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Corporate Tax Reform and Economic Growth in Nigeria

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ABSTRACT: This study examines the relationship between the effective corporate tax and investment levels in the economy in Nigeria. Using a mixed-methods approach that combines quantitative panel data analysis from 2011 to 2023 across five Nigerian states with a review of theoretical and empirical literature, the research employs econometric techniques including Fully Modified Ordinary Least Squares (FMOLS) to estimate long-run effects. The findings reveal that corporate tax rates have a significant inverse relationship with investment, suggesting that high tax burdens deter private sector investment. The research concludes that well-designed tax reforms can significantly promote economic growth by encouraging investment, improving labour participation, and enhancing industrial competitiveness. It recommends progressive tax structures, reduced reliance on indirect taxes, strengthened tax administration through digitalization, and targeted incentives to support inclusive and sustainable economic development. This study contributes to the existing literature by providing empirical evidence from a developing economy context and offers policy insights for fiscal authorities in Nigeria and similar economies.

KEYWORDS: Consumption Tax, Corporate Tax, Economic Growth, FMOLS, Panel Data, Tax policy reforms

INTRODUCTION

A nation's development, political, economic, and social is largely determined by its ability to raise money for infrastructure improvements, with a well-designed tax system being the primary vehicle for this funding. Taxes are universally important (Azubike, 2019), serving as the government's essential mechanism for fulfilling urgent responsibilities and mobilizing internal resources to support economic expansion. They are a major source of income for all levels of government (Nzotta, 2007).

Nigeria's fiscal power is structured as a three-tiered tax system (federal, state, and local) with separate tax jurisdictions (Odusola, 2016). However, this system is unbalanced due to an over-reliance on oil revenue, which has accounted for at least 70% of the nation's income over the past 20 years. This dependence shows traditional tax revenue's limited influence on fiscal policy and leaves the economy acutely vulnerable to global oil market fluctuations. Therefore, professionals and scholars agree that the Nigerian tax system's uneven revenue structure must be modified to achieve stable, long-term economic growth.

Taxes are mandatory levies imposed by the government on individuals or property to fund essential social services, security, and community economic health (Appah, 2014; Appah & Oyandonghan, 2017). Beyond raising revenue, taxes are a tool for fiscal policy (Tosun & Abizadeh, 2015), used to manage business, curb inflation, protect new industries, and reduce income inequality (Anyanfo, 2019; Anyanwu, 2020).

Research using endogenous growth models suggests that reducing the distorting effects of the existing tax structure can lead to permanent increases in economic growth (Engen & Skinner, 2016). A nation's tax system significantly shapes its economic environment, affecting resource allocation, investment decisions, and overall growth (Bird & Zolt, 2020). Tax policy improvements often aim to stimulate development by enhancing the climate for investment, entrepreneurship, and consumption (Auerbach & Hassett, 2015).

Academic investigation into tax reforms has shown their diverse impacts on savings, investment, and productivity (Mertens & Ravn, 2020). Specifically, tax policies can influence economic outcomes by encouraging investment—for instance, reducing corporate tax rates or providing capital formation incentives can spur business investment in new technology and growth (Fuest & Peichl, 2018).

In light of the ongoing debate on the effectiveness of tax reforms in fostering growth, this study will contribute to the literature by empirically assessing the effects of recent tax policy changes on economic growth in Lagos, Nigeria. Utilizing rigorous econometric approaches, the research aims to provide insights that will inform the creation of evidence-based tax policies for policymakers.

1.2 Statement of the Problem

Despite the implementation of tax policy reforms in Lagos, Nigeria, aimed at boosting economic competitiveness, investment, and fiscal sustainability, there is a significant lack of rigorous empirical evidence on their effectiveness in stimulating economic growth.

While economic theory suggests that tax changes influence investment choices, productivity, and aggregate demand, the actual impact of recent reforms on key macroeconomic indicators—such as GDP growth, investment rates, and employment levels—remains unclear. The existing body of research has critical shortcomings: Studies often focus on specific tax changes, yielding non-generalizable evidence that fails to capture the comprehensive macroeconomic effects of broader reforms (Mertens & Ravn, 2020). Most research is centered on developed nations with robust institutional frameworks, raising doubts about the relevance of their findings to Lagos, Nigeria, where institutional quality and enforcement mechanisms differ significantly (Alesina, 2017). Few studies use rigorous econometric techniques to isolate the true, causal effects of tax reforms from concurrent economic and policy developments (Bloom, 2019).

Furthermore, the impact of tax policy is complicated by its dynamic interaction with broader economic conditions and often depends on hard-to-measure factors like administrative capacity, political stability, and external shocks (Besley & Persson, 2018). Lagos, Nigeria, has enacted several tax policy reforms to enhance its fiscal standing and encourage economic activity. However, the effectiveness of these reforms in generating measurable economic growth remains undocumented. Current research presents a deficient framework for policymakers in such a way that Global findings, particularly those from developed economies, are difficult to apply to Lagos due to institutional heterogeneity and differences in enforcement mechanisms (Alesina, 2017). The few existing studies generally fail to use advanced analytical methods necessary to isolate the specific impact of the tax changes on GDP, investment, and employment from other market and policy forces (Bloom, 2019).

This empirical and methodological gap makes it difficult to draw robust conclusions needed for evidence-based fiscal strategy. Therefore, there is an urgent need for thorough research that methodologically assesses the causal effect of Lagos's recent tax policy changes on economic development, accounting for the complex institutional and dynamic economic environment.

Problem Statement: Despite repeated efforts through tax policy reforms in Lagos, Nigeria, to foster economic competitiveness and sustainable fiscal management, the empirical link between these reforms and resultant economic growth is poorly understood. Existing literature suffers from key methodological limitations that preclude robust policy recommendations: The evidence base is fragmented, consisting mostly of studies on specific tax instruments that lack the macroeconomic scope needed to evaluate comprehensive reforms (Mertens & Ravn, 2020).

Contextual relevance is low, as most causal evidence comes from high-income countries, which may not translate to the institutional and administrative context of Lagos (Alesina, 2017). A major limitation is the absence of rigorous econometric analysis capable of precisely distinguishing the causal effects of tax reforms on indicators like GDP growth and investment rates from other external shocks or simultaneous policy actions (Bloom, 2019).

This research is therefore motivated by the imperative to address these methodological and empirical deficiencies. We seek to provide evidence-based insights for stakeholders by employing sophisticated econometric techniques and comprehensive data to evaluate the impact of recent tax policy changes on economic development in Lagos, Nigeria.

1.3 Research Objectives

To assess the relationship between the effective corporate tax and investment levels in the economy in Nigeria.

1.4 Research Questions

Research questions based on this study is as follow:

What is the impact of variations in the effective corporate tax on investment levels in the economy in Nigeria?

1.5 Hypotheses of the Study

This study seeks to test the hypothesis as follow:

H0: There is no significant relationship between the effective corporate tax and investment levels in the economy in Nigeria.

H1: There is a significant relationship between the effective corporate tax and investment levels in the economy in Nigeria.

1.6 Scope of the Study

The study's scope establishes the parameters that the investigation will go into, outlining the breadth of its coverage and the factors that will be examined. The research will only examine the economic environment and corporate tax changes in Nigeria. The study would examine a certain time frame, usually a few years, to capture how tax corporate tax affect economic development over time. The precise duration will be ascertained by considering the dependability and accessibility of the information. In addition to proxying for tax policy adjustments, such as corporation tax rates, the research includes important macroeconomic metrics including GDP growth rate, investment rates, employment levels, and sectorial output.

2. LITERATURE REVIEW

2.2. Conceptual Review

2.2.1 Tax Reform

One of the most important components of fiscal policy, tax reform is essential to economic growth, income distribution, and the creation of public revenue. A nation's tax system can be changed through a variety of policies and many changes that are collectively referred to as tax reform. These modifications may involve adding new taxes or removing current ones, as well as modifications to tax rates, tax structures, exemptions, deductions, and credits. Tax reform encompasses many areas, such as international tax laws, consumer taxes, business taxes, and individual taxation. (Bird & Zolt 2019)

Tax reform has a wide range of effects, including on government finances, firms, households, economic competitiveness, income distribution, and overall economic performance. Increased investment, the creation of jobs, enhanced competitiveness, and a more equal tax structure are examples of positive effects. But issues like complexity, unforeseen effects, stakeholder resistance, and the requirement for cautious execution must be dealt with. (Keen & Kim 2019).

2.2.1.1 Components of Tax Reform

Initiatives for tax reform usually focus on five important areas:

- **Tax Rates:** Changes to capital gains tax rates, corporation tax rates, income tax rates, and other levies by global benchmarks, revenue requirements, and economic goals.
- **Tax Structures:** Tax structures can be revised to address sustainability issues. Examples include establishing consumption-based taxes like value-added tax (VAT), moving from progressive to flat tax systems, or enacting environmental taxes.
- **Tax Incentives and Deductions:** Assessing and adjusting tax credits, deductions, and incentives to encourage investment in key industries, encourage the adoption of desired behaviors, and foster innovation and economic progress.
- **Compliance and Administration:** To lower tax evasion, increase the effectiveness of tax collection, and improve governance, tax administration, enforcement procedures, compliance measures, and transparency should all be strengthened.
- **International Taxation:** Dealing with matters about tax treaties, base erosion, profit shifting (BEPS), cross-border taxation, transfer pricing, and worldwide initiatives to prevent tax evasion and avoidance. (OECD 2020).

2.2.1.2 Challenges and Considerations in Tax Reform

Initiatives for tax reform must take into account several factors and obstacles, such as:

- **Political Complexity:** Tax reforms are politically charged by nature, necessitating the creation of consensus among legislators, policymakers, taxpayers, interest groups, and other stakeholders with a range of agendas and concerns.
- **Economic Impact Assessment:** To determine how tax reforms would affect companies, consumers, investment, employment, inflation, and overall economic growth, thorough economic impact assessments, modeling exercises, and scenario analyses will be conducted.
- **Distributional Effects:** To make sure that reforms advance justice, lessen inequality, and minimize any potential negative effects on low-income earners, it is important to take into account how tax increases will be distributed among various income categories, geographical areas, industries, and particularly susceptible people.
- **Behavioral Responses:** Considering and assessing possible behavioral reactions to tax reforms, including shifts in investment choices, labor supply, capital allocation, savings and consumption patterns, and cross-border resource mobility.
- **Administrative Capacity:** Determining how well tax authorities, regulatory bodies, and other pertinent institutions can administer, oversee, enforce, and evaluate tax reform policies, particularly those that make use of technology, data analytics , and capacity building programs.

Tax reform is a complex and dynamic process that needs to be carefully planned, analyzed, engaged in, and carried out. A comprehensive approach that takes into account evidence, stakeholder input, best practices, and policy considerations can help countries create and execute tax reforms that are equitable, sustainable, and beneficial to social development, inclusive economic growth, environmental sustainability, and fiscal resilience.

2.2.2 Economic Growth

One of the main goals of policymakers is to achieve economic growth, which is defined as consistent increases in the output of goods and services within an economy. This extensive study explores the

dynamics, causes, effects, difficulties, and policy implications related to economic growth. The gradual increase in an economy's production of goods and services is referred to as economic growth. Gross Domestic Product (GDP), Gross National Product (GNP), Gross Value Added (GVA), and other aggregate metrics of economic activity are frequently used to measure it. Productivity gains, advances in technology, investments, employment, and general economic success are all indicators of economic growth. (Collier 2020).

There are certain drivers to economic growth in the country such as Increasing spending on human and physical capital, education, skill development, and health as well as infrastructure, machinery, and equipment to support productivity growth, innovation, and competitiveness. Productivity growth, industrial transformation, and economic diversification are fostered by technological developments, innovation ecosystems, R&D activities, and digitalization. Participating in global value chains (GVCs), export promotion, trade liberalization, and market integration all improve economies of scale, specialization, competitiveness, and market access. (Barro & Sala-iMartin 2023).

2.2.2.1 Impacts of Economic Growth

The effects of economic expansion are complex and include:

- **Income and Employment:** Economic expansion results in increased arnings, job openings, pay increases, and a decrease in poverty, all of which raise living standards, encourage consumption and promote social mobility.
- **Investment and Savings:** Long-term development, wealth creation, and financial inclusion are supported by economic growth, which also encourages investment, savings, capital accumulation, and financial intermediation.
- **Business and Industry Dynamics:** Economic growth propels structural change and economic transformation by encouraging entrepreneurship, industry diversification, business expansion, market competition, innovation ecosystems, and technological dissemination.
- **Public Finances and Fiscal Policy:** Economic growth creates resources for public goods, infrastructure projects, and social programs as well as tax and public sector revenues, government spending capacity, fiscal space, and debt sustainability.
- **Global Interdependencies:** Trade flows, capital flows, investment patterns, currency exchange rates, geopolitical dynamics, and international cooperation frameworks are all impacted by economic growth. (Acemoglu & Robinson 2022)

2.2.3 Tax Policy

Fiscal frameworks, revenue generation, economic incentives, and social goals are all significantly shaped by tax policy.

2.2.3.1 Principles of Tax Policy

Several fundamental ideas inform tax policy, including:

- **Equity and Fairness:** Using progressive tax arrangements that tax higher incomes at greater rates, it is ensured that the tax burden is spread fairly depending on the ability to pay.
- **Efficiency:** Creating tax structures that reduce administrative costs, deadweight losses, and distortions to maximize resource allocation, market competitiveness, and economic efficiency.
- **Simplicity:** To lower compliance costs, taxpayer confusion, and administrative difficulties, efforts should be made to simplify tax laws, procedures, compliance requirements, and administrative processes.
- **Transparency:** To promote taxpayer trust, accountability, and compliance, it is important to maintain transparency in tax laws, regulations, rates, exemptions, deductions, credits, and enforcement procedures.
  Stability and Predictability: Ensuring tax policies are stable, predictable, and certain while avoiding frequent modifications, retroactive adjustments, and ad hoc actions that cast doubt on investors and taxpayers.
- **Adequacy:** Making sure that tax receipts are sufficient to pay for debt repayment, public services, infrastructure improvements, social programs, and government expenses. (World Bank Group 2021).

2.2.3.3 Tax Policy Challenges

Tax policy faces several challenges, including:

Complexity: There may be a great deal of complexity in tax laws, rules, credits, deductions, exemptions, and compliance requirements. This can result in expensive compliance, onerous administrative tasks, and confusion among taxpayers.

- **Tax Evasion and Avoidance:** Tax revenues, fairness, and compliance levels are undermined by tax evasion, fraud, proactive tax planning, offshore tax havens, and profit-shifting techniques.
- **Economic Distortions:** Tax laws can hurt market results, labor supply, investment decisions, savings behavior, and disincentives as well as inefficiencies and unexpected consequences.
- **Globalizationand Mobility:** Issues with tax enforcement,international collaboration, transfer pricing, and base erosion arise from globalization, cross-border transactions, digital economies, and mobile capital.
- **Equity Concerns:** Making sure that tax laws are progressive, and equitable, and do not unfairly punish low-income individuals, disadvantaged groups, or particular sectors of the economy.

Behavioral Responses: Considering and resolving behavioral reactions to tax modifications, including adjustments to investment choices, savings habits, and tax planning techniques. (Collier 2020)

2.2.4 Evolution of Tax Reforms in Nigeria

Nigeria's tax reform history shows a trajectory characterized by major institutional changes, policy changes, economic difficulties, and Socio-political tensions.

2.2.4.1 Pre-Independence Era (Pre-1960s)

The main goal of the tax system before Nigeria's 1960 independence was to generate income for the British colonial government. Trade, agriculture, and certain products like alcohol, tobacco, and palm oil allhad taxes attached to them. The absence of transparency, equity, and public accountability in the colonial tax system caused dissatisfaction among the Nigerian populace.

2.2.4.2. Early Independence Period (1960s-1970s)

Nigeria started implementing tax reforms after gaining independence to modernize the tax code, increase income, and foster economic growth. Corporate taxes, progressive income tax rates, and tax incentives were implemented by the Income Tax Management Act of 1961 to promote investment. To increase tax base size and diversify income streams, the Value Added Tax (VAT) was implemented in 1973.

2.2.4.3. Oil Boom Era (1970s-1980s)

Following the discovery of oil reserves in Nigeria, there was an oil boom marked by large inflows of money from oil exports. Nonetheless, attempts to boost non-oil tax sources and diversify the economy were hampered by the over-reliance on oil money. During this time, the main goals of tax changes were to enhance tax administration, compliance, and enforcement.

2.2.4.4. Structural Adjustment Period (1980s-1990s)

Structural adjustment programs and fiscal changes were required in response to the economic challenges of the 1980s, which included volatile oil prices, fiscal deficits, and external debt. The Value Added Tax (VAT) Act of 1993 enhanced tax compliance procedures, extended the VAT framework and instituted VAT refunds.

2.2.4.5. Democratic Governance Era (1999-Present)

With the restoration of democratic rule in 1999, new initiatives to reform taxes, balance the budget, and diversify the economy were launched. The Federal Inland Revenue Service (FIRS) Act of 2007 brought in technology-driven revenue-collecting systems, improved tax compliance, and reorganized tax administration. Significant changes to tax regulations, including adjustments to VAT rates, exemptions, and compliance requirements, were brought about by the Finance Act of 2020 and the Finance Act of 2023.

2.2.5.3 Implications and Effectiveness of Tax Policy Instruments

- **Equity and Fairness:** The implications of various tax mechanisms for equity and fairness differ. Regressive taxes, such as VAT, may disproportionately affect those with lower incomes, whereas progressive taxes, such as income taxes, aid in the redistribution of wealth.
- **Economic Efficiency:** Tax policy tools alter market dynamics, investment decisions, resource allocation, and incentives to affect economic efficiency. Effective tax policies can improve market efficiency, productivity, and competitiveness.
- **Revenue Generation:** Tax policy tools are essential for raising money for public services, infrastructure improvements, social programs, government spending, and debt management. The structure of tax instruments, the degree of compliance, and the state of the economy all affect how well they generate money.
- **Behavioral Responses:** Markets, companies, and individuals all react behaviorally to tax policy tools. Variations in tax rates, incentives, deductions, and exemptions can have an impact on labor supply, corporate strategy, investment decisions, savings, and consumption habits.
- **Complexity of Administration:** The administrative complexity, compliance costs, enforcement difficulties, and taxpayer obligations of various tax mechanisms differ. In general, simpler tax instruments with well-defined regulations and processes are easier to administer and more productive.

2.3 Theoretical Reviews

2.3.2 Optimal Taxation Theory

A subfield of public economics known as "optimal taxation theory" looks for tax arrangements that maximize social welfare while reducing inefficiencies and distortions to the economy. The optimal taxation theory, which was developed by economists like James Mirrlees and Peter Diamond, offers important insights into the composition, operation, and consequences of tax laws.

2.3.2.1 Optimal Taxation Theory Principles

a. **Efficiency:** The goal of optimal taxation theory is to reduce distortions and deadweight losses brought about by taxes while emphasizing economic efficiency. It aims to create tax structures that do not deter investment, entrepreneurship, or labor force participation.

b. **Equity:** Efficiency is vital, but fairness and equity are also factors in effective taxes. It looks at ways to implement progressive taxation, which would mean that people with higher earnings pay more in taxes than they can.

c. **Distribution:** The theory of optimal taxation acknowledges the function of taxes in resolving income inequality, redistributing wealth and income, and advancing social welfare. It aims to achieve a balance between redistribution objectives and efficiency.

According to the idea of optimal taxation, the impact of various tax structures on economic behavior and welfare varies. To get the best results, tax policy studies should take into account the trade-offs between income taxes, wealth taxes, consumption taxes (such as VAT), and other tax instruments. The theory of optimal taxation looks at how tax rates affect the availability of labor, savings, investment, and economic expansion. Studies on tax policy should examine how economic incentives and welfare are impacted by marginal tax rates, tax brackets, exemptions, and deductions.

2.4 Empirical Reviews

Numerous empirical investigations have been carried out about the influence of taxes on economic growth.

The empirical research conducted by Engen, Anyanwu (2017), Tosun and Abizadeh (2018), Arnold (2019), and Skinner (2019) offered varying perspectives on the impact of taxes on economic growth. Engen and Skinner (2019) used data from micro-level studies of labor supply, investment demand, and productivity development in their analysis of taxes and economic growth in the US economy. They also used a broad sample of nations. Their findings imply that a significant change might have a very minor influence on growth rates, perhaps 0.2 to 0.3 percentage points different. They claimed that little impacts like this might add up to have a big influence on living standards. In their analysis of tax changes and economic development in OECD nations between 1980 and 1999, Tosun and Abizadeh (2005) find a substantial relationship between GDP per capita tax composition and economic growth as measured by GDP per capita.

Research indicates that whereas the proportions of property and personal taxes have increased in response to economic expansion, the shares of payroll and goods and services taxes have decreased in comparison. In their research, Arnold (2019) discovered that whereas long-term growth necessitates an increase in supply, short-term recovery necessitates an increase in demand. This suggests that efforts to address the crisis by short-term compromises may jeopardize longterm prosperity.

Asaolu (2018) researched the relationship between tax income and economic growth in Nigeria. The study employed a descriptive and historical lookup technique, and secondary data was collected from several issues of the Central Bank of Nigeria (CBN) statistics bulletin and yearly reports for 22 years (1994–2015). The study's conclusions showed a substantial correlation between VAT and CED and financial growth.

Using time series data covering 1970 to 2019, Bachama (2021) examined how Nigeria's economic progress affected its human capital.

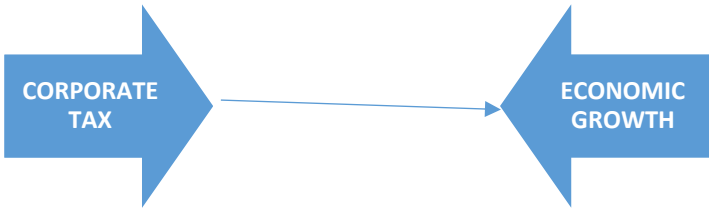
The World Bank's World Development Indicators and the Central Bank of Nigeria's (CBN) statistics bulletin are the sources of the information. The analysis finds that expenditure on health and education is positively and strongly correlated with both short- and long-term economic growth.

2.5 Gap in the Literature

Several studies have looked into the tax reforms using different methods and qualitative methods, this study will look into the quantitative methods, using time series to analyze the data.

2.6 Conceptual Framework

This study conceptualized its variables in the following ways.



Source: Researcher's Review 2025

3. RESEARCH METHODS

3.2 Research Method and Design

The actions that the researcher took to perform the research are revealed in the research design. It offers the binding agent needed to keep the research project cohesive. Research design is defined by Zita and Ozougwu (2010) as the function of the goal and the particular information requirements. They went on to describe research design as a comprehensive strategy outlining the techniques and steps that should be followed to gather and examine the data that the decision-makers require. On the other hand, a research design is the setup of parameters for data collection and analysis to balance procedural economy with relevance to the study goal. The Survey research design adopted for this study is an ex-post facto research design.

3.3 Population of the study

The individuals from whom the sample size is being taken who have similar observable features are referred to as the population. A specific subset of the population with comparable traits is called a target population. It is a subset of all individuals chosen as the target audience, whereas the accessible population is the one to which the study's findings may be applied. This group, sometimes referred to as the research population, is a subset of the target population. The population of this study will be Nigeria's income taxes as a whole that is the 36 states in Nigeria.

3.4 Sample size determination

The judgmental sampling technique was used in selecting the sample size, which is 5 out of the 36 states in Nigeria. Given the 5 selected states as well as the time frame of 13 years (2011 – 2023), each of the variables under consideration has a total of 100 observations for the study.

3.5 Sources and Method of Data Collection

The data used for this study were secondary data (precisely panel data) derived from the annual reports of the selected states listed in the Central Bank Bulletin covering the period of thirteen years running between 2011 and 2023. This study also made use of books and other related materials especially the Central Bank of Nigeria bullions and the Nigerian Stock Exchange Fact Book (2023). Some of the annual reports that were not available in the NSE fact book were either collected from the corporate offices of concerned states or downloaded from the corporate websites.

3.6 Data Analysis Techniques

Panel data makes use of both cross-sectional and time-series data. Unlike the panel data, the cross-sectional data make use of variations in variables in a point in time but across different entities while the time series data looks at variable variations across different times and not entities. Even though the panel data has its own shortcomings, it combines both the strengths and overcomes the weakness of the two individual data types. Hence this research used panel approach to achieve the research objectives.

Descriptive and analytical statistical tools were employed to carry out the data analyses. The descriptive analysis provides the summary statistics (such as mean, maximum, minimum, skewness, kurtosis and Jarque-Bera statistic) for the variables being studied.

Pre-estimation tests such as Panel unit root tests(to determine the stationarity of the variable and panel co-integration test(to examine the existence of long run relationship among the variables) were conducted prior to the estimation. Thus, based on the results of the pre-estimation tests (unit root test and co-integration test), Panel Fully-modified OLS (**FMOLS**) estimation method of co-integrating regression was employed to estimate the long-run impact of tax policy reforms on economic growth.

3.7 Model Specification

The model for evaluating the relationship between tax policy reforms and economic growth in Nigeria was stated by making the corporate tax rate personal income tax rate and consumption tax rate (proxies for tax policy reforms) the independent variable while Economic growth (investment level, competitiveness of domestic industries and labor market participation) as dependent variable. Thus, the functional form is specified as follows:

$EC_i = (_i, P_i, _i)$ (3.1)

Where:

ECOG = Economic Growth;

CTR= Corporate Tax Rate;

PITR = Personal Income Tax Rate;

CTR = Consumption Tax Rate

Thus, the panel data regression model is expressed as follows:

$EC_i = _0 + _{1i} + _2 P_i + _i + _i$(3.2) = 2010 … 2022 (annual timseries)

Subscript**i** = 1, 2, …, 5(individual state)

$_0$ = intercept coefficient

$_1$ = Regression coefficient of **ECOG** with respect to **CTR**

$_2$ = Regression coefficient of **ECOG** with respect to **PITR**

$_1$ = Regression coefficient of **ECOG** with respect to **CTR**

3.8 The 'A Priori' Expectations

It is necessary to state the theoretical relationships in respect of the expected signs and the values of the parameters (**slopecoefficients**) between dependent and independent variables. Thus, these are the restrictions imposed on the signs and values of the parameters of the model. Thus, the a priori expectations are stated as follows: $_1 > 0$, $_2 > 0$, $_3 > 0$

3.9 Measurement of Variables

The dependent variable in the study is Economic growth while the independent variable is tax policy reforms and are measured below;

DEPENDENT VARIABLE	INDEPENDENT VARIABLE
Investment	Corporate tax rate
Labor market	Personal income tax rate
Competitiveness	Consumption tax rate

Source: Researcher's Computation 2025

DATA PRESENTATION, ANALYSES AND INTERPRETATION

4.1 Presentation of Data

'The study used value added tax (VAT), company income tax (CIT) and petroleum profit tax (PPT) to indicate tax reforms (TR) while real gross domestic product (RGDP) and human capital index (HCI) as measures of economic growth (EG).' The data extracted from the tax Statistics/Report-Federal Inland Revenue service (FIRS) and World Bank from 2000 to 2021 for the purpose of this study is presented in table 1:

Table 1. Tax Statistics / Report of Tax Collected from 2000 to 2021 in Billion Naira

YEARS	VAT (N'B)	CIT (N'B)	PPT (N'B)	RGDP (N'B)	HCI	TR (N'B)	EG (N'B)	EDB
2000	58.5	51.500	525.0729	6713.575	0.42	10.02614	0.461	0.001
2001	91.8	68.700	639.234	6895.198	0.46	10.44401	0.401	0.001
2002	108.6	89.100	392.207	7795.758	0.4	10.47108	0.401	0.001
2003	136.4	114.800	432.604	6912381.25	0.4	13.67047	0.431	0.001
2004	159.5	113.000	878.626	8487031.57	0.43	14.1284	0.482	0.001
2005	178.1	140.300	1,352.240	1147106.91	0.48	13.58838	0.442	0.002
2006	221.6	244.900	1,349.522	1457106.15	0.44	14.02823	0.442	0.002
2007	289.6	275.300	1,132.039	18564804.56	0.44	15.22416	0.442	0.002
2008	401.7	420.583	2,060.884	20657317.67	0.44	15.85688	0.492	0.002
2009	481.4	600.590	939.412	24296329.29	0.49	15.81948	0.483	0.002
2010	564.89	666.132	1,480.364	33984754.13	0.48	16.27718	0.493	0.003
2011	659.15	684.746	3070.5913	37409860.61	0.49	16.71472	0.503	0.003
2012	710.56	807.5418	3201.3195	40544099.94	0.50	16.87202	0.523	0.003
2013	802.68	967.3170	2,666.3669	81009964.64	0.52	17.22457	0.523	0.003
2014	802.9 6	967.5800	2,453.947	90136984.66	0.52	17.23515	0.524	0.003
2015	635.3 5	1404.3770	1,289.9607	95177735.68	0.52	17.03961	0.524	0.004
2016	828.2	1791.4087	1,157.8081	102575418.03	0.52	17.24601	0.534	0.004
2017	972.3 5	1704.3371	1,520.4817	114906666352	0.53	18.4617	0.534	0.004
2018	1108.0 4	1,669.3235	2467.5807	143501.73	0.53	14.81622	0.544	0.004
2019	1188.58	1,708.5085	2114.2684	161349.81	0.54	14.84057	0.545	0.004
2020	1,628.35	1,767.8865	1516.9934	163239.93	0.54	14.85301	0.54	0.005
2021	459.59	1476.87	2008.45	177890.35	0.535	14.38473	0.54	0.005

Source: CBN Bulletin, FIRS tax statistics, & World Bank, 2022

4.3 Descriptive Statistics

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CIT	21	1.71	3.25	2.6833	.52069
RGDP	21	3.83	9.06	6.5442	1.52588
HCD	21	.40	.54	.4830	.04687
EDB	21	.00	.01	.0027	.00132
Valid N (listwise)	21				

Source: SPSS version 25

'The outcome of the descriptive analysis of the data used in this study was shown in table 1 above. It demonstrated that value added tax
The study revealed that company income tax (CIT) had a mean of N2.60833 billion and a standard deviation of N0.52069 billion, with values ranging from N1.71 billion at the lowest to N3.2 billion at the highest. Additionally, it demonstrated that the real gross domestic product (RGDP) had a mean of N6.5442 billion and a standard deviation of N1.52588 billion, with values ranging from N3.38 billion at the lowest to N9.06 billion at the highest. Also, it revealed that human capital index (HCI) had a mean of N.4830 billion and a standard deviation of N0.04687 billion, with values ranging from N0.40 billion at the lowest to N0.54 billion at the highest. Finally, the table demonstrated that the electronic data base (EDB) had a mean value of N0.0027 and a standard deviation of N0.00132, with values ranging from N0.00 as the minimum to N0.01 as the maximum.'

4.3 Model Summary

4.3.1 Estimation of model 1 on the impact of VAT, CIT, PPT on RGDP

RGDP = f (CIT,) ……1

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.712[a]	.622	.139	1.41602

a. Predictors: (Constant), CIT.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.612	3	4.204	2.004	.002[b]
	Residual	35.660	17	2.098		
	Total	48.272	20			

a. Dependent Variable: RGDP

b. Predictors: (Constant), CIT.

Source: SPSS version 25

'Based on the data in table 2 above, it can be seen that there is a significant and positive correlation of CIT on Nigeria's human capital index (HCI) (R-value = 0.712 and p-value =
0.002 > 0.05 level of significance). The coefficient of determination
(R2) = 0.622 indicates that the changes in the predictor variables (CIT) account for 62.2% of the variation in criterion variable
(RGD), leaving other variables not included in the model to account for the remaining 37.8%. **Decision Rule:** Accept Ho if P > 0.05.'
Otherwise reject

Decision: The researcher concluded that there is a positive significant
impact of tax reforms on economic growth (RGDP) of Nigeria.

4.3.2 Estimation of model 2 on the impact of VAT, CIT, PPT on HCI

HCI = f (CIT) ……2

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.901[a]	.812	.781	.02193

a. Predictors: (Constant), CIT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.007	3	.012	25.985	.000[b]
	Residual	.009	18	.000		
	Total	.046	21			

a. Dependent Variable: HCD

b. Predictors: (Constant), CIT.

Source: SPSS version 25

'Based on the data in table 3 above, it can be seen that there is a significant and positive correlation of CIT on Nigeria's human capital index (HCI) (R-value = 0.901 and p-value =
0.000 > 0.05 level of significance). The coefficient of determination
(R2) = 0.812 indicates that the changes in the predictor variables (CIT) account for 81.2% of the variation in criterion variable (HCI), leaving other variables not included in the model to account for the remaining 18.8%.'

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Decision: The researcher concluded that there is a positive significant impact of CIT on economic growth (HCI)
of Nigeria.

4.3.3 Estimation of Model 3 on The Moderating Effect of Electronic Data Base on Tax Reforms (TR) and Economic Growth (EG)

EDB=f(TR,EG)……3

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Error of the Estimate
1	.658[a]	.433	.373	.00104

a. Predictors: (Constant), EG, TR

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	2	.000	7.243	.005[b]
	Residual	.000	19	.000		
	Total	.000	21			

a. Dependent Variable: EDB

b. Predictors: (Constant), EG, TR

Source: SPSS version 25

'Based on the data in table 4 above, it can be seen that there is a significant and positive moderating impact of technology on tax reforms and Nigeria's economic growth (R-value = 0.658 and p-value
= 0.005 = 0.05 level of significance). The coefficient of determination (R2) = 0.433 indicates that the changes in the predictor and criterion variables (TR & EG) account for 43.3% of the variation in the moderating effect of EDB, leaving other variables not included in the model to account for the remaining 56.7%.'

Decision Rule: Accept Ho if P > 0.05. Otherwise reject

Decision: The researcher concluded that there is a positive significant moderating impact of CIT on tax reforms and Nigeria's economic growth.

4.4 Discussion of Findings

'Based on the data in table 2 above, it can be seen that there is a significant and positive correlation of CIT on Nigeria's human capital index (HCI) (R-value = 0.712 and p-value =
0.002 > 0.05 level of significance). The coefficient of determination
(R2) = 0.622 indicates that the changes in the predictor variables account for 62.2% of the variation in criterion variable (RGD), leaving other variables not included in the model to account for the remaining 37.8%. Therefore, the researcher concluded that there is a positive significant impact of CIT on RGDP in Nigeria.' 'This result upheld the findings of Omondi (2019), Emeneka (2021), and Gbeke and Nkak (2021), who investigated tax reforms and economic growth of Nigeria, using time series data from 1995-2019, concluded that company's income tax and customs & excise duties (CED) have a positive impact on economic growth, while value added tax (VAT) and petroleum profit tax (PPT) have a negative effect on economic growth.'

'Based on the data in table 3 above, it can be seen that there is a significant and positive correlation between CIT and Nigeria's human capital index (HCI) (R-value = 0.901 and p-value =
0.000 > 0.05 level of significance). The coefficient of determination (R2) = 0.812 indicates that the changes in the predictor variables (HCI) account for 81.2% of the variance in (HCI), leaving other variables not included in the model to account for the remaining 18.8%. Therefore, the researcher concluded that there is a positive significant impact of CIT. on HCI in Nigeria. This result is in tandem with Parika and Singh (2020), Matousek and Tzeremes (2019), and Bachama et al (2021), who examined the role of human capital on economic growth in Nigeria using time series data covering the period from, revealed that expenditure on health and education are found to be positively and significantly related with economic growth both in the short-run and long-run.'

'Based on the data in table 4 above, it can be seen that there is a significant and positive moderating impact of electronic data base on tax reforms and Nigeria's economic growth (R-value = 0.658 and pvalue = 0.005 = 0.05 level of significance). The coefficient of determination (R2) = 0.433 indicates that the changes in the predictor variables (TR & EG) account for 43.3% of the variance in (EDB), leaving other variables not included in the model to account for the remaining 56.7%. Therefore, the researcher concluded that there is a positive significant moderating impact of technology on tax reforms and Nigeria's economic growth. This result agreed with Abuh and Jeremiah (2022), and Adegbie, (2022), who investigated the effect of electronic tax management system on tax revenue collection efficiency, concluded that electronic tax management system impacted tax revenue collection efficiency.'

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study explored the impact of tax reforms on economic growth, focusing on how changes in tax policies influence fiscal stability, revenue generation, and socioeconomic development. It delved into public finance theories, such as optimal taxation, public choice theory, and fiscal federalism, providing a theoretical foundation to understand the complex relationships between tax policy instruments and economic outcomes. Through a review of various tax policy instruments such as income tax, Corporate tax, and environmental taxes the study highlighted the trade-offs between efficiency, equity, and revenue generation in tax design.

The findings showed that while tax reforms could stimulate economic growth by improving resource allocation and promoting investment, poor tax administration, inequitable tax structures, and over-reliance on indirect taxes could hinder inclusive growth. The study emphasized the need for a balanced approach to tax reforms, focusing on diversifying tax revenue sources, enhancing tax compliance, and ensuring a fair tax burden distribution across different income groups.

5.2 Conclusions

This study examined the impact of corporate tax reforms on economic growth in Nigeria, focusing specifically on the relationships between the effective corporate tax rate and investment levels, the effective personal income tax rate and labour market participation, and the effective consumption tax rate and the competitiveness of domestic industries. The empirical findings revealed that the effective corporate tax rate has a significant inverse relationship with investment levels, indicating that high corporate tax burdens discourage private sector investment, which is crucial for economic expansion and industrial development. This underscores the need for a more investment friendly tax environment to promote business growth and job creation.

5.3 Recommendations

It is recommended based on the findings and conclusion of the study that FIRS should equip their supervisory and monitoring department on how to detect window dressing of financial position of reforming. Governments should prioritize progressive tax systems where higher income earners contribute a larger share to public revenue. This ensures fairness and enhances income redistribution without discouraging economic activity.

Tax reforms should focus on formalizing the informal economy to widen the tax base, ensuring that small and medium enterprises contribute fairly to national revenue.

Countries should engage in international efforts to combat base erosion and profit shifting (BEPS) and cooperate on information sharing to minimize tax avoidance by multinational corporations.

From a political perspective, it is recommended that policymakers adopt a more strategic and data-driven approach to tax reform. Specifically, the Nigerian government should consider lowering effective corporate tax rates to incentivize greater investment while ensuring that fiscal policies maintain adequate public revenue.

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