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Effect of Tax Administration and Reforms in Nigeria.

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Abstract: This study examined effect of tax administration and reforms in Nigeria. Of empirical interest are Company Income Tax (CIT), Petroleum Profit Tax (PPT), Value Added Tax (VAT) and Custom and Excise Duties (CED). The study adopted ex-post facto research design. The secondary data were obtained from the statistical bulletin of the Central Bank of Nigeria, 2018 and reports of Federal Inland Revenue Service (FIRS) for the period of 20 years spanning from 1999 to 2018. The research employed only quantitative method of data analysis with the use of correlation and multiple regression analysis. It was discovered that tax administration reforms in Nigeria has significance on the economy of the country. Specifically, it was discovered that there was a positive and significant effect of PPT, CIT and CED on economic growth. Thus, it was recommended that all taxes should be remitted via e-payment system or via direct payment to the various tax authorities' account. This will enhance and support the cashless economy system introduced recently.
Keywords: Economic Growth, Taxation, Tax Administration, Tax Reform, Value Added Tax

Introduction

The need for tax payments has been a phenomenon of global significance as it affects every economy irrespective of national differences (Oghuma, 2017). Taxation is an age long event. The need for its payment was emphasized by Jesus in "Mathew 22 vs. 17-21" when the Pharisees asked Him whether it was lawful to pay taxes or not. His reply "render therefore unto Caesar the things which are Caesar's and to God the things that are to God's" suggested that tax payments should be compulsory, non-negotiable, binding and obligatory on all citizens of a country regardless of religion and social status (Cornelius, Agar & Aka, 2016).

Tax is a compulsory charge imposed by a public authority on the income and properties of individuals and companies as stipulated by the government Decree, Acts or Laws irrespective of the exact amount of service of the payer in return (Onoh, 2013). The International Monetary Fund (2012) observed that developing countries, part of which is Nigeria, must be able to raise the needed revenues to finance the services demanded by their citizens and the infrastructure (physical and social) that will enable them to move out of poverty. Tax administration is therefore a serious concern for nations whose aim is to get developed and have adequate revenue to defray expenditures.

Tax administration is the activity that is focused on the enforcement and execution of tax rules, policies and regulations (Animasaun, 2016). Some of these activities include the processing of tax returns, assessment of tax obligations, tax collection and provision of services to taxpayers, identification and registration of taxpayers, evaluation of third-party information, and examination of the totality and accuracy of tax returns (Animasaun, 2016). This view depicts the fact that tax administration ensures that good laws and policies are formulated for tax, the citizens are not overburdened with the tax rate, the tax administration makes sure that the tax payers' information are properly documented and recorded.

The whole essence of tax administration is to generate sufficient revenue to advance the welfare of the people of a nation with focus on promoting economic growth and development of a country through the provision of basic amenities for improved public services via efficient administrative system, and structures (Leyira, Chukwuma, & Asian 2012). Tax revenue plays a crucial role in promoting economic activity, growth and development. Through tax revenue, government ensures that resources are channeled towards important projects in the society, while giving succor to the weak. However, the machinery and procedures for implementing a good tax system in Nigeria seems not to be adequate. In other words, tax administration in Nigeria appears not to be effective and efficient. This leads to various tax reforms. Dickson and Rolle (2014) informed that tax reform is the chain of actions taken by the government of a country, state or local government area to promote the tax system. The essence of tax reform is to expand the tax base of both the citizens and the governments, ease the tax burden on tax payers, re-establish the assurance of the tax payer on the tax system, and foster willing obedience on the part of the tax payer.

The outcome of poor tax policy and inefficient tax administration is low income generation and even the little that is generated is depleted by the mighty filthy hands of opportunism and corruption. In addition to using tax administration reforms to address the challenge of perennial lower tax revenue as canvassed by Ogbonna and Ebimobowei (2012), it is assumed that an effective and efficient tax administration reform is a potential catalyst for immediate attenuation of opportunistic proclivity of a corrupt tax bureaucracy. Tax administration reform responds to the country's economic diversification strategy, thus widening the government's revenue base and it is fundamental to driving greater competitiveness for businesses through a more efficient capital allocation that results from the diminution or mitigation of fraud, corruption and transactional distortions that hitherto characterized and informed the reform in the first place. Against this background, this study examines the effect of key tax reforms on Nigeria's economic, over a 20 year period, 1999 to 2018. Of empirical interest are Company Income Tax (CIT), Petroleum Profit Tax (PPT), and Value Added Tax (VAT) and Custom and Excise Duties (CED). These four tax levers have particularly been found to be significant in stimulating the growth of national income. However, the extent to which they have been able to sustain economic stability remains an empirical issue, given their contributions to macroeconomic development.

Concept of Taxation and Tax Administration

Due to the demands of the nation, it is very vital for the government of a nation to generate adequate revenue and make life better for the citizenry. One of the ways through which the government generates revenue is taxation. Samuel and Simon (2011) stated that taxation is a system of commanding a necessary levy on all goods, income, properties and services of a partnership, individual, executorships, trustees and companies by the government. From these view, it can be agreed that an important quality of tax is that it is made by the government. The government is in charge of both the amount to be taxed and the rate. It is a levy that is legally binding on all income earners. Common taxes in Nigeria include personal income tax, company income tax, capital gains tax, petroleum profit tax and so on. Public Finance General Directorate (2009) informed that the main objective of taxation as stipulated in the French laws is for the sustenance and maintenance of the armed forces and public expenses. In Nigeria also, the government pays the armed forces through the revenue gotten from tax, and also finances its budgets. For any country, it can be agreed that taxation is the most popular means of revenue generation for the government, and also the highest in terms of revenue generation. Dickson and Rolle (2014) opined that taxation is merely an economic burden placed on individuals, in order to assist the government. In line with this, Azubuike (2009) noted that the basic function of taxation is to provide adequate revenue for the government to carry out its statutory obligations and duties for the economic growth and development of the nation. Some of these statutory obligations and duties involve the sustenance and purchase of government machineries, stabilization of the economy, responsibility to external economics and provision of basic infrastructures (Abiola & Asiweh, 2012). In the same vein, the importance of taxation in a country cannot be overemphasized. It is unfortunate however, in a country like Nigeria that the importance of tax and its power has been abused. It is not uncommon to see citizens lamenting about the unpalatable state of the country every day, through radios, TVs, newspapers and so on. In as much as revenue is generated through tax, it is also important that the revenue is handled properly and used efficiently and effectively. Bird (2015) affirmed that in most developing countries, it is the utmost duty of the tax administrators to ensure that there is enough revenue and funds for the operation and functions of the government. In as much as revenue is being generated for the government through tax, it is the duty of the tax administrators to ensure cooperativeness and willingness on the part of the tax payers, and also to ensure accountability and transparency on the part of the government. In this study, the government is going to be viewed as the combination of the federal, state and local governments, and also their arms which include the executive, judiciary and legislative. This is because most of the incomes given to the people in these categories are gotten from the revenue of the government. Afuberoh and Okoye (2014) defined tax administration as the process or the people involved in collecting and assessing taxes from taxable individuals and companies in such a manner that the exact and correct amount is received efficiently and effectively with as little as possible tax avoidance or tax evasion by the taxable entities. The competency, effectiveness and efficiency of the tax administration in a country could be seen in the way the citizens respond to tax matters, policies or reforms. It is therefore the duty of the tax administration to enlighten, educate and guide the citizens concerning the policies in tax, the regulations or the rules involved and so on. Amos, John and Eric (2019**)** agreed that in a simple way, a tax administration is the total organizational arrangement for the management of the tax scheme. They further noted that the tax administration is an important section of the government that works under rules, regulations and policies recommended by the tax legislation. Amos, John and Eric (2019) stated that tax administration is generally focused with the conduct, direction, management and supervision of the execution, implementation and application of the internal revenue laws or connected statutes and tax conventions. The effectiveness and competency of the tax administration determines the amount that the government would generate as revenue, especially in a country like Nigeria where it appears that the citizens are not willing to pay tax. It is the duty of the tax administration to explain the nitty-gritty of tax, and highlights its benefits to the citizens. In a country like Nigeria, the duty of making the citizens see the importance of tax is actually going to be hard. This is because a lot of citizens feel that the tax they are paying only goes into the account of some selected individuals, the bulk revenue derived by government is not used for anything meaningful. This is a wake-up call for governments and tax administrations to change and give account for every naira and kobo spent from the tax payers' money. Pantamee and Mansor (2016) stated that the capability of the government to administer tax decide the availability of revenue via taxation for the duties, obligations and functions of governance. That is the amount that would be derived as the overall revenue gotten from tax would heavily depend on the way the taxes are administered. This informs that tax administration is a genuine technique that can be used to improve the revenue generation in any type of economy. The importance of the tax administration in any economy cannot be overemphasized, because they influence a lot of elements in the revenue gotten from tax, as well as the proper interpretation of the laws and regulations guiding tax in the country.

Administered taxes are numerous in Nigeria however; this study is limited to such as Company Income Tax, Value Added Tax, Petroleum Profit Tax and custom and excise duties. Company income tax is among the various tax structures in Nigerian economy. By virtue of section 8 (1) of the companies income tax Act 1990, taxes are payable as specified upon profits of any company accruing in, derived from, brought into, or received in Nigeria in respect of amongst others, any trade or business for whatever period of time the trade or business may have been carried out. The current rate of companies' income tax is 30% of assessable income. Attesting to this, Naomi and Sule (2015) and Akpotoboro (2009) opined company income tax is primarily payable on profit of companies at the company income tax rate of 30%.

However, the law permits Federal Board of Inland Revenue to deem a position of the turnover or gross income of foreign company liable to company income tax as profit (Ojo, 2016). The scholar further revealed that the deemed income of the company will be 20% of the turnover. Such deemed income assessed will be liable to tax at the current companies' tax rate of 30% in which the final assessment will amount to 6% of total income. Effectively, the company will be assessed for income tax at 1% of its turnover, as 5% would have been withheld.

Concept of Value Added Tax (VAT)

The idea of VAT was conceived in Nigeria by the federal government in 1991, when a study group was inaugurated to come out with a report on the implementation of VAT that replace the existing consumption tax also sales tax in Nigeria. VAT came into being in 1993 when Decree (now Act) No.102 of 1993 was promulgated with the commencement date of January

1994 based on the report of the study group. Since its inception in 1994, it is charged at the rate of 5% in Nigeria. The existence of VAT was as a result of the need to meet government increasing capital expenditure and means to generate more revenue and the revenue generated from it has been consistently on the increase on yearly basis from #8.20 billion in 1994 to #1.1 trillion as at 2018 (NBS, 2019). Value Added Tax (VAT) as a form of taxation has taken center stage and it is being operated in almost all the developing and developed countries around the world. VAT is a consumption tax, levied at each stage of the consumption chain and borne by the final consumer of the product or service. According to Ola (2001) as cited in Adeyemo, Fakile, Obigbemi and Egbide (2017) value added is the difference between the increase in the value of goods or services in the process of their production of delivery. It is a form of indirect tax applied at each stage of production to the value added. Afe (1996) defines VAT as a tax levied on the additional value added at each stage of firms' production cycle. Supporting this, Oghuma (2017) asserts that it is an indirect tax levied on the increase in value of goods and services in the course of their production or supply, while Inyiama and Ubesie (2016) opined that VAT is an indirect tax levied on consumption. The various definitions tend towards the same direction. The modality of its application involves a multi-stage collection procedure. This means that at each stage of a manufacturing or operating process VAT is paid and collected by the buyer and supplier respectively.

Petroleum industry has contributed immensely to the development of Nigeria economy as a result of the revenue generated through tax. Petroleum profit tax is a legislation which imposes tax upon profits from the mining of petroleum in Nigeria and provides for the assessment and collection thereof and for the purposes connected therewith (Ogbonna & Ebimobowei, 2012). According to Abdullahi, Madu and Abdullahi (2015), petroleum profit tax (PPT) is a tax applicable to upstream operations in the oil industry. It is particularly related to rents, royalties, margins and profit-sharing elements associated with oil mining, prospecting and exploration leases. Attesting to this, Evan and Hunt (2011) opined that one of the ways to collect tax is through petroleum and petroleum profit tax is a direct tax levied annually on net profit of a petroleum tax payer, who is carrying on the business of petroleum exploration and production.

Petroleum taxation has some particular features as a result of oil industry's unique characteristics which are the huge central contribution of revenue to the economy, the volatility of oil prices, the large operating and development costs, the high uncertainty associated with petroleum geology, the specific characteristics of individual oil fields and the possibility of reinvestment (Osho, Olemija & Falade, 2019). The cost of petroleum projects tends to be incurred up-front and the time lags between the discoveries of oil or gas reserves to the time of first production can be significant. This adds to the challenge of designing and implementing appropriate petroleum tax system aimed at achieving a balance between both government and industry interest (Evans & Hunt, 2011). Custom duty is an example of indirect tax which consists of both export and import duties. According to Okezie (2003), Customs duty is a tax levied on imports (and sometimes on exports) by the customs authorities of a country to raise revenue for the state and/or to protect domestic industries from more efficient or predatory competitors from abroad. Customs duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria that will be determined by the state. Export duty is a tax on the goods exported to other countries, while import duty is a tax on the goods coming into a country from other countries. Excise tax us any duty on manufactured goods which is levied at the moment of manufacture rather than sale. It is typically imposed in addition to an indirect tax such as value added tax. According to Ekeocha, Ekeocha, Malaolu and Oduh (2012), excise duties are an ad-valorem tax on the output of manufactured goods and are administered by the country's custom services. Excise duty is designed to discourage the purchase of particular goods such as cigarette, alcohol, and the price of an activity, often gambling. Business dictionary (2019) also defined excise duty as a percentage levied on manufacture, sale, or use of locally produced goods such as alcoholic drinks or tobacco products. It is also a fixed tax levied on an activity or occupation, such as license fee charged from attorneys, doctors, and professionals

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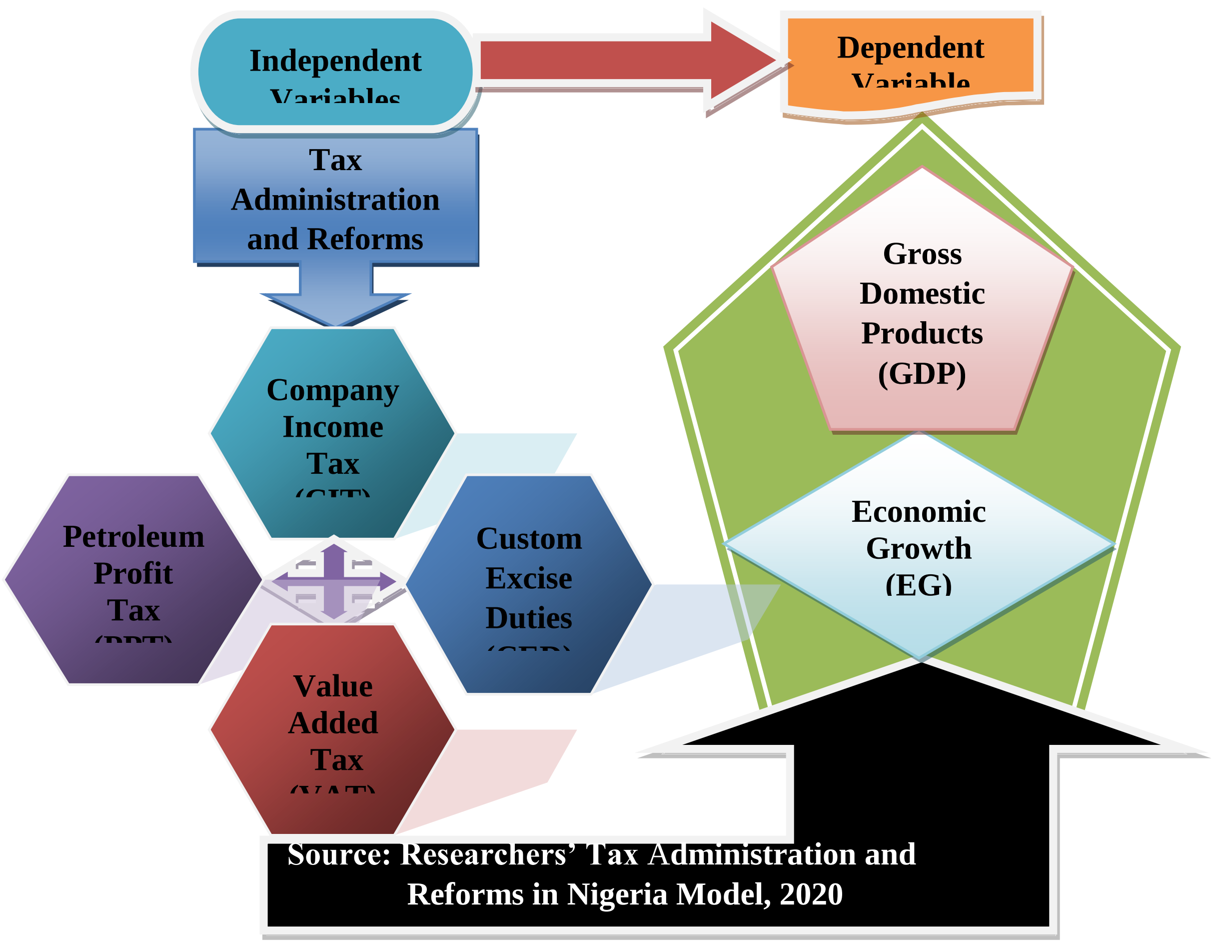
Concept of Tax Reforms and the Various Reforms in Nigeria

Dickson and Rolle (2014) averred that the vitality of tax reform in both developed and developing countries of the world is to reduce or completely eradicate fiscal deficits through proper restructuring of the tax systems to pull higher revenues or to improve the revenue elasticity of the tax structure. Tax reform is therefore a conscious effort made to increase revenue, improve efficiency, and promote equity (World Bank, 1991). Azubuike (2009), tax reform is a continuous activity which policy makers and tax administrators usually use in the tax systems to replicate changing economies, social and political circumstances in the economy. Nwokoye and Rolle (2015) opined that tax reform is a method of changing the way taxes are assembled and managed by the government. The government is the one to implement the reforms in a country. It is an effort to correct flaws and weaknesses in the current tax administration, which may bring about introduction of a new legal clause, a new tax rate and a new assessment system to enhance its competency. Dickson and Rolle (2014) stated that tax reform measures are commenced to reinforce modern taxes and significantly reduce the complexity and lack of transparency of the system. Furthermore, tax reforms are made to reduce the burden of taxation of all citizens by the government, make the tax administration more progressive and less regressive and shorten the tax system, by making it more accountable and understandable. Tax reform is a practice by which government changes the current administration tax laws, patterns and principles in order to enhance tax revenue collection (Owens, 2006). Alli (2009) stated that some of the objectives of tax reform in Nigeria are to hasten improved service delivery to the public; to bridge the gap between national development needs and the funding of the needs; to improve non-oil revenue by structurally diversifying the economy; to improve the system of tax administration thereby making it more skillful, reliable, responsive and tax payer's friendly; to increase the confidence of the public on the tax system, thereby forcing voluntary compliance; make pragmatic efforts at reviewing the tax, laws thereby ameliorating the incidence of tax avoidance and evasion; to reduce the complexity of the tax system both for the tax administrator and the tax payer. Some of the reforms that have been initiated upon by the Nigerian government since the inauguration of Nigeria's tax system according to Ogbonna and Ebimobowei (2012) includes the introduction of income tax in Nigeria between 1904 and 1926, granting of autonomy to Nigeria inland revenue in 1945, the Raisman Fiscal Commission of 1957, formation of the Inland Revenue Board in 1958, the promulgation of Petroleum Profit Tax Ordinance No.15 of 1959, the promulgation of Income Tax Management Act of 1961, the promulgation of the Companies Income Tax Act of 1979, and Tax Policy and Administration Reforms Amendment 2001 and 2004. Taiwo, Samson and James (2015) stated that the Petroleum Profit Tax (PPTA) was established in 1959. The PPTA law is a Federal law handling the taxation of petroleum producing and marketing companies in Nigeria. This was endorsed in the light of the discovery at the time of oil in Oloibiri. The Petroleum Profit Tax (PPTA) LFN 2004 was established under the Obasanjo's administration. It added to some ideas and concepts concerning the implementation of Petroleum Profit Tax. Taiwo, Samson and James (2015) affirmed that the Companies Income Tax Act (CITA) established in 1961 is a Federal law endorsed for the collection of income tax from corporate bodies by the Federal Government through the agency of the Federal Board of Inland Revenue (FBIR). The companies' income tax acts (CITA) Cap. 60 Laws of the Federation of Nigeria (LFN) 2004 and the Companies Income Tax Amendment Act 2007 is administered by the Federal Inland Revenue Service (FIRS); Taiwo, Samson and James (2015) stated that the VAT Act (VATA) LFN 2004 and the Value Added Tax Amendment Act 2007 – introduced the Value Added Tax and significantly moved the country into the era of indirect and consumption tax; it also revoked the Sales Tax Act no. 7 of 1986 administered by some States in a move to improve the overall revenue base of the country and achieve improved efficiency in administration. This tax is administered by the Federal Inland Revenue Service.

Economic Growth

Ogbonna and Ebimbowei (2012) agreed that economic growth is a maintained increase in the per capita national output or net national product over a very long duration of time. This connotes that the rate on increase in total output must be greater than the rate of population growth. Another measurement of economic growth is that national output should be made up of such goods and services which satisfy the maximum want of the maximum number of people. Economic growth can be determined by four important determinants namely, human resources, national resources, capital formation and technological development (Ogbonna & Ebimobowei, 2012). Economic growth is a phenomenon of market productivity and rise in GDP, it is one aspect of the process of Economic Development. It is also the growth of an economy' s output of goods and services which are sometimes referred to as the Gross National Product (GNP) growth. When the rate of GNP decline, unemployment results and income generally falls. When this happens, the government has a duty to pursue a set of policies aimed at stepping up the economy outputs. As such the goal of sustained economic growth & development should be important to any government.

Conceptual Framework of effect of tax administration and reforms in Nigeria



Source: Researchers' Tax Administration and Reforms in Nigeria Model, 2020

Theoretical Framework

Theoretically, this study is underpinned with two theories namely ability to pay theory and Wagners theory.

Ability to Pay Theory

This theory is credited to Adam Smith (1776). The theory revolves that taxes should be proportional to the income or revenue being earned. The ability to pay theory established that people should be required of to pay taxes based on their ability to pay and the evaluation of their taxable capacity should be made primarily on the basis of income and property. The intention in this theory is that the wealthy class people should pay higher taxes to the government, because without the protection of the government authorities like police and the armed forces, they would not have earned and enjoyed their income that they enjoy (Chauke, Sebola & Mathebula, 2017). Usually, taxes paid by tax payers are seen as a sacrifice, which lift the issues of what the sacrifice of each taxpayer should be and on how the measurement of such sacrifice should be done (Rai, 2004). Taxation equity may be categorized into horizontal equity, where people who are in the same economic position should be taxed the same, and vertical equity, where those who differ economically should be treated differently.

This theory has been criticized based on the fact that horizontal equity has no significance as a tax policy norm separate from vertical equity or that neither horizontal nor vertical equity has any content that is independent of more general notions regarding fundamental fairness (Chigbu, Eze & Ebimobowei, 2012). Also, there has been disagreement regarding nuances of the ability-to-pay concept, such as the proper handling of psychic income, leisure and underachievement (Rai, 2004).This theory is relevant to this study, because it looks at the ability of people to pay their tax which constitutes part of the generated revenue in a state or country, which in turn affects the economic growth of a nation. This theory could influence the way tax is administered, because it looks at the ability of tax payers, and not anything else. It could also help in better formation of tax reforms as it depicts the fact that when people pay tax based on their ability, it increases the principles of fairness and equality. In conclusion, it tells that tax, being an important element in revenue generation is crucial to the development of any economy.

Wagner's Theory

This theory was propounded by Adolph Wagner (1883) probably in the 19th century. The theory established that as government broadens its activities, the growth rate in government spending would be proportionally in excess of the growth in gross national product (GNP) (Eze, 2016). Adolph Wagner was the first researcher who explained the positive relationship between economic growth and public sector expenditures (Seda, Selim & Mustafa, 2015). The theory attempted to persuade people that an increase in government expenditures leads to an increase in economic growth. Going further, the theory sells the idea that an increase in GDP increases public expenditures. Debatably, this theory has been agreed to be one of the oldest ways of explaining government sector growth.

The limitation of Wagner's law was based on the argument that Wagner was reflecting on long run inclination, instead of short run variations in government spending. That since his study was founded on chronological comprehension, the exact quantitative relationship between the degree of increase in state outlay and the time taken was not determined reasonably. The relevance of Wagner's law to this study is in the fact that an overall increment in the revenue of a country definitely leads to better economic growth if managed well. It goes further to emphasize the essentiality of tax administration through government activities in relation to the growth of the economy, stating that the economy of a country cannot improve, unless the government properly spends its funds on development and creation of revenue opportunities.

Methodology

The study adopted ex-post facto research design. The secondary data were obtained from the statistical bulletin of the Central Bank of Nigeria and reports of Federal Inland Revenue Service (FIRS)for the period of 20 years spanning from 1998 to 2018. The research employed only quantitative method of data analysis. This was done in four folds: firstly, the descriptive analysis was performed using the line and symbol, mean, standard deviation, maximum and minimum. Secondly, the study examined the correlation between variables through correlation matrix and this was followed by multiple regressions. The process of evaluation involves deciding whether or not the estimates are theoretically meaningful and statistically satisfactory. For this purpose, various criteria will be employed which includes; the economic a-priori criteria, the statistical criteria [coefficient of multiple determination (R2), test of overall significance (F-test)] and the econometric criteria (Breusch – Godfrey test of serial correlation). The study adapted the model used by Osho, Olemija and Falade (2019), to analyze the influence of tax revenue on government capital expenditure and economic growth in Nigeria. The model is given thus:

CEX= *f*(CIT PPT VAT)…………………………………………………………… 3.1

Where:

CEX = Government Capital Expenditure

CIT = Companies' Income Tax

PPT = Petroleum Profit Tax

VAT = Value Added Tax

This study modified the model by specifying Gross Domestic Products (GDP) as a function of companies' income tax, petroleum income tax, value added tax and custom and excise duties. The modification is predicted on the fact that the effect of tax administration and reform on Nigeria can only be best studied when all the major forms of taxes in Nigeria are represented.

GDP= *f*(CIT PPT VAT CED)………………………………………………… 3.2

Where:

CED = Custom Excise Duties

Therefore, the equation specification in its logarithm form is then:

$InGDP = \beta_0 + \beta_1 InCIT + \beta_2 InPPT + \beta_3 InVAT + \beta_4 InCED + U_t$………………..….3.3

Where:

β_0, - β_4 =parameters estimate in the model

μ_t = Stochastic error term

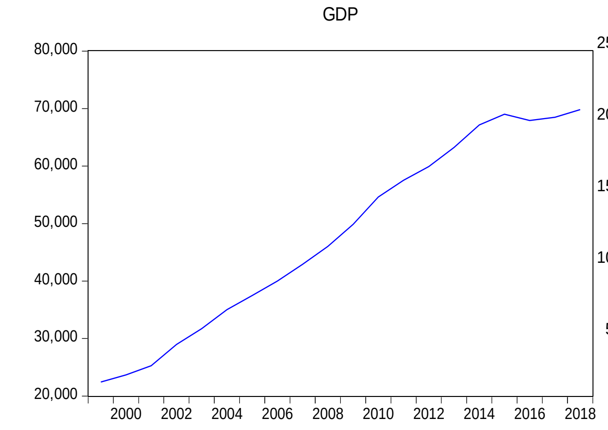
It is expected that increase in all the predictor variables (Companies Income Tax, Petroleum Profit Tax, Value Added Tax and Custom and Excise Duties) would positively influence GDP. The above expression is presented in mathematical forms below:

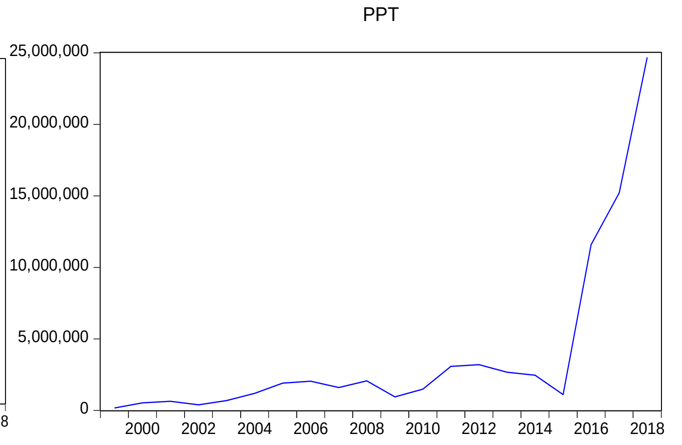
$$\frac{dGDP}{dPPT} > 0, \frac{dGDP}{dCIT} > 0, \frac{dGDP}{dVAT} > 0, \frac{dGDP}{dCED} > 0$$

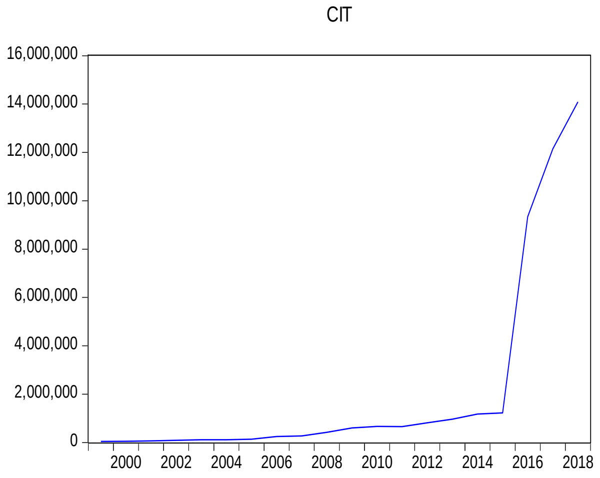
Results

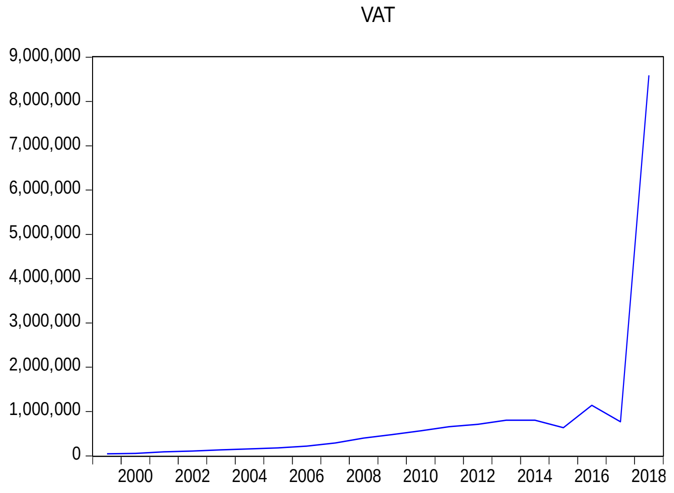
Trend Analysis

Table 1: Trend Analysis of Gross Domestic Product (GDP), Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT) and Custom and Excise Duties (CED)


GDP
80,000
70,000
60,000
50,000
40,000
30,000
20,000
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018


PPT
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018


CIT
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018


VAT
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018

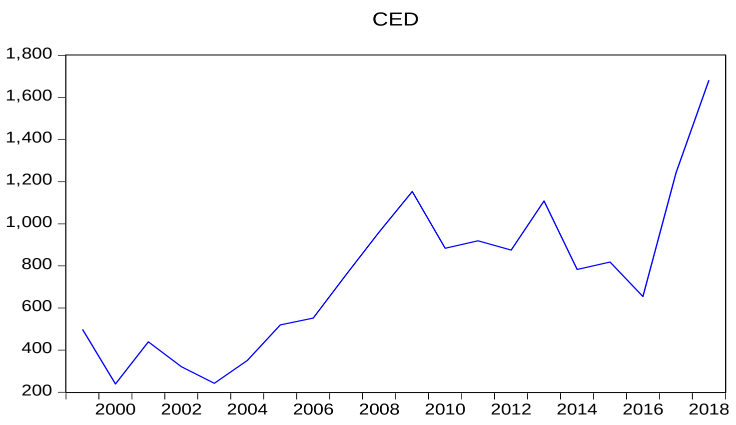

CED
1,800
1,600
1,400
1,200
1,000
800
600
400
200
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018

Figure 1: Trend Analysis of Gross Domestic Products (GDP), Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT) and Custom and Excise Duties (CED)

Figure 1 above depicted the trend of GDP, PPT, CIT, VAT CED for 20 years, spanning from 1999-2018. It was observed that there was an upward trend of GDP from the base year, 1999, to 2016 before it fell gently in 2017 and trended up again from 2017 to 2018. This shows that the trend of the performance level of the economy of Nigeria has majorly been on the increasing side and this could be attributed to the effectiveness and efficiency of the drivers (political heads) of the country. Also, depicted in figure is the trend analysis of PPT. PPT in Nigeria maintained a paradox trend from 1999 to 2015 before it rose sharply from 2016 to 2018. This sharp increase might be attributed to the effectiveness of the tax reforms and proper supervision of the tax administrators. The trend analysis of CIT shows that it trended up slowly from the base year till 2014 before it rose sharply from 2015 to 2018. This drastic increase could also be attributed to political will by the government, international collaboration and corporation of the judiciary. Consequently, the trend analysis of the VAT reveals that there was a steady and upward trend from 1999 till 2014, before it maintained an inconsistency trend from 2015 to 2017 and rose up sharply in 2018. Obviously, the sharp increase could be attached to the various tax reforms on VAT. This reveals the efficiency of e-taxation in the generation of value added tax. Lastly, it was revealed that CED trended in a paradox way from 1999 to 2003 before it rose up from 2004 to 2009 and trended inconsistently from 2010 to 2017 but trended sharply in 2018. The implication is that tax reforms and tax administration as regards in CED is engulfed with inconsistency in Nigeria.

Correlation Analysis

Table 2: Correlation Matrix

	GDP	PPT	CIT	CED	CED
GDP	1				
PPT	0.582488	1			
CIT	0.44110	0.973029	1		
VAT	0.253778	0.847575	0.727732	1	
CED	0.371271	0.686656	0.630250	0.675974	1

Source: Researchers' Data Analysis, 2020.

GDP is Gross Domestic Products, PPT is Petroleum Profit Tax, CIT is Company Income Tax, Value Added Tax and CED is Custom and Excise Duties.

Table 2 reveals that there was a positive correlation between GDP and all the predictor variables to the tune of 0.5824 for GDP and PPT, 0.4411 for GDP and PPT, 0.2523 for GDP and VAT and 0.3712 for GDP and CED. This shows that GDP moves in the same direction with all the predictor variables, connoting that increase in PPT, CIT, VAT and CED contribute positively to the growth of GDP in Nigeria for the years covered by this study. In the same vein, the relationship between all the predictors' variables shows is positive. That is, they all move in the same direction.

Regression Analysis

Table 3: Multiple Regressions

Variables	Coefficient	Std. Error	t-Statistic	Prob.	R-Squared 0.6586
C	22496.65	2802.492	3.307119	0.0000	Adjusted R-Squared 0.5676
PPT	65.02057	15.003790	9.542925	0.0000	F-Statistics 57.2363
CIT	52.03563	13.004231	7.842112	0.0000	Prob. (F-statistics) 0.000
VAT	5.00837	3.004259	5.196443	0.0705	
CED	35.37770	9.672726	3.657469	0.0001	

Source: Researchers' Data Analysis, 2020.

GDP is Gross Domestic Products, PPT is Petroleum Profit Tax, CIT is Company Income Tax, Value Added Tax and CED is Custom and Excise Duties.

Table 3 above reveals the multiple regression results of the effect of tax administration and reforms proxies by PPT, CIT, VAT and CED on the economy of Nigeria, proxies with GDP. The outcome shows that PPT, CIT, VAT and CED exerts a positive effect on GDP to the tune of 65.0205, 52.0356, 5.0087 and 35.3777 respectively. Significantly, the results shows that it was only PPT, CIT and CED that exerts a positive and significant effect to the tune of 65.0205(p=0.000<0.05), 52.0356(p=0.000<0.05) and 35.3777(p=0.001<0.05) respectively as against the insignificant exerted by VAT to the tune of 5.0083(p=0.070>0.05). Adjusted R-square reported to be 0.5676 reflects that all the predictor variables accounted for 56.7 per cent of the change in GDP, while the remaining 43.3 per cent could be accounted for by other variables not covered by this study. The F-statistics of 57.23 along the probability value of 0.0000 revealed that the model is fit.

Discussion of Findings

An attempt has been made to analysis the effect of tax administration and reforms proxies by PPT, CIT, VAT and CED on the economy of Nigeria where Gross Domestic Product (GDP) is used as the dependent variable and Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT) and Custom and Excise Duties (CED) were used as the predictor variables. It was discovered that there was a positive and significant effect on PPT, CIT and CED on economic growth to the tune of 65.0205 ($p=0.000<0.05$), 52.0356 ($p=0.000<0.05$) and 35.3777($p=0.001<0.05$) respectively. This implies that a 1% increase in PPT, CIT and CED would bring about 65 billion, 52 billion and 35 billion increase to the GDP. The positive and significant effect might be attributed to the various tax reforms and the effectiveness and efficiency of tax administrator in Nigeria. This finding gave credence to the submission of Oriakhi and Ahuru (2014), which tax revenue in form of PPT, CIT and CED significantly improved the economy of Nigeria. Also, it was discovered that VAT exerted an insignificant exert on GDP to the tune of 5.0083($p=0.070>0.05$). This could be due to the fact VAT is still plaque with a lot of evasion and avoidance.

Conclusions

Tax administration and reforms occurred intermittently in Nigeria with the hope that it would improve the revenue generated and contribute positively to the growth of the economy. To empirically satisfy this, this study was carried out using Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT) and Custom and Excise Duties (CED) as proxies of tax administration and reforms and GDP as the measurement of the Nigeria's economy. In relation to the analysis carried out, it was established that tax administration and reforms in Nigeria have contributed positively to the economy of Nigeria in that PPT, CIT and CED significantly contribute to the economic growth. Thus, it was recommended that Federal Government should embark in continuous intensive training for all tax officials to enable them identify what tax evasion and avoidance is all about as their ignorance will affect drastically the amount of revenue that supposed to accrue to the government. There should be penalties for people who evade and avoid tax payments as this will discourage corporate tax evasion and avoidance. All taxes should be remitted via e-payment system or via direct payment to the various tax authorities' account. This will enhance and support the cashless economy system introduced recently.

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