Relief Allowance
c. Returns not to be filed where income is N30,000 or less
d. Income exempted: Section 19(1) PITA specifies several incomes that are exempted from tax, in the Third Schedule to the Act.

e. Exemption of interest on loan granted by banks: Section 19(7) PITA exempts interest on any loan granted by a bank to a person engaged in:(i) agricultural trade or business; and (ii) the fabrication of any local plant and machinery.
f. Exemption of dividend from tax: The Third Schedule PITA lists incomes exempted from Personal Income Tax Paragraph 25 of the Third Schedule PITA exempts some dividends from tax

2.1.2 COMPANY INCOME TAX AND TAX INCENTIVES

According to Nigerian Investment promotion commission and federal Inland Revenue Service 2017, the following are the tax incentives under company income tax

a. Pioneer status incentive
b. Interest on bonds and short-term securities, and proceeds of the disposal of Government and corporate securities
c. Exemption of interest on loan: Section 11(2) CITA provides exemption from tax interest on any loan granted by a bank to a company engaged in: Agricultural trade or business; or the fabrication of any local plant and machinery; or providing working capital for any cottage industry.
d. Exemption of profits: Section 23(1) CITA listed some of the profit exempts the profits of the following companies from tax:
e. Deduction for research and development
f. Reconstruction investment allowance
g. Rural investment allowance
h. Gas utilization: Investment allowance
i. Gas utilization: Accelerated capital allowance
j. Gas utilization: Tax-free dividend
k. Gas utilization: Interest deduction
L. Investment tax relief
M. 20% Income tax rate for companies with turnover less than ₦1 million

2.1.3 PETROLEUM PROFIT TAX AND TAX INCENTIVES

According to Nigerian Investment promotion commission and federal Inland Revenue Service 2017, the following are the tax incentives under petroleum profit tax

a. Capital allowance
b. Graduated royalty rates approved for oil companies
c. Investment tax credit allowance
c. Allowable deductions: Section 10 PPTA.

2.1.4 CAPITAL GAIN TAX AND TAX INCENTIVES `

According to Nigerian Investment promotion commission and federal Inland Revenue Service 2017, the following are the tax incentives under capital gain tax

a. Exemption on retirement benefits schemes
b. Exemption of gains accruing on securities, stocks, shares: Section 30 CGTA
c. Tax exemption on gain arising from take-overs, absorption or mergers :section 32 CGTA
d. Tax exemption on proceeds re-invested
e. Double taxation relief: Section 33 CGTA

2.1.5 VALUE ADDED TAX AND TAX INCENTIVES

According to Nigerian Investment promotion commission and federal Inland Revenue Service 2017, the following are the tax incentives under value added tax

a. **Exemption of commissions on stock exchange transactions**

Part II First Schedule VAT Act is modified in VAT (Exemption of Commissions on Stock Exchange Transactions) Order, 2014. The order shall be in force for a period of 5 years. There is an exemption from VAT on commissions from the following:

- earned on traded value of shares;
- payable to Securities and Exchange Commission;
- payable to Nigerian Stock Exchange; and
- Payable to the Central Securities Clearing System on stocks.

b. Exemption from value added tax

Sections 2 & 3 First Schedule VAT Act list the goods and services exempted from VAT

Part 1. Goods

- All medical and pharmaceutical products;
- Basic food items;
- Books and educational materials;
- Baby products;
- Fertilizer, locally produced agricultural and veterinary medicine, farming machinery and farming transportation equipment;
- All exports;
- Plants and machinery imported for use in Export Processing Zones;
- Plants, machinery and equipment purchased for utilization in gas down-stream petroleum operations; and
- Tractors, ploughs and agricultural equipment and implements purchased for agricultural purposes.

Part 2. Services

- Medical services;
- Services rendered by Community Banks, Peoples' Bank and Mortgage institutions;
- Plays and performances conducted by educational institutions as part of learning; and
- All exported services

c. Exemption of commissions on stock exchange transactions

Part II First Schedule VAT Act is modified in VAT (Exemption of Commissions on Stock Exchange Transactions) Order, 2014. The order shall be in force for a period of 5 years. There is an exemption from VAT on commissions from the following:

- earned on traded value of shares;

- payable to Securities and Exchange Commission;
- payable to Nigerian Stock Exchange; and
- Payable to the Central Securities Clearing System on stocks.

2.1. 6 MEASUREMENT OF ECONOMIC DEVELOPMENT

Economic development is measured using the following index

- GNP per capita
- Population Growth
- Occupational Structure of the Labor Force
- Urbanization
- Consumption per capita.
- Infrastructure
- Social Conditions. Literacy rate. Life expectancy. Health care. Caloric intake. Infant mortality

2.1.6.1 GROSS NATIONAL PRODUCT PER CAPITA AND ECONOMIC DEVELOPMENT IN NIGERIA

The gross domestic product (GDP) measures national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. The Gross Domestic Product per capita in Nigeria was last recorded at 2412.41 US dollars in 2017. The GDP per Capita in Nigeria is equivalent to 19 percent of the world's average. GDP per capita in Nigeria averaged 1661.41 USD from 1960 until 2017, reaching an all time high of 2563.10 USD in 2014 and a record low of 1089.10 USD in 1968. GDP per capita in Nigeria is expected to be 5400.00 USD by the end of this quarter, according to Trading Economics global macro models and analysts expectations. In the long-term, the Nigeria GDP per capita is projected to trend around 5600.00 USD in 2020

2.1.6.2 POPULATION GROWTH AND ECONOMIC DEVELOPMENT IN NIGERIA

The population of Nigeria represents 2.35 percent of the world´s total population which arguably means that one person in every 43 people on the planet is a resident of Nigeria. Population growth is the process of progressive change, growth or advancement from a lower to a higher stage. National development is therefore the process by which a country advances economically, socially, politically, technologically etc. In our consideration of the nexus between population and development attention would be focused on economic development being the most implicated aspect in the relationship.

The classical theoretical propositions on the relationship between population and development may be grouped into two, namely, the Malthusians and Marxists. Simply stated, Malthusians believe that high rates of population growth result in diminishing per capita share of resources and invariably lead to underdevelopment and except if population growth is controlled development cannot be achieved. Followers of Marx on the other hand argue that high population growth is a symptom and not the cause of underdevelopment and that a radical transformation of the economic production structure and process as well as re-distribution of resources will bring about development and invariably lower the rate of population growth.

Both the Malthusian and the Marxian schools of thought agree that there is a relationship between population and development. The difference evidently is in the direction of causality.

Whereas the Malthusian school of thought believes that population growth is the cause of underdevelopment; the Marxian school see underdevelopment as the cause of high population growth. Policies that are aimed at mediating between population and development have over the years been informed and shaped by these two theoretical positions.

The following are some of the national policies put in place by Nigerian Government;

- National Food Security Programme, 2007–2012 – to boost food production and eliminate extreme hunger;
- National Gender Policy (2006)
- National Poverty Eradication Programme (NAPEP)
- National Health Insurance Scheme–to promote healthcare delivery
- National Primary Health Care Development Agency – to improve child immunization coverage
- Midwifery Service Scheme – to improve the quality and number of skilled birth attendants;
- Child Rights Act National Human Rights Commission Act
- Compulsory, Free, Universal Basic Education Act,
- Trafficking in Persons Act
- Subsidy Reinvestment programme (SURE-P) – to address youth especially graduate and women's unemployment.

2.1.6.3 LABOUR FORCE AND ECONOMIC DEVELOPMENT IN NIGERIA

Kale and Doguwa (2015) in Nigeria, the total labour force is made up of persons aged 15–64 years excluding students, home-keepers, retired persons, stay-at-home parents, and persons unable to work or not interested in work while the unemployment rate is the proportion of the labour force who were available for work but did not work for at least 39 hours in the week preceding the survey period. In a survey conducted by Olu, Afeikhena, David and Olufunke (2016) on labour market and employment situation reveals that there was an average increase of 2.8 per cent in the population growth between 2010 and 2014. Nigeria's population rose from 138.6 million in 2005 to 159.7 million in 2010 and 178.5 million in 2014. In the same vein, the labour force, made up of the total number of employed and unemployed persons, increased by 2.9 per cent on average, from 65.2 million in 2010 to 72.9 million in 2014. However, the total labour force in full remunerative employment increased at an average of 2 per cent over the period compared to 6.1 per cent and 16.48 per cent for the underemployed and unemployed population respectively. Nigeria has continued to witness significant growth above the continental average in the last one and a half decades. (Barungi ,Ogunleye and Zamba , 2015) Nigeria's GDP grew from 3.1 per cent in the 1990s to more than an average of 5 per cent beginning in 2000, largely driven by the value addition from the service sector. The major service subsectors include retail and wholesale, real estate, information, and communication.

Nigeria has a good percentage of both men and women, skilled, semi-skilled and un-skilled manpower that can drive the country towards achieving enhanced economic development

2.1.6.4 URBANIZATION AND ECONOMIC DEVELOPMENT IN NIGERIA

According to https://www.vocabulary.com/dictionary/urbanization "Urbanization is a word for becoming more like a city. When populations of people grow, the population of a place may spill over from city to nearby areas. This is called urbanization. Maybe tall apartment buildings spring

up on what had been the outskirts of town, bringing more people there to live and work" The growth of urbanization results in the development of the world economy, and contributes the emerging level of industrialization. Industrialization of a country also has an important role in leading to changes in urban population numbers. Put differently, Urbanization is something that eventually happens in any developing country, as the population condenses into smaller cities and towns. With increase in urbanization, more and more people are brought into the tax net thereby increasing tax revenue which in turn enhances the GDP. Summarily, there are some positives and negatives to urbanization, when done correctly, urbanization mean a greater variety of opportunity for residents. If it gets out of hand, though, crime and poverty start to rise uncontrollably.

2.1.6.5 CONSUMPTION PER CAPITA AND ECONOMIC DEVELOPMENT IN NIGERIA

According to https://www.quora.com/What-is-per-capita-consumption "per capita consumption indicates the average consumption by a person belong to a particular nation calculated from the known total consumption of that nation and the total population" Put, differently, Per capita consumption indicates the average consumption by a person who belongs to a particular nation. Base on this, an economy with a higher consumption per capita tend to achieve a higher development than those with a lower per capita consumption.

2.1.6.6 INFRASTRUCTURE AND ECONOMIC DEVELOPMENT IN NIGERIA

Atif (2014) in recent decades, macro-level studies in economics beginning with David Aschauer in the late 1980s have reported a strong positive association between higher levels of investment in infrastructure and economic growth. A larger stock of infrastructure is thought to fuel economic growth by reducing the cost of production and transportation of goods and services; by increasing the productivity of input factors; and by creating indirect positive externalities. Zeng Peiyan, the then minister in charge of the State Development Planning Commission in China, told the New York Times, (24 September 1998): "Only if overall fixed-asset investment (e.g., highways, bridges and power grid) grows by 15 to 18 percent, can we reach 8 percent economic growth. Put differently, infrastructure is basic essential services that should be put in place to enable development to occur. Summarily, economic development of Nigeria can be facilitated and accelerated by the presence of infrastructure. The provision of infrastructure services to meet the demands of business, household and other users is one of the major challenges of economic development. Nigeria is part of this race for rapid developments, as the years of economic reversal via mismanagement have had adverse effects on its rate of growth and development. The need for good infrastructure management is of great importance to the economics of countries all over the world and the various sectors of the economy need to be understood.

2.2 THEORITICAL REVIEW

2.2.1THEORY OF TAX STRUCTURE DEVELOPMENT

The evolutionary pattern of taxes, otherwise known as tax structure development is cardinal to the assessment of the growth and performance of the various strands of taxation in virtually all economies of the world. In most part of Africa, the bulk of income tax revenue comes from large business firms and from government employees. The extension of the tax to small traders, artisans or professional persons meets with serious administrative difficulties as there is no way of ascertaining income where no proper books are kept, and no regular accounts are prepared or audited (Kaldor, 1970).

The theory of tax structure development is a representation of an historical legacy, exhibited in the policy and practices of several nations of the world overtime. Tanzi (1969); Webber and Wildavsky (1986); and Peters (1991) reviewed the experience of several nations of the world with respect to the introduction, stoppage or re enforcement of various tax handles according to the dictates of economic condition. The theory of tax structure development as advanced by Hinrichs (1966); Thorn (1967); Braun (1975); Webber and Wildavsky (1986) and several others posits that at the early stages of economic development, the basic features of taxation are the narrowness of personal income tax base, the operation of poll tax, the scarcity of train tax administrators and the commanding height of indirect taxation on foreign trade in the tax structure. In addition, the tax revenue to GDP ratio is low. However, these basic features move in opposite directions as the positive measures by government propel the economy sooner or later beyond the stagnation level. Over-time, therefore, some taxes are likely to grow in importance while others are almost certain to decline. Personal Income Tax (PIT) provides a good example of the former since PIT revenue is expected to increase as per capita income rises. Consequently, the progressive tax system revenue has a high degree of elasticity in terms of income.

Citing Hinrichs (1966) Odle (1977) noted that indirect taxation was not the most important source of revenue (and, instead non-tax sources and direct taxes usually were) because monetization, trade, transport, commercialism and urbanization were in an infant stage. Later, when the monetary, trading and transportation systems are developed, internal and external forms of indirect taxation attain increasing importance. In those economies, which are open, indirect taxation becomes the dominant source of revenue. With further progress in the organization of economic activities, production and sales establishments become larger and more permanent and the scope of indirect taxation may be broadened (Musgrave and Musgrave, 1982). The administration of income tax as a global personal tax on income becomes possible. Thus, there is good reason to expect that economic development will bring with it an increase in the share of direct taxes.

Tanzi (1987) on tax structure development contented that tax bases grow more than proportionately to the growth of income as countries develop. In other words, he is of the opinion that the capacity to tax grows with the growth of income. Reason that direct tax revenues are potentially more elastic than indirect tax revenues. Wilford and Wilford (1978) concluded that direct revenues have the inbuilt significant longterm flexibility. Seemingly so, because, import taxes according to theory is expected to become inelastic as the economy progresses. Diejomaoh (1976) citing Due (1770) and others indicated that as development proceeds, import taxes will become an income inelastic revenue source. This is because changes in the economic structure, especially with increased industrialization, lead to a shift in import structure, so that import of LDCs becomes increasingly composed of raw materials and capital goods

3.0 METHODOLOGY

The study adopted Ex-post-facto research design. Secondary data were collected from National Bureau of Statistics (NBS) and federal Inland Revenue service (FIRS) data bank. The study covered a period of 2006 to 2016. Data collected were analyzed through the use of a statistical package E-View version 9. Regression analysis was done at 5% level of significance.

Model specification

GDP = f(PIT,CIT,PPT,CGT,ET,VAT)

$GDP= {}_{0} + {}_{1}PIT + {}_{2}CIT + {}_{3}PPT + {}_{4}CGT + {}_{5}ET + {}_{6}VAT +$

${}_{0}$= constant variable/Parameter

${}_{1}$PIT= Personal income tax revenue

${}_{2}$CIT= Company income tax revenue

${}_{3}$PPT=Petroleum profit tax revenue

${}_{4}$CGT= Capital gain tax revenue

${}_{5}$ET = Education tax revenue

${}_{6}$VAT= Value added tax revenue

= margin of error

GDP Represents = All sectors.

A prior Expectation

Independent variables	PIT	CIT	PPT	CGT	ET	VAT
Expectation	+ effect	+effect	+ effect	+effect	+effect	+ effect

3.1 DATA PRESENTATION

YEAR	NOMINAL GDP	INFLATION RATE	REAL GDP	PIT	CIT	PPT	CGT	ET	VAT
2006	28,662.47	1.08	26,490.27	5.90	246.70	1,349.50	0.00	28.40	232.70
2007	32,995.38	1.05	31,304.92	10.30	332.40	1,132.00	0.00	59.60	312.60
2008	39,157.88	1.12	35,087.71	27.00	420.60	2,060.90	0.00	59.50	401.70
2009	44,285.56	1.13	39,364.94	28.71	595.18	939.41	0.49	139.54	481.41
2010	54,612.26	1.14	48,031.89	32.93	658.50	1,480.36	1.04	89.18	564.89
2011	62,980.40	1.11	56,841.51	43.87	654.45	3,070.59	9.30	130.74	659.15
2012	71,713.94	1.12	63,916.16	51.61	820.57	3,201.32	8.92	188.44	710.56
2013	80,092.56	1.09	73,818.03	48.94	963.45	2,666.37	19.66	279.36	802.68
2014	89,043.62	1.08	82,447.79	53.29	1,173.49	2,453.95	2.65	189.61	802.96
2015	94,144.96	1.09	86,371.52	57.74	1,268.98	1,289.96	16.80	206.04	767.33
2016	101,489.49	1.16	87,717.80	59.86	933.54	1,157.81	99.40	130.12	828.20

Source: National Bureau of Statistics (NBS) & Federal Inland Revenue Service (FIRS)

3.2 DATA ANALYSIS

Dependent Variable: GDP
Method: Least Squares
Date: 05/08/19 Time: 22:51

Sample: 2006-2016
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PIT	-402.5770	132.2990	-3.042934	0.0383
CIT	73.30396	6.009421	12.19817	0.0003
PPT	6.061201	1.061468	5.710207	0.0047
CGT	319.3161	33.17859	9.624160	0.0007
ET	-26.29703	13.37002	-1.966866	0.1206
VAT	7.401366	14.06523	0.526217	0.6266
C	2125.789	2386.547	0.890738	0.4234

R-squared	0.998623	Mean dependent var	57399.32
Adjusted R-squared	0.996557	S.D. dependent var	22902.97
S.E. of regression	1343.829	Akaike info criterion	17.50556
Sum squared resid	7223504.	Schwarz criterion	17.75877
Log likelihood	-89.28058	Hannan-Quinn criter.	17.34595
F-statistic	483.4439	Durbin-Watson stat	2.691725
Prob(F-statistic)	0.000011		

SOURCE: Researchers computation using E-view version 9.0

3.3 INTERPRETATION OF RESULT / DISCUSSION OF RESULTS

GDP = 2125.79 - 402.58PIT + 73.3 CIT +6.06PPT +319.32CGT -26.29ET + 7.40VAT

From the gross domestic product (GDP) equation:

For every one percent increase in personal income tax revenue, the GDP will decrease by 402.58.

For every one percent increase in company income tax revenue, the GDP will increase by 73.3

For every one percent increase in petroleum profit tax revenue, the GDP will increase by 6.06.

For every one percent increase in capital gain tax revenue, the GDP will increase by 319.32

For every one percent increase in education tax revenue, the GDP will decrease by 26.29

For every one percent increase in value added tax revenue, the GDP will increase by 7.40

The study shows that;

1. There is a significant relationship between personal income tax revenue and economic development. This is because the P value (0.0383) is less that the level of significance (0.05)

2. There is a significant relationship between company income tax revenue and economic development. This is because the P value (0.0003) is less that the level of significance (0.05)
3. There is a significant relationship between petroleum profit tax revenue and economic development. This is because the P value (0.0047) is less that the level of significance (0.05)
4. There is a significant relationship between capital gains tax revenue and economic development. This is because the P value (0.0007) is less that the level of significance (0.05)
5. There is no significant relationship between education tax revenue and economic development. This is because the P value (0.1206) is greater that the level of significance (0.05)
6. There is no significant relationship between value added tax revenue and economic development. This is because the P value (0.6266) is greater that the level of significance (0.05)

RELIABILITY OF THE MODEL

The F- statistics measures the reliability of the model. From the result, it shows that the model is highly reliable and can be used for policy making. This is because the computed F-statistics (483.44) is greater than the level of significance (0.05)

MEASURE OF VARIATION

R squared measures the degree of variations in the dependent variable as a result of changes in the independent variables. From the analysis, it shows that 99% of changes in real GDP are due to changes in personal income tax revenue, company income tax revenue, petroleum profit tax revenue, capital gain tax revenue, education tax revenue and value added tax revenues

MEASURE OF CORRELATION

R measures the degree of correlation between the dependent variable and the independent variables. From the analysis, it shows that 99% in real GDP correlates with personal income tax revenue, company income tax revenue, petroleum profit tax revenue, capital gain tax revenue, education tax revenue and value added tax revenues.

AUTO-CORRELATION

Durbin-Watson Statistics measures auto correlation. From the analysis, there is no auto-correlation. This is because the computed value is (2.69).

3.4 FINDINGS OF THE STUDY

1. That there is an inverse relationship between personal income tax revenues and gross domestic product
2. That company income tax revenues have positive effects on the real gross domestic product.
3. That petroleum profit tax revenues have positive effects on the real gross domestic product
4. That capital gain tax revenues have positive effects on the real gross domestic product.

5. That education tax revenues have negative effects on the real gross domestic product
6. That value added tax revenues have negative effects on the real gross domestic product.

3.5 CONCLUSIONS AND RECOMMENDATIONS

The study concludes that tax incentive schemes in Nigeria have increased tax revenues which in turn enhanced the country's GDP. The study also concludes that development of Nigerian economy can be realized through tax incentive schemes as evidenced in the data analysis which showed that there is a significant relationship between GDP and various tax revenue sources. The study recommends that the relevant tax authorities in Nigeria should strengthen tax administrative mechanisms in order to bring more people into the tax net and ensure that revenues from education tax is properly channelled to achieve the desired goal.

REFERENCES

1. Amadiegwu, N.O. (2008). Taxation an indispensable tool for economic development. Enugu: Aries Publication.
2. Arogundade, J. A. (2005). Nigerian income tax and its international dimension. Ibadan: Spectrum Books Ltd.
3. *Atif A. (2014). The future of national infrastructure systems & economic prosperity conference, Cambridge, UK, March 27–28, 2014.*
4. Companies income tax act. Abuja: Federal Government Press. Federal Republic of Nigeria, (1990). Industrial development income tax relief act. Abuja: Federal Government Press. I
5. Diejamoah, V.P. (1976), Mobilizing Resources for Development: Problems and Prospects of Import Taxation in Nigeria, NES, Ibadan, pp.227-228
6. Dotun, P. (1996), "Corporate Tax Incentives and Economic Growth in Nigeria". Tax News, No.1, Vol.2
7. Dotun, S. O. & Sanni, O. E. (2009). Corporate tax incentives and economic growth in Nigeria. Ibadan: University of Ife Press Ltd.
8. Due, J. F. (1970), Indian Taxation in Developing Economies, John Hopkins, Baltimore
9. Federal Republic of Nigeria, (2004). Petroleum profit tax act. Abuja: Federal Government Press. Frank, E. (2011).
10. Hinrichs, H.H. (1966), A General Theory of Tax Structure Change during Economic Development,Harvard Law School, Cambridge, pp.12-19
11. Industrial development act. Abuja: Federal Government Press. Federal Republic of Nigeria, (2004).
12. Kaldor, N. (1970), "Taxation for Economic Development", in Taxation for African Development, M.C. Taylor (ed.), Hutchinson Educational Limited: 17
13. Kwewuni, M. O. (2008). A Critique of tax incentives in Nigeria. 2 (4). Ibadan: University Press.
14. Odle, M.A. (1977), Tax Structure and Development: A Non-Capitalist Interpretation in Social and Economic Studies. Vol. 26, No.4, December-Public Finance in the Caribbean, C. Bourne (ed.), University of West Indies, Jamaica
15. Ohaka, J. & Agundu, P.U. (2012). Tax incentives for industry synergy in Nigeria: A pragmatic proprietary system advocacy. International Multidisciplinary Journal, 6 (3), 42-58.

16. Okafor, F.O. (2009). Investment decision, evaluation and development. 7, (3). London: Chassel Press.
17. Ola, C. S. (2007). Income tax for corporate and un-incorporated bodies in Nigeria. Ibadan: Heineman Educational Books Nigeria Limited.
18. Olabisi, J. (2009). Tax Incentive as a catalyst for economic development in Nigeria. Journal of Research in National Development, 7 (2), 1-7. August 5).
19. Omoruyi, J. O. (1983), "Growth and Flexibility of Federal Government Tax Revenue, 1960-1979", in Economic and Financial Review, CBN, Vol. 21, No.1, March
20. Osoro, N.E (1993), Revenue Productivity Implications of Tax Reform in Tanzania, AERC Research Paper 20, September, Nairobi, p.24
21. Soyode, L. & Kajola, S. (2006). Taxation-principles and practice in Nigeria. Ibadan: Silicon Publishing Company
22. Tanzi, V. (1987), "Quantitative Characteristics of the Tax Systems of Developing Countries", in The Theory of Taxation for Developing Countries, David Newberry and Nicholas Stern (ed.), Oxford University Press, Washington D.C., p.218
23. Thorn, R.S. (1967), "The Evolution of Public Finances during Economic Development: Manchester School, Journal
24. Webber, C. & Wildavsky, A. (1986), A History of Taxation and Expenditure in Western World, Simon and Schusten, New York
25. Wilford, D.S. & Wilford, W.T. (1978), "On Revenue Performance and Revenue Income in the Third World, in Journal of Economic Development and Cultural Change, Vol. 26, No.3, April, University of Chicago Press, U.S.A. pp505-524