Tax Laws and Economic Growth in Nigeria: An Empirical Analysis from 2000 to 2023

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Abstract

This study examines the effect of tax laws on economic growth in Nigeria from 2000 to 2023, focusing on Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Value Added Tax (VAT), and Capital Gains Tax (CGT). Utilizing an ex-post facto design and employing Panel Least Squares Regression, the research analyzed secondary data sourced from the Central Bank of Nigeria, Federal Inland Revenue Service, and National Bureau of Statistics. Results indicate that VAT and CIT significantly and positively influence Nigeria's Gross Domestic Product (GDP), with VAT demonstrating a notably stronger effect ($\beta = 66.50$, p < 0.01) compared to CIT ($\beta = 19.98$, p < 0.05). Conversely, PPT and CGT exhibited positive but statistically insignificant effects on economic growth. Pearson's correlation analysis reinforced these findings, showing strong positive associations between GDP and VAT (r =(0.9821) and CIT (r = 0.9602), moderate correlation with PPT (r = 0.6207), and weak correlation with CGT (r = 0.2571). Theoretically, the outcomes align with the Endogenous Growth Theory, emphasizing the role of internal fiscal mechanisms, and Benefit Received Theory, highlighting taxpayer-government reciprocity. The study underscores critical gaps in Nigeria's tax administration, particularly in managing petroleum revenue volatility and CGT compliance challenges. Thus, it recommends enhanced tax governance, improved transparency, and strategic reinvestment of tax revenues to bolster economic resilience and sustainability. The research empirically contributes to optimize fiscal strategies for sustained economic growth.

Keywords: Tax Laws, Economic Growth, Gross Domestic Product, Value Added Tax, Company Income Tax.

1.0 Introduction

Taxation remains a vital instrument for economic planning and development in Nigeria, serving as a core mechanism through which the government mobilizes funds for public services, infrastructure, and national growth. As Azubike (2009) asserts, taxation is "a major player in every society" and a crucial means for mobilizing internal revenue. Over the years, Nigeria's tax laws have evolved to support national development goals. Key tax instruments include the Petroleum Profits Tax (PPT), introduced in 1959; the Companies Income Tax (CIT), formalized under the Companies Income Tax Act in 1979; the Capital Gains Tax (CGT), introduced in 1967; and the Value Added Tax (VAT), which replaced the former sales tax regime in 1993 (Oti & Odey, 2016; Oriakhi & Ahuru, 2014). These tax laws were designed to broaden the government's revenue base and reduce dependency on oil.

In recent years, successive reforms have aimed to modernize the tax system. The Finance Act of 2019 sought to align Nigerian tax laws with global best practices, particularly in the context of the digital economy. The Act amended provisions relating to VAT and CIT, improving administration and compliance (Halliday & Okara, 2021; Felix, 2021). Further Finance Acts from 2020 to 2022 and the landmark Petroleum Industry Act (PIA) of 2021 introduced sweeping reforms in fiscal regulations to encourage investment and fiscal sustainability (Nwuke, 2021). Well-structured tax laws can significantly stimulate economic growth in Nigeria if implemented effectively to ensure proper administration and strategic reinvestment of tax revenues (Etim et al., 2024). These developments demonstrate a policy recognition that an efficient and modern tax system is central to long-term economic growth (Obayomi, 2018; Emenyi et al., 2016; Olusegun, 2008).

Despite being Africa's largest economy by GDP, Nigeria's tax revenue performance remains low. The tax-to-GDP ratio stood at about 6% in 2017 and improved only slightly to 8% in 2022, far below the continental average of 15–20%. This suggests a significant revenue mobilization gap. Policymakers have consistently highlighted the need to broaden the tax base, enhance compliance, and improve tax administration (Adeosun, 2017; Osinbajo, 2022). Initiatives such as tax amnesty programs and digital tax platforms reflect a broader push toward efficiency and transparency (Halliday & Okara, 2021). The imperative for reform is further underscored by the limitations of oil revenue as a sustainable fiscal anchor, with non-oil taxation becoming essential to long-term fiscal stability (Oriakhi & Ahuru, 2014). However, oil revenue continues to dominate Nigeria's fiscal structure, accounting for approximately 80% of government revenue and 90% of export earnings (Ogbonna & Appah, 2012; OPEC, 2020). This overreliance renders the fiscal system vulnerable to oil price shocks and production disruptions, weakening the broader tax framework (IMF, 2021).

Nigeria's tax system remains lopsided and skewed toward oil As Odusola (2006). Furthermore, tax administration faces numerous challenges, including complexity, inequity, and inefficiency. Tax laws are often described as overly complicated and perceived as burdensome, especially by small businesses and individuals operating in the informal sector (Odusola, 2006; Ayuba, 2014; Osakwe, 2017). These issues contribute to low compliance, inadequate domestic revenue mobilization, and continued fiscal deficits. In addition, subnational governments rely heavily on federally distributed oil revenues, which limits their fiscal autonomy and deepens regional economic disparities (Ikelegbe, 2005; Oriakhi & Ahuru, 2014). Although multiple tax reforms have been implemented, the Nigerian tax system continues to fall short of delivering optimal outcomes. Non-oil taxes remain underutilized, taxpayer morale is low, and public revenue is insufficient to meet developmental needs (Oti & Odey, 2016; IMF, 2021). These

challenges necessitate an in-depth investigation into how specific tax laws influence economic performance.

Thus, this study examines the relationship between tax laws and economic growth in Nigeria, focusing on four major tax types: Petroleum Profits Tax (PPT), Companies Income Tax (CIT), Value Added Tax (VAT), and Capital Gains Tax (CGT). The central objective is to evaluate the effect of these tax laws on Gross Domestic Product (GDP) over the period from 2000 to 2023. To achieve this goal, the study is guided by the following research questions: What is the effect of Petroleum Profits Tax on Nigeria's Gross Domestic Product? To what extent does Companies Income Tax influence economic growth? How does Value Added Tax affect GDP performance in Nigeria? And to what degree does Capital Gains Tax contribute to national economic output? By addressing these questions, the study aims to offer evidence-based insights that could inform future tax reforms and strengthen Nigeria's fiscal policy framework for sustainable economic growth.

The study's relevance is multi-dimensional. Tax authorities such as the Federal Inland Revenue Service (FIRS), Nigeria Customs Service, and the Joint Tax Board may use its findings to improve revenue strategies. Policymakers at federal and state levels can leverage the results to refine tax legislation aimed at fostering economic resilience. For taxpayers, the research offers clarity on how tax policies impact business environments and personal income, potentially promoting better compliance. Ministries of Finance and Budget Planning could apply the outcomes in refining budgetary allocations and development strategies. Besides, the study provides an empirical foundation for future academic research on the intersection between tax policy and economic growth in Nigeria.

2.0 Literature Review

2.1 Conceptual Framework

Figure 2.1 presents a conceptual model depicting the interrelationship between tax laws (PPT, CIT, VAT, and CGT) and economic growth (GDP), guided by Oriakhi & Ahuru (2014) and Herbert et al. (2018)



Fig 2.1: Interrelationship of variables **Source:** Author's Conceptualisation (2025)

2.1 Economic Growth

Economic growth refers to the sustained increase in the production of goods and services within an economy over time. The International Monetary Fund (2009) defines it as the percentage rate of increase in real Gross Domestic Product (GDP), adjusted for inflation to reflect the true volume of output. Haller (2016) expands this view by emphasizing that economic growth involves a consistent upward trend in macroeconomic indicators, especially per capita GDP, which may not follow a linear path but reflects improvement in economic and social conditions. Jhigan (2004) further describes it as a long-term process of rising real per capita income, signifying improved living standards and a broader capacity for production and distribution. Income tax constitutes a significant source of revenue for all tiers of government in Nigeria. Consequently, it necessitates strategic planning and the formulation of effective tax policies aimed at fostering the overall economic growth of the nation. While the government provides tax incentives in sectors of strategic interest, areas receiving less policy attention often face disincentives. (Emenyi et al., 2016).

Oremade (2006) emphasizes that economic growth is marked by a long-term expansion in a country's capital base, enabling the economy to deliver a wider variety and higher quantity of goods and services. This increase in potential output or GDP is fundamental to progressing from early development stages to a phase of sustained growth. Economic growth also reflects improved welfare and economic diversity. Hence, it serves as a key indicator of national development and an essential target for fiscal and structural policies aiming to enhance productivity, income levels, and overall economic resilience. Kiabel and Nwokah (2009) assert that the tax system significantly affects macroeconomic outcomes, and its structure may impact economies differently depending on their level of development. Devarajan et al. (1996) argue that long-term economic growth is largely driven by productivity improvements, achieving higher output levels with the same input mix of labour, capital, energy, and materials. Saheed et al. (2014) support this view, stressing that efficiency gains, technological innovation, and human capital development are central to enhancing output without proportional increases in inputs. These productivity-driven improvements underpin sustainable economic advancement.

2.1.1 Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is a fundamental indicator used to measure a country's economic activity, representing the monetary value of all final goods and services produced within a nation's borders over a specified period, typically annually or quarterly. The Central Bank of Nigeria (2010) defines GDP as the total value of goods and services generated within the economy during a particular timeframe, regardless of the producers' nationality. It is widely employed in economic analysis and policy formulation, serving as a benchmark for assessing national performance. According to the OECD (2014), GDP comprises the gross value added by all resident institutional units, adjusted for taxes and subsidies on products, making it a comprehensive measure of production and output. Per capita GDP, calculated by dividing the total GDP by the population size, provides insights into the average standard of living within a country. Lepenies (2016) emphasized that this measure is a key indicator of economic well-being, reflecting how economic output is distributed across the population.

Variations in per capita GDP can signal changes in national prosperity and are often used to compare living standards across regions or countries. The World Bank Development Report (2002) observed that population growth trends significantly influence per capita GDP, with slower growth in developed nations supporting higher per capita income, whereas rapid growth in developing economies can dilute the benefits of GDP expansion. The components of GDP - Personal Consumption Expenditures (PCE), Business Investment (BI), Government Spending

(GS), and Net Exports (Exports minus Imports), help to structure the understanding of economic output and guide fiscal policy decisions (OECD, 2014). Khorravi and Karimi (2010) noted that GDP growth is linked to public sector spending, which is itself driven by government revenues, particularly from taxation. This highlights the role of effective tax systems in funding economic activities and driving output growth. Consequently, GDP remains a core metric for evaluating economic health, while per capita GDP and its components offer deeper insights into economic structure, performance, and the effectiveness of policy interventions.

2.1.3 Tax Laws

Tax laws refer to fiscal legislations that govern the structure, rates, collection, and administration of taxes. In Nigeria, these laws are often modified annually through Finance Acts, which serve as legal frameworks for adjusting tax provisions in response to evolving economic and social conditions (Farlex, 2012). These Acts enable rate adjustments, introduce taxpayer incentives, and empower revenue-generating agencies. As noted by Ogundele (1999), effective tax laws should strike a balance between revenue generation, economic growth, and compliance. The Nigerian tax system operates under a dynamic legal framework. Tax laws are passed by both chambers of the National Assembly, reviewed, and signed into law by the President. The Finance Act, once signed, becomes effective either from a stated date or at the start of the next fiscal year (Ikharo-Kadiri, 2021). Azubike (2009) emphasizes the adaptive nature of tax legislation, highlighting its responsiveness to economic and political developments.

In addition, the UK Finance Act (2022) defines tax laws as encompassing duties, amendments to public revenue codes, and fiscal provisions linked to national debt. Similarly, Kiabel and Nwokah (2009) observed that rising administrative costs and revenue constraints have driven Nigeria's governments to adopt reform-based legislative strategies. The Finance Acts of 2019, 2020, and 2021 introduced over 120 cumulative amendments to core tax statutes (Ikharo-Kadiri, 2021; Global, 2022). These changes are intended to enhance transparency, broaden the tax base, and incorporate digital economy considerations. However, Ebieri et al. (2016) cautioned that unless tax revenues are transparently allocated to productive sectors, such legislative efforts may fail to yield sustainable growth. Thus, while Nigeria's tax laws are comprehensive and periodically revised, their ultimate effectiveness depends on implementation efficiency and the strategic allocation of generated revenues to priority sectors that promote long-term economic development.

2.1.4 Petroleum Profit Tax Law

Petroleum Profit Tax (PPT) is a central component of Nigeria's fiscal framework, given the country's dependence on oil revenues (Attamah, 2004). It is a tax imposed on profits from petroleum exploration and extraction activities, specifically targeted at upstream operations. These profits include royalties, rents, margins, and lease agreements (Odusola, 2006). PPT has historically contributed over 70% of total government revenue and about 95% of foreign exchange earnings, highlighting its significance for national economic development (Onaolapo et al., 2013). In addition to revenue generation, PPT plays a social and economic role by facilitating wealth redistribution, supporting national resource control, and ensuring sustainability of public assets in oil-dependent economies (Nwete, 2004; Ogbonna, 2011). Effective administration of PPT has been associated with increased funding for infrastructure and public services, positively influencing GDP growth (Etim et al., 2021).

Recent reforms have reshaped PPT regulations to align with Nigeria's broader fiscal goals. Notably, the Petroleum Industry Act (PIA) of 2021 introduced structural adjustments such as

revised tax rates and new regulatory provisions (Nwuke, 2021). Among the key changes were the removal of withholding tax exemptions on dividends and the exclusion of petroleum firms from export profit exemptions under Section 23(q) of the Companies Income Tax Act (Ikharo-Kadiri, 2021; Global, 2022). The PIA effectively transitioned upstream petroleum companies from PPT to the Companies Income Tax (CIT) regime, thereby standardizing taxation across tiers of the oil sector (Global, 2022). These reforms aim to enhance administrative consistency, boost investor confidence, and increase revenue transparency (PricewaterhouseCoopers, 2021). Petroleum-derived income, including royalties and licensing fees, remains essential for driving GDP growth, employment, and industrial development (Jibrin et al., 2012). However, the effectiveness of PPT laws is challenged by global oil price volatility, administrative inefficiencies, and fiscal mismanagement (Ogundele, 1999; Adeosun, 2017). Moreover, Nigeria's overreliance on petroleum revenue continues to hinder economic diversification, limiting the long-term efficacy of tax policies (Osakwe, 2017).

Table 2.1 summ	arizes the liscal and economic dimensi	ions of PP1 law as documented in
literature:		
Focus Area	Insight from Literature	Source(s)

Focus Area	Insight from Literature	Source(s)
Revenue Generation	Over 70% of total government revenue and 95% of FX earnings come from PPT	Onaolapo et al. (2013)
Infrastructure Funding	PPT revenues support infrastructure and public services	Etim et al. (2021)
Reforms and Standardization	PIA moved upstream firms to CIT regime, removed WHT exemptions	Ikharo-Kadiri (2021); Global (2022)
Investment Promotion	PIA provisions are investor-friendly and aim to improve transparency	Nwuke (2021); PwC (2021); Osibanjo (2022)
Implementation Challenges	Oil price volatility, inefficiencies, and weak fiscal governance limit PPT's effectiveness	Ogundele (1999); Adeosun (2017)
Economic Diversification	Overreliance on oil undermines long-term growth and tax policy impact	Osakwe (2017)

In light of these dynamics, this study hypothesizes that:

Ho1: Petroleum Profit Tax Law does not significantly affect Gross Domestic Product (GDP) in Nigeria.

2.1.5 Companies Income Tax Law

Company Income Tax (CIT) is a significant pillar in Nigeria's fiscal structure, applied to the profits of corporate entities excluding those involved in upstream petroleum operations (Ogbonna & Appah, 2016). CIT covers income earned from trade, rent, interest, royalties, and dividends derived within or from Nigeria. Beyond revenue generation, CIT is positioned to promote infrastructure development, equitable wealth distribution, and investment stimulation through structured incentives (Ani, 2004; Dickson & Rolle, 2014). The law's origin dates back to the Companies Income Tax Ordinance of 1939 and was later consolidated under the 1940 Income Tax Ordinance and Companies are taxed at a flat rate of 30% on taxable profits, with an additional 2% education tax levied on audited profits (Olufunke, 2012). The Finance Act 2019 introduced a progressive structure: 0% for companies earning below №25 million, 20% for

those earning between \aleph 25 and \aleph 100 million, and 30% for large companies (Ikharo-Kadiri, 2021).

Subsequent Finance Acts expanded the scope and adaptability of CIT. These included tax exemptions for agriculture and real estate, introduction of sector-specific tax rules for insurance and gaming, and new provisions targeting the digital economy. Additionally, the removal of tax-exempt status for educational institutions and the amendment of Section 30 to tax foreign companies based on turnover indicate a commitment to broadening the tax base and improving compliance (Global, 2022). During economic downturns, a temporary reduction in the minimum tax rate to 0.25% was implemented to cushion corporate burdens (PwC, 2021). Modern reforms have also introduced systemic enhancements. The Integrated Tax Administration System (ITAS) was deployed to reduce leakages and improve efficiency (FIRS, 2020). Provisions from the 2017 National Tax Policy and Finance Act 2019 aim to simplify tax administration, improve transparency, and encourage voluntary compliance, especially among SMEs (PWC, 2020; Iyoha, 2020). International perspectives affirm that transparent and equitable tax systems attract foreign direct investment (Kaldor, 2018), reinforcing the potential of CIT as a growth catalyst.

Focus Area	Key Insight	Source(s)
Structure & Reform History	Evolved from 1939 ordinance, restructured under CAMA and Finance Acts	Jugu et al. (2012); Ikharo- Kadiri (2021)
Tax Rate & Reliefs	Tiered rates (0%, 20%, 30%); sector- based incentives and exemptions	Olufunke (2012); Global (2022)
Administrative Innovation	ITAS introduced to enhance compliance and reduce leakages	FIRS (2020)
Development Objectives	Supports infrastructure, job creation, and fiscal equity	Ani (2004); Iyoha (2020); Adeosun (2017)
Compliance Challenges	Evasion, inequitable reliefs, and bureaucratic inefficiencies remain issues	Obara & Nangih (2017); Owolabi (2019)
Growth Contribution	CIT can stimulate sustainable development when efficiently administered	PwC (2020); Kaldor (2018); Ogbonna & Appah (2016)

Table 2.2 summarizes the key features and economic implications of CIT as outlined in the literature:

However, challenges persist. Widespread evasion, administrative inefficiencies, and disproportionate reliefs for large corporations weaken the law's effectiveness (Obara & Nangih, 2017; Owolabi, 2019). These undermine the law's broader developmental role. Based on this review, the study hypothesized that:

H02: Company Income Tax Law does not significantly affect Gross Domestic Product (GDP) in Nigeria.

2.1.6 Value Added Tax Law

Value Added Tax (VAT) is a central feature of Nigeria's taxation framework and a key instrument for revenue generation. It is a multi-stage consumption tax imposed on value addition at each stage of production and distribution, with provisions for input tax deductions

to prevent cascading taxation (Bassey, 2019; Ola, 2001). VAT was introduced in 1993 to replace the sales tax regime established under Decree No. 7 of 1986, as part of Nigeria's broader fiscal diversification strategy (Ugochukwu & Azubike, 2016). Early implementation results were encouraging, with VAT contributing 36.5% of budgeted revenue and 5.93% of total government revenue by 1995 (Olatunji, 2013). The tax was intended to stabilize public finances and reduce reliance on volatile oil income by expanding non-oil revenue sources (Okele, 2003). Legal reforms, especially through the Finance Acts, have progressively expanded VAT coverage and enhanced compliance. Notably, the Finance Act 2019 increased the VAT rate from 5% to 7.5% and exempted businesses with turnover below N25 million from VAT obligations (Ikharo-Kadiri, 2021). Further reforms introduced a reverse charge mechanism for non-resident service providers and authorized the Federal Inland Revenue Service (FIRS) to appoint third-party VAT collection agents (PricewaterhouseCoopers, 2021; Global, 2022).

Focus Area	Key Insight	Source(s)
Fiscal Purpose	Designed to diversify revenue away from oil	Ugochukwu & Azubike (2016); Olatunji (2013)
Structure and Reforms	Rate increase to 7.5%, exemption for SMEs, digital remittance tools	Ikharo-Kadiri (2021); PwC (2021); Global (2022)
Revenue Performance	Significant share of budgeted revenue, supports service delivery	Okele (2003); Bassey (2019)
Equity and Distribution	Regressive potential affecting low-income earners	Mansour (2015); Egbunike et al. (2018)
Compliance Challenges	Informal sector exclusion, administrative bottlenecks	Obara & Nangih (2017)
Policy Enhancements	Introduction of reverse charge, third- party agents, public sensitization	PwC (2021); FIRS (2020)

Table 2.3 summarizes the fiscal role and economic implications of VAT laws in Nigeria:

Additional enforcement mechanisms now require government agencies to remit gross revenues directly to the federation account, with non-compliance subject to penalties (Global, 2022). These changes reflect a shift toward consumption-based taxation aimed at improving fiscal sustainability. While VAT reforms have broadened Nigeria's revenue base, their economic implications are complex. Higher VAT rates may support infrastructure funding but can also depress consumption and disproportionately affect low-income earners (Mansour, 2015). Mixed findings in the literature further illustrate this dual effect. Olaoye and Awojola (2019), along with Adegbie and Fakile (2011), highlight VAT's positive contribution to GDP, while Egbunike et al. (2018) and Okoye and Gbegi (2013) caution against its regressive tendencies. Tax evasion, administrative burdens, and the exclusion of the informal sector remain persistent challenges (Obara & Nangih, 2017). In response, Nigeria has implemented digital tax systems and awareness campaigns to strengthen voluntary compliance (FIRS, 2020). In light of these perspectives, the following hypothesis is tested:

H₀₃: Value Added Tax Law does not significantly affect Gross Domestic Product (GDP) in Nigeria.

2.1.7 Capital Gains Tax Law

Capital Gains Tax (CGT) is imposed on profits realized from the disposal of capital assets such as land, buildings, or shares. It applies to the increase in the value of assets not considered stock-in-trade or held for regular business purposes (Ngu, 2020). Governed by the Capital Gains Tax Act, Cap C1 LFN 2004 (as amended), CGT is charged at a flat rate of 10% on chargeable gains, with specific exemptions detailed within the Act (Capital Gains Tax Act, 2004). Although CGT was introduced in Nigeria in 1967 to diversify government revenue and promote tax equity (Ariyo, 1997), it remains underutilized. Revenue collection is administered by the Federal Board of Inland Revenue (FBIR) and the Federal Inland Revenue Service (FIRS), with oversight for corporate entities and individuals in designated groups (FIRS, 2004; Ngu, 2020). However, despite its potential, CGT contributes minimally to national revenue, largely due to weak enforcement, administrative inefficiencies, and high rates of non-compliance (Olufunso, 2015; Akintoye & Tashie, 2013).

Reforms since the Finance Act 2019 have sought to improve CGT administration. The Finance Act 2021, for example, mandates a 10% CGT on share disposals exceeding №100 million annually unless the proceeds are reinvested in shares of Nigerian companies. Partial reinvestments incur CGT only on the balance. Borrower-lender transactions under securities lending rules are exempt (PwC, 2021). In 2022, exemptions on share disposals under Section 30 were removed, except for those meeting reinvestment or threshold conditions and properly declared to FIRS (Global, 2022). Despite these revisions, CGT still presents equity concerns. Studies such as Hungerford (2009) argue that CGT reliefs often benefit high-income earners while doing little to enhance savings or productive investments. Additionally, reductions in CGT rates have not consistently translated into broader economic benefits, potentially weakening public revenue without spurring real growth.

Focus Area	Key Insight	Source(s)
Definition and Coverage	Levied on profits from asset disposals (land, shares, buildings)	Ngu (2020); Obaje (2012)
Reform Milestones	Amended in 2004; further revisions in 2019, 2021, 2022	PwC (2021); Global (2022)
Revenue Performance	Underutilized despite potential for diversification	Ariyo (1997); Ngu (2020)
Economic Impact	Mixed findings on GDP contribution; equity concerns persist	Ogbonna & Appah (2012); Hungerford (2009)
Enforcement Issues	Weak compliance, limited coverage in informal sector	Olufunso (2015); Akintoye & Tashie (2013)
Policy Enhancements	Digital tools, updated thresholds, and reinvestment exemptions	FIRS (2020); PwC (2021)

 Table 2.4 presents a comparative summary of key issues and reforms related to CGT:

The impact of CGT on GDP is thus shaped by the trade-off between potential public revenue and the disincentives for capital investment. Empirical studies report varied outcomes: while Yadawananda and Gaur (2020), Gnangnon (2020), Ouma (2019), and Omesi and Akpeekon (2019), noted CGT's potential for growth when efficiently administered. However, contrasting results by Dauda and Dauda (2020) and Uzoka and Chiedu (2018) highlight CGT's minimal impact due to poor enforcement and administrative inefficiencies. others like Alabede (2012) argue that high CGT rates may deter investment. Accordingly, the study tests the following hypothesis:

H₀₄: Capital Gains Tax Law does not significantly affect Gross Domestic Product (GDP) in Nigeria.

2.2 Theoretical Framework

The theoretical foundation for this study is drawn from four key economic theories, with Endogenous Growth Theory and Benefit Received Theory serving as the anchor frameworks. These theories provide a lens to examine the influence of tax laws on economic growth in Nigeria. Complementary perspectives are drawn from Public Choice Theory and Tax Elasticity Theory, which further enrich the study's explanatory power, offering a multidimensional concept of the formulation, implementation, and economic implications of tax policies in a developing economy.

2.2.1 Endogenous Growth Theory

Proposed by Paul Romer in 1986, the Endogenous Growth Theory challenges the neoclassical assertion that external factors such as technological progress or population growth, drive long-term economic growth. Instead, it posits that growth is largely generated by internal mechanisms, such as government policies, human capital development, and innovation (Romer, 1986). Within this study, the theory highlights taxation as a critical policy instrument capable of fostering internal economic development. Tax laws, when effectively designed and implemented, influence national growth by shaping incentives, increasing public investment, and improving productivity. As Ugwunta and Ugwuanyi (2015) emphasized, the application of endogenous growth models has gained traction in development economics due to their ability to explain country-specific growth variations. The theory is therefore particularly relevant in the Nigerian context, where strategic fiscal reforms such as amendments to Petroleum Profit Tax, Company Income Tax, Value Added Tax, and Capital Gains Tax, are essential for stimulating sustainable growth. By focusing on internal drivers, the theory supports the argument that tax policy reform can promote long-term improvements in per capita output, national productivity, and macroeconomic stability.

2.2.2 Benefit Received Theory

Knut Wicksell (1896), later expanded by Erik Lindahl (1919), introduced the Benefit Received Theory, which is grounded in the notion of reciprocity between taxpayers and the state. It asserts that individuals should pay taxes in proportion to the benefits they receive from public services. This theory advocates for a transparent and equitable fiscal system in which tax revenues are allocated efficiently to meet citizens' needs, thus enhancing trust in governance (Trotman-Dickenson, 1996; Ihenyen & Mieseigha, 2014). In Nigeria, this theory is vital for understanding the societal perceptions of taxation and compliance behaviour. As Chigbu et al. (2012) noted, when taxpayers observe that their contributions lead to tangible improvements in public infrastructure, education, and healthcare, they are more likely to comply willingly. The application of this theory supports the formulation of tax laws that ensure fair distribution of fiscal responsibilities and benefits, thereby fostering economic inclusiveness and equitable development. By aligning tax obligations with service delivery, governments can generate broader support for taxation and drive economic growth through improved public investment efficiency.

2.2.3 Public Choice Theory

Formulated by Buchanan and Tullock (1962), Public Choice Theory investigates how selfinterest among policymakers shapes fiscal decisions. It posits that tax laws may be influenced not only by economic rationale but also by political considerations and the lobbying power of interest groups. In the Nigerian setting, this theory helps explain the persistence of inefficient tax structures and the challenges in implementing equitable reforms. Understanding the political economy surrounding tax legislation is critical to addressing institutional barriers and promoting pro-growth fiscal governance. Public Choice Theory links the formulation of tax laws (e.g., CGT or CIT amendments) to political motives and interest group influence. In Nigeria, this theory explains inefficiencies in tax implementation, which may hinder the potential of tax laws to positively affect GDP (Buchanan & Tullock, 1962).

2.2.4 Tax Elasticity Theory

Developed by Musgrave and Musgrave (1989), the Tax Elasticity Theory focuses on the responsiveness of tax revenue to changes in tax rates. It explains how different tax types react to economic variables such as consumption, investment, and income levels. In a country like Nigeria, where government revenue is closely tied to volatile sectors such as oil, understanding tax elasticity is essential for forecasting revenue and designing adaptive tax policies (Slemrod, 1990). This theory provides insight into how changes in tax rates, especially in VAT and CGT can influence economic activity, compliance, and growth. Tax Elasticity Theory explains how responsive tax revenues from instruments like VAT and PPT are to changes in GDP, consumption, or tax rates. In Nigeria's fluctuating economy, tax elasticity helps tailor tax policies that adapt to income variations and sustain revenue generation (Musgrave & Musgrave, 1989).

2.3 Empirical review

Umunnakwe and Amahalu (2024) investigated the effect of tax laws on Nigeria's GDP from 2005 to 2021, examining changes in Personal Income Tax Revenue, Company Income Tax Revenue, and Petroleum Profit Tax Revenue. The study employed an ex-post facto research design with data sourced from the Central Bank of Nigeria, Securities and Exchange Commission, National Bureau of Statistics, and World Bank Statistical Bulletin. Using inferential statistical methods, the findings revealed that Personal Income Tax and Company Income Tax exert significant negative effects on GDP, while Petroleum Profit Tax has a significant positive effect. The study concluded that tax laws substantially influence GDP and recommended policy adjustments to enhance economic performance.

Idoko et al. (2023) examined the effect of tax law on Nigeria's industrial sector from 1990 to 2022, using the Tax Law Act of 2014 as a reference point. Time series data were analyzed using the Augmented Dickey-Fuller (ADF) test, which revealed stationarity at first difference, and the Johansen Co-integration test confirmed the presence of long-run relationships. The Ordinary Least Squares (OLS) regression indicated a significant positive effect of tax law on industrial output, though the effects of specific taxes such as Company Income Tax, Petroleum Profit Tax, and Customs and Excise Duties were positive but not statistically significant. The study recommended a comprehensive tax law policy to support industrial growth and sustainable economic development. Similarly, Okeke (2023) investigated the effect of tax laws on corporate tax compliance in Nigeria, focusing on the 2007 Companies Income Tax Law. Using an ex-post facto design and the Wilcoxon Rank Sum Test, the study analyzed compliance improved significantly after the law's enactment. The study concluded with a call for stronger tax legislation and fiscal policies to promote voluntary tax compliance

Ndu and Uguru (2022) investigated the effect of non-oil tax revenue on Nigeria's economic growth from 2001 to 2021, using Value Added Tax (VAT), Company Income Tax (CIT), and Customs and Excise Duties (CED) as proxies, with GDP serving as the growth indicator. Utilizing secondary data from the Central Bank of Nigeria, FIRS, and NBS, and employing descriptive statistics alongside OLS regression, their findings revealed that VAT, CIT, and CED had significant positive effects on economic growth. They recommended that revenue from these taxes be reinvested in developing other non-oil sectors, such as agriculture and mining, to foster diversification. Similarly, Okonkwo et al. (2022) explored the relationship between tax revenue and productivity in Nigeria between 2005 and 2020, focusing on VAT, Petroleum Profit Tax, Personal Income Tax, and GDP per Capita. Using a longitudinal design and statistical techniques such as the ADF test, Pearson correlation, OLS regression, Granger Causality, Johansen Co-integration, and the Error Correction Model, they found significant negative relationships between the selected taxes and GDP per Capita. The study recommended that the Federal Government address administrative inefficiencies in tax management to improve revenue generation and enhance public infrastructure.

Several studies have examined the relationship between various tax instruments and economic growth in Nigeria, yielding mixed results. Gbeke and Nkak (2021) found that Company Income Tax (CIT) and Customs and Excise Duties (CED) positively influenced economic growth, while VAT and Petroleum Profit Tax (PPT) had negative effects. Similarly, IIkharo-Kadiri (2021) observed that CIT and VAT negatively impacted inclusive growth measured by the Human Development Index, whereas PPT showed a positive effect. Ogonna and Amah (2021) also reported significant contributions of PPT and CED to economic development. Conversely, Pibowei and Mohamed (2021) found that PPT had no significant impact on per capita income or employment. In contrast, Solanke et al. (2021) confirmed both short- and long-run positive relationships between PPT and economic growth, highlighting the variable influence of petroleum taxation across different contexts and timeframes.

In terms of VAT's role, studies have provided differing insights. While Yelwa et al. (2021) found no significant effect of VAT and CED on GDP growth, Olarotimi et al. (2021) reported a strong positive relationship, indicating that a 1% increase in VAT could result in a 9.3% increase in GDP. Etim et al. (2021), analyzing the 2020 Finance Act, identified both revenue-reducing and growth-enhancing components, suggesting that its overall effect could be net positive. Okoh et al. (2021) revealed that CIT had an insignificant negative effect on income redistribution, calling for reforms in direct taxation. Outside Nigeria, Kadenge (2021) observed that indirect taxes in Kenya spurred consumption but reduced savings, while Madhuwantha et al. (2021) confirmed positive VAT effects on GDP and budget deficit management in Sri Lanka. These findings collectively emphasize the need for well-designed and context-sensitive tax policies to balance revenue generation, equity, and economic growth.

Abubakar and Mustapha (2020) found that PPT, VAT, and domestic debt positively influenced GDP, while CIT and CED had negative effects, recommending reforms to expand the tax base and close legal loopholes. Aminu et al. (2020) also found PPT positively affected economic growth, but non-oil tax revenue had a negative effect, recommending improved governance and reinvestment in non-oil sectors. Etim et al. (2020) confirmed positive long-run effects of PPT and CIT on growth, advocating for tax policy that encourages investment. Inimino et al. (2020) supported this, finding a significant relationship between PPT and GDP with bidirectional causality. Onoja and Ibrahim (2020) reported a significant positive relationship

between VAT, CIT, and GDP, while PPT was insignificant. Obaretin and Uwaifo (2020) found VAT significantly improved HDI, suggesting efficient use of VAT for citizen-focused projects.

Chiamogu and Nzewi (2020) observed that VAT significantly enhanced GDP and revenue, recommending VAT base expansion to the informal sector. Omodero (2020) found VAT had an insignificant impact on consumption, while CED significantly influenced it, recommending price reductions and regulation enforcement. Dauda and Dauda (2020) reported CGT's minimal impact on Nasarawa State's IGR due to weak collection modalities, urging public education and administrative reforms. Ronin (2020) described Ireland's taxation of wealth via CGT, CAT, and other tools, recommending policy alignment for Budget 2020. Babu et al. (2020) found CIT and VAT negatively influenced private investment in EAC and SADC countries, advocating lower rates. Maganya (2020) revealed taxes on goods/services spurred GDP in Tanzania, while income tax reduced it, recommending a broader tax base. Todorović et al. (2020) found CIT positively influenced GDP in Serbia, with an Adjusted R² of 84.5%, suggesting efficiency in private sector taxation. Yadawananda and Gaur (2020) found income and commodity-service taxes hindered state growth in India, while property and capital transaction taxes had positive effects, revealing a U-shaped tax-growth link.

Table 2.5 presents a comparative summary of research observations and gaps in literature on taxation and economic growth.

Literature Facet	Observations and Gaps		
Scope and Focus	Predominantly focused on isolated tax components (VAT, PPT, CIT); lacks a systemic analysis of coordinated tax law reforms.		
Findings and Consistency	Contradictory outcomes: Positive relationships (Umunnakwe & Amahalu, 2024; Etim et al., 2020), negative or insignificant effects (Okonkwo et al., 2022; Pibowei & Mohamed, 2021), indicating fragmented understanding.		
Geographical Coverage	Nigeria-centric (19 of 29 studies), limited international perspectives (10 of 29 studies).		
Methodological Rigor	Limited application of advanced techniques such as panel regression and structural equation modelling.		
Temporal Coverage	Absence of recent data, particularly for 2022–2023 fiscal periods.		
Identified Research Gap	Need for integrative frameworks, contemporary data analysis, and robust methodological approaches addressing collective tax law influences on economic growth.		

 Table 2.5: Summary of Literature Gaps on Taxation and Economic Growth

3.0 Methodology

This study adopted an ex-post facto research design to examine the effect of tax laws on Nigeria's economic growth from 2000 to 2023. This approach was appropriate for analyzing historical data to determine causality between tax law reforms and GDP. The population comprised ten tax laws amended by the Finance Acts of 2019, 2020, and 2021. Using purposive sampling, four taxes - Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Value Added Tax (VAT), and Capital Gains Tax (CGT); were selected based on criteria such as relevance to corporate bodies, statutory amendments, and fiscal importance across government tiers. Data were sourced from reputable secondary institutions including the Central Bank of Nigeria (CBN), Federal Inland Revenue Service (FIRS), and the National Bureau of Statistics (NBS). The data, spanning 2000–2023, were processed using Panel Least Squares Regression

(PLSR), ideal for identifying the long-run and short-run relationships between tax variables and GDP. Preliminary diagnostics such as unit root tests ensured stationarity, while descriptive statistics (including skewness, kurtosis, and Jarque-Bera test) confirmed normality. The Adjusted R² determined model explanatory power, and EViews 11.0 software was used to guarantee robust statistical estimation.

3.1 Variable Operationalization:

GDP = Dependent Variable (Economic growth) PPTL, CITL, VATL, CGTL = Independent Variables (Tax revenue collections)

3.3 Model specifications

The following multiple regression model was developed to examine the effect of tax laws on Nigeria's economic growth, proxied by Gross Domestic Product (GDP). The model is specified as:

	GDP _t	=	$\beta_0 + \beta_1 PPTL_t + \beta_2 CITL_t + \beta_3 VATL_t + \beta_4 CGTL_t + \epsilon_t$
Where	2:		
	GDP_t	=	Gross Domestic Product in year t
	$PPTL_t$	=	Petroleum Profit Tax Laws in year t
	$CITL_t$	=	Company Income Tax Laws in year t
	VATL _t	=	Value Added Tax Laws in year t
	$CGTL_t$	=	Capital Gains Tax Laws in year t
	β_0	=	Intercept term (constant to be estimated)
	$\beta_1, \beta_2, \beta_3, \beta_4$	=	Coefficients of the independent variables to be estimated
	ϵ_t	=	Stochastic disturbance (error) term
	t	=	Time period from 2000 to 2023

Limitations

This study is subject to certain limitations, particularly regarding the availability and reliability of secondary data from Nigerian government sources, where inconsistencies and data gaps could affect analytical accuracy. To address this, data were cross-verified using multiple credible sources, and discrepancies were systematically reconciled. The focus on four specific tax laws Company Income Tax, Petroleum Profit Tax, Value Added Tax, and Capital Gains Tax, may limit the scope of tax-related influences on economic growth; however, this was mitigated through an extensive literature review to situate these laws within Nigeria's broader fiscal context. Additionally, potential biases from the chosen time frame (2000–2023) and economic indicator (GDP) were managed using rigorous statistical methods and a transparent methodology to ensure the robustness and credibility of the study's findings.

4.0 Data Analysis and Results

This section presents the data, statistical analysis, and interpretation of the findings concerning the effect of tax laws on economic growth in Nigeria over the period 2000–2023. The data were collected from reputable sources including the Central Bank of Nigeria (CBN), Federal Inland Revenue Service (FIRS), and the National Bureau of Statistics (NBS).

4.1 Data Presentation

Table 4.1 presents annual data for the study variables spanning twenty-four years. The figures represent actual collected revenues from each tax type and GDP figures, all in billions of naira.

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Table 4.1:Taxes data in Nigeria, 2000-2023					
YEAR	GDP	PPT	CIT	VAT	CGT
	= N = b	= N = b	= N = b	= N = b	= N = b
2000	6,990.62	334.5000	45.53000	58.0000	0.250000
2001	8,150.02	407.1000	52.52000	91.7000	0.290000
2002	11,383.66	224.4000	68.39000	108.6000	0.370000
2003	13,418.01	438.0000	87.80000	136.4000	0.480000
2004	17,938.38	878.6000	112.56000	163.3000	1.250000
2005	22,884.90	1352.2000	128.25000	192.7000	1.430000
2006	30,063.96	1349.5000	166.88000	232.7000	1.860000
2007	34,318.67	1132.0000	241.89000	312.6000	2.690000
2008	39,542.43	2060.9000	325.92000	401.7000	3.620000
2009	43,012.51	939.4100	420.60000	481.4100	0.490000
2010	54,612.26	1480.3600	595.18000	564.8900	1.040000
2011	62,980.40	3070.5900	658.50000	659.1500	9.300000
2012	71,713.94	3201.3200	654.45000	710.5600	8.920000
2013	80,092.56	2666.3700	820.57000	802.6800	19.660000
2014	89,043.62	2453.9500	963.45000	802.9600	2.650000
2015	94,144.96	1289.9600	1,173.49000	767.3300	16.800000
2016	101,489.50	1157.8100	1,268.98000	828.2000	99.400000
2017	113,711.60	1520.4800	933.54000	972.3500	3.180000
2018	127,736.80	2467.5800	1,215.06000	1108.0400	12.590000
2019	144,210.50	2114.2700	1,340.33000	1189.9800	5.980000
2020	152,324.10	1516.9800	1,604.70000	1531.0900	3.520000
2021	173,527.70	2008.4500	1,275.45000	2072.8500	17.50000
2022	202,365.03	2,585.7400	2,830.01100	2,345.6200	13.4000
2023	234,425.91	2,865.5500	3,044.12000	2,441.8100	10.6000

Source: CBN Statistical Bulletin; FIRS Annual Reports

4.2 Descriptive Statistics

Table 4.2 summarizes the descriptive statistics of the variables under study. The mean GDP over the period was \aleph 80,420.09 billion, with a standard deviation of \aleph 64,744.50 billion, indicating substantial growth dispersion over the years. PPT, CIT, and VAT also displayed relatively stable distributions, with their standard deviations lower than their means. However, CGT showed a high standard deviation (\aleph 20.02 billion) compared to its mean (\aleph 9.89 billion), suggesting greater volatility and unpredictability in CGT collections during the period under review.

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Table 4.2: Descriptive statistics analysis						
Variables	GDP	PPTL	CITL	VATL	CGTL	
Mean	80420.09	1646.501	834.5071	790.6925	9.886250	
Median	67347.17	1498.670	656.4750	684.8550	3.350000	
Maximum	234425.9	3201.320	3044.120	2441.810	99.40000	
Minimum	6990.620	224.4000	45.53000	58.00000	0.250000	
Std. Dev.	64744.50	894.3604	811.0410	696.6721	20.02245	
Skewness	0.794158	0.104326	1.356024	1.142375	3.931976	
Kurtosis	2.711661	1.936036	4.464726	3.411055	18.14840	
Jarque-Bera	2.605885	1.175555	9.500623	5.389047	291.3158	
Probability	0.271731	0.555561	0.008649	0.067575	0.000000	
Sum	1930082.	39516.02	20028.17	18976.62	237.2700	
Sum Sq. Dev.	9.64E+10	18397252	15129114	11163095	9220.668	
Observations	24	24	24	24	24	

Source: Researcher's computation (2025)

4.3 **Pearson's Product Moment Correlation Matrix Table 4.3: Correlation Matrix Analysis**

		ť			
Variables	GDP	PPTL	CITL	VATL	CGTL
GDP	1.0000	0.6207	0.9602	0.9821	0.2571
PPTL	0.6207	1.0000	0.5858	0.6084	0.0843
CITL	0.9602	0.5858	1.0000	0.9481	0.2847
VATL	0.9821	0.6084	0.9481	1.0000	0.2035
CGTL	0.2571	0.0843	0.2847	0.2035	1.0000

Source: Researcher's Computation (2025)

The Pearson correlation matrix in Table 4.3 reveals the strength and direction of the linear association between GDP and each tax variable. GDP has a very strong positive correlation with CIT (r = 0.9602) and VAT (r = 0.9821), suggesting that increases in these tax revenues are strongly associated with increases in GDP. PPT also exhibits a moderate positive correlation with GDP (r = 0.6207), while CGT has a weak positive relationship (r = 0.2571), indicating a minimal association with economic growth during the study period. The matrix also reveals multicollinearity tendencies between CIT and VAT (r = 0.9481), suggesting these variables are highly correlated, which may necessitate further diagnostic testing during regression analysis. The low correlation between CGT and other tax variables further reinforces its volatile behaviour and limited contribution to GDP.

Table 4.4: Panel Least Squares Regression Analysis						
Variables	Coefficient	Std. Error	t-Statistic	Prob.		
PPTL	2.573802	3.330326	0.772838	0.4491		
CITL	19.98390	9.583064	2.085336	0.0408		
VATL	66.50224	11.10598	5.987965	0.0000		
CGTL	120.2454	126.1032	0.953548	0.3523		
С	5734.009	5036.988	1.138381	0.2691		
R-squared	0.774810 8-	Mean depe	endent var	80420.09		
squared	0.669507	S.D. depen	ident var	64744.50		
S.E. of regression	11305.92	Akaike inf	o criterion	21.68709		
Sum squared resi	d 2.43E+09	Schwarz ci	riterion	21.93252		
Log likelihood	-255.2451	Hannan-Q	uinn criter.	21.75220		
F-statistic	183.8152	Durbin-Wa	atson stat	1.877485		
Prob(F-statistic)	0.000000					

4.4 Panel Least Squares Regression Model Table 4.4: Panel Least Squares Regression Analysis

Source: Researcher's Computation (2025)

To evaluate the effect of tax laws on economic growth in Nigeria, the study employed the Panel Least Squares Regression technique. This method is appropriate for datasets with time-series characteristics, as it facilitates the estimation of relationships between the dependent variable: Gross Domestic Product (GDP), and the independent variables: Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Value Added Tax (VAT), and Capital Gains Tax (CGT). The model accounts for individual heterogeneity and provides robust estimates of the parameters. The regression results show that VAT (p = 0.0000) and CIT (p = 0.0408) have statistically significant positive effects on GDP at the 5% significance level. Specifically, a unit increase in VAT results in an increase of approximately \$66.50 billion in GDP, while a unit increase in CIT yields a \$19.98 billion increase in GDP. Conversely, PPT and CGT have positive but statistically insignificant effects on GDP (p > 0.05). The model's R-squared value of 0.7748 indicates that approximately 77% of the variation in GDP is explained by the included tax variables, while the F-statistic confirms the overall significance of the model. The Durbin-Watson statistic of 1.8775 suggests minimal autocorrelation in the residuals.

4.5 Test of Hypotheses

To test the study's hypotheses, both the Panel Least Squares Regression Model and Pearson's Product Moment Correlation Analysis were employed. The hypotheses sought to assess the statistical significance and the direction of the effect of PPTL, CITL, VATL, and CGTL on economic growth (GDP) in Nigeria. The null hypothesis for each tax component was that there is no significant relationship between the respective tax and GDP. The decision rule for hypothesis testing was based on the standard 5% level of significance ($\alpha = 0.05$). Any variable with a p-value less than 0.05 was deemed to have a statistically significant effect on economic growth, warranting the rejection of the null hypothesis. The Pearson correlation coefficients were used to evaluate the strength and direction of these relationships. Coefficients closer to ± 1 indicate stronger linear associations between the variables. From the regression output:

- 1. **H**₀₁: (PPT does not significantly affect GDP) was not rejected (p = 0.4491)
- 2. Ho2: (CIT does not significantly affect GDP) was rejected (p = 0.0408)

- 3. Hos: (VAT does not significantly affect GDP) was rejected (p = 0.0000)
- 4. Ho4: (CGT does not significantly affect GDP) was not rejected (p = 0.3523)

These findings imply that only CIT and VAT have significant positive effects on economic growth in Nigeria during the period under review, while the contributions of PPT and CGT were statistically insignificant despite their positive coefficients.

4.6 Discussion of Findings:

4.6.1 Petroleum Profit Tax Law and Gross Domestic Product

The empirical results from the Panel Least Squares Regression analysis show that Petroleum Profit Tax Law (PPTL) exerts a positive but statistically insignificant effect on Nigeria's Gross Domestic Product (GDP), with a coefficient of 2.573802 and a p-value of 0.4491. Consequently, the null hypothesis (H₀₁) that "Petroleum Profit Tax does not significantly affect GDP" is not rejected at the 5% significance level. This outcome aligns with the Benefit Received Theory, which emphasizes a reciprocal relationship between taxpayers and the government through the provision of public goods. While the positive coefficient supports the theoretical expectation that petroleum taxation should enhance growth, its insignificance indicates that this potential remains underutilized within Nigeria's fiscal framework. Supporting studies by Gbeke and Nkak (2021), Ogonna and Amah (2021), and Inimino et al. (2020) similarly found positive, yet statistically weak relationships. In contrast, Pibowei and Mohamed (2021), IIkharo-Kadiri (2021), and Pokhare (2018) reported negative or insignificant effects, citing oil price volatility, weak institutional structures, and inefficiencies in tax administration. These findings underscore the need for enhanced petroleum tax governance, improved transparency, and reinvestment of oil revenues into growth-enhancing sectors.

4.6.2 Company Income Tax Law and Gross Domestic Product

The Panel Least Squares Regression analysis reveals that Company Income Tax Law (CITL) has a statistically significant and positive effect on Gross Domestic Product (GDP) in Nigeria, with a regression coefficient of 19.98390 and a p-value of 0.0408, leading to the rejection of the null hypothesis (H₀₂). This supports Paul Romer's Endogenous Growth Theory (1986), which posits that internal policy tools such as taxation can enhance long-term economic performance by fostering investment and innovation. The result aligns with Todorović et al. (2020) and Onoja and Ibrahim (2020), who reported positive effects of CIT on GDP, and Etim et al. (2020), who identified CIT as a stable revenue source. However, contrasting findings by Gbeke and Nkak (2021), Yadawananda and Gaur (2020), and Abubakar and Mustapha (2020) reflect that the effect of CIT on growth may depend on factors like administrative efficiency and tax compliance (Etim et al., 2021). These differences highlight the need for reforms that improve tax transparency, widen the tax base, and reduce distortions. Policymakers should leverage the growth potential of CIT by integrating tax administration improvements with broader economic policy strategies to achieve sustainable development.

4.6.3 Value Added Tax Law and Gross Domestic Product

The regression analysis establishes that Value Added Tax Laws (VATL) significantly and positively influence Nigeria's Gross Domestic Product (GDP), with a coefficient of 66.50224 and a p-value of 0.0000, leading to the rejection of the null hypothesis (H₀₃). This aligns with Romer's Endogenous Growth Theory, which posits that internal fiscal policies drive economic advancement. Empirical support comes from Olarotimi et al. (2021), who found that a 1% increase in VAT raised GDP by 9.3%, and from Ologbenla (2022), Abubakar and Mustapha (2020), and Chiamogu and Nzewi (2020), who also linked VAT to economic growth. However, contrary findings by Babu et al. (2020), Yelwa et al. (2021), and IIkharo-Kadiri (2021) reflect variability due to weak compliance or inefficient administration. These mixed results highlight

the need for robust VAT governance, improved enforcement, and strategic reinvestment to optimize VAT's role in economic development.

4.6.4 Capital Gains Tax Law and Gross Domestic Product

The regression analysis reveals that Capital Gains Tax Laws (CGTL) have a positive but statistically non-significant effect on Nigeria's GDP, with a coefficient of 120.2454 and a p-value of 0.3523, resulting in the non-rejection of the null hypothesis (H₀₄). This weak influence aligns with Wicksell's Benefit Received Theory, which suggests that taxpayer compliance depends on perceived fairness and reciprocal benefits. The finding is consistent with studies by Yadawananda and Gaur (2020), Gnangnon (2020), Ouma (2019), and Omesi and Akpeekon (2019), which note CGT's potential for growth when efficiently administered. However, contrasting results by Dauda and Dauda (2020) and Uzoka and Chiedu (2018) highlight CGT's minimal impact due to poor enforcement and administrative inefficiencies. These findings suggest that CGT's economic relevance in Nigeria remains limited without structural reforms. Therefore, strengthening collection mechanisms, expanding tax coverage, and ensuring transparent revenue utilization are vital for enhancing CGT's contribution to economic growth.

5.0 Conclusion, Implications, and Recommendations

5.1 Conclusion

This study examined the effect of tax laws on Nigeria's economic growth, focusing on Petroleum Profit Tax (PPT), Companies Income Tax (CIT), Value Added Tax (VAT), and Capital Gains Tax (CGT) over the period from 2000 to 2023. The empirical analysis utilizing Panel Least Squares Regression revealed nuanced outcomes. Specifically, VAT and CIT exhibited statistically significant positive effects on Nigeria's GDP, indicating their crucial role in fostering economic growth. In contrast, PPT and CGT showed positive but statistically insignificant relationships with GDP. These findings underscore the varied effectiveness of Nigeria's tax instruments, reflecting disparities in tax policy design, administrative efficiency, and sector-specific economic dynamics. Ultimately, the study concludes that effective tax policy implementation significantly contributes to national economic performance, particularly through well-administered corporate and consumption taxes.

5.2 Implications

The results of this research carry several practical and theoretical implications. Practically, the positive and significant roles of CIT and VAT underscore the importance of enhancing administrative efficiency and compliance within these tax domains to foster sustainable economic growth. Policymakers and tax authorities, particularly the Federal Inland Revenue Service (FIRS), can leverage these insights to prioritize and refine tax collection strategies and administrative frameworks. Conversely, the insignificant results associated with PPT and CGT indicate existing challenges, such as administrative inefficiencies, oil market volatility, weak governance, and enforcement challenges. Theoretically, this research aligns with the principles of the Endogenous Growth and Benefit Received theories, highlighting taxation as a pivotal internal economic policy instrument capable of stimulating sustained growth when effectively implemented.

5.3 **Recommendations**

Based on the empirical findings and implications, several strategic recommendations are proposed:

1. The Federal Inland Revenue Service (FIRS) and allied institutions should enhance administrative capacity, transparency, and taxpayer compliance strategies, especially

within the frameworks of VAT and CIT, given their demonstrated potential to significantly impact economic growth positively.

- 2. Government should broaden the tax base by incorporating sectors currently under-taxed or informally operating, utilizing digital platforms and technology-based enforcement strategies to improve compliance and reduce leakages.
- 3. Regarding PPT, policy reforms should focus on improving governance, transparency, and reinvestment strategies to mitigate revenue volatility from petroleum resources, thereby stabilizing its contribution to economic growth.
- 4. CGT policy implementation should be strengthened through clear, enforceable regulations and effective administrative practices. Targeted public awareness campaigns and robust compliance incentives are necessary to improve taxpayer adherence and maximize potential economic benefits.
- 5. Fiscal authorities should continuously revise tax laws to reflect evolving economic realities, emphasizing incentives that stimulate corporate productivity, consumer spending, and equitable growth.

5.3 Contribution to Knowledge

This study contributes substantially to existing academic literature by providing updated empirical evidence on the effect of major Nigerian tax laws on economic growth, incorporating recent legislative reforms such as the Finance Acts from 2019 to 2022 and the Petroleum Industry Act (PIA) of 2021. Unlike prior studies, this research adopted a comprehensive analytical approach, employing Panel Least Squares Regression and correlational diagnostics over an extended time frame (2000–2023). By examining multiple taxes simultaneously, this research presents a holistic view of Nigeria's fiscal policy landscape, addressing existing gaps in methodological rigour and temporal coverage. Furthermore, the study's nuanced findings contribute to policy discourse, highlighting the critical need for integrated, efficient, and responsive tax systems. Consequently, this research serves as a valuable reference for future studies and policy formulation aimed at leveraging taxation for sustainable economic development in Nigeria and similar emerging economies.

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