

DOES TAXATION MATTER FOR ECONOMIC GROWTH IN A DEVELOPING COUNTRY? EMPIRICAL EVIDENCE FROM NIGERIA

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Abstract

This study critically examined Taxation as a tool matter for Economic Growth in Nigeria while taking a cursory look at the objective of ascertaining the impacts of Company income tax, petroleum profit tax, Customs, Excise duties, and Value-added Tax on economic growth. Time series data from 1994Q1-2019Q4 was gathered from secondary sources that include the Central Bank of Nigeria statistical bulletin and Federal Inland Revenue service yearly reports. Augmented dickey Feller was used to testing for the variables' stationarity, and as much as all the variables are stationary at first difference. The Autoregressive Distributed Lag (ARDL) model is employed to estimate the regression equation. The study shows that there exist a positive and insignificant relationship between petroleum profit tax, company income tax, customs, excise duties, and value-added tax with real gross domestic product in the short run. Whereas, In the long run only company income tax has a positive and significant relationship with the real gross domestic product, while other variables maintained a positive and insignificant relationship with real gross domestic product. Therefore, this study recommends that an effective tax system be put in place to satisfy the twin purpose of raising maximum revenue and encouraging production.

Keywords: Company Income Tax, Petroleum Profit Tax, Excise Duties, Value Added Tax, and Economic Growth.