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RESEARCH ARTICLE

# Effect of Tax Policies and Reforms on Consolidated Revenue Funds in Nigeria

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ABSTRACT

*The study examined the effect of tax policies and reforms on consolidated revenue funds in Nigeria. Company income tax, value-added tax, and petroleum profit tax formed the independent variables of the study, while consolidated revenue fund was the dependent variable. The study adopted an ex-post-facto research design, covering the period between 2011 and 2019. Secondary data were extracted from the Central Bank of Nigeria Statistical Bulletin. Multiple regression techniques were used for the data analysis. In line with the specific objectives of the study which is to ascertain the effect of company income tax, value added tax, and petroleum profit, it was revealed that all the explanatory variables have a positive and significant effect on consolidated revenue fund in Nigeria. This implied that all the explanatory variables can be used to predict consolidated revenue fund in Nigeria. It is recommended therefore that the tax revenue collected from companies in Nigeria should be increased to provide funds for government. Tax policies and reforms should enable tax collection agencies and boards of the government the tools and strategies to ensure that all taxable companies pay their tax as at when due. They should devise a strategy to avoid tax evasion and avoidance. They should seriously find a means to increase their value-added tax revenue collections as such will increase consolidated revenue fund and economic growth. They should ensure that no loopholes were in the tax policies and reforms that will be utilized by oil and gas companies to avoid or evade tax in Nigeria.*

***Keywords:*** *Tax Policies and Reforms; Consolidated Revenue Funds; Income Tax*

## 1. Introduction

The sharp drop in the price of oil in recent years has resulted in a reduction in the revenues available to pay government spending. As a result, the government's ability to generate sufficient revenue from internal sources has become a subject of critical concern. This requirement highlights the federal, state, and local governments' determination to find new sources of revenue, and they are growing more active and imaginative in their pursuit of new ones (Afuberoh and Okoye, 2014). We are looking forward to taxation to support the current budget and provide other important amenities to the people, as well as the funding of future budgets (Fowler, 2016). To preserve social and economic stability, the government continues to perform its traditional functions, such as providing public goods and services, maintaining law and order, defending against external attack, and regulating commerce and business (Azubuike, 2009; Edams, 2008). Taxation is important in defining government accountability and positively directing society (Osibanjo, 2016). Though taxation may not be the most essential source of money for the government, it is a very reliable source of revenue due to its certainty and constancy (Aguolu, 2004). According to the researcher, the government's fundamental capacity to levy taxes ensures the government's tax collection at all times, regardless of the scenario or condition. Azubuike (2009), who agrees with him, believes that tax is a major player in every culture on the planet. As a result, taxation is viewed as a natural state prerogative to obtain the revenues required to meet its social commitments. In addition to being an important fiscal policy instrument and one of the key sources of public revenue around the world, researchers like Nwaorgu, Herbert, and Onyilo (2016) have found that the interaction effects of taxes play a critical role in the economy.

As a result, tax reform is a critical fiscal policy option for improving tax administration. According to Herbert, Nwarogu, and Nwabueze (2018), tax reform is a two-way process that requires the government to change the way taxes are collected and administered in order to boost national income and GDP while also providing economic and social advantages to citizens. For example, ineffective tax administration has been blamed for low tax collection in most developing nations, which could be a euphemism for corruption and/or distrust in tax administration, as well as inefficient tax revenue utilization (Bird, 2015). As a result, taxpayers have a bad attitude toward compliance. The idea that inefficient tax administration, with little tax collection as a result, can be improved through tax administration changes underpins the necessity for this research.

### Statement of the Problem

Nigeria is a good candidate for tax reform because of its overdependence on oil revenue. The importance of updating Nigeria's tax administration (and other fiscal) systems arises from the fact that the country has one of the world's lowest tax-to-GDP ratios. Nigeria's previous Finance Minister, Kemi Adeosun, reiterated this sentiment during the IMF-World Bank Spring Meetings in Washington, DC, in 2017. Responding to questions on the sidelines of the meetings, the Minister described the situation as "unacceptable," emphasizing that the government was committed to achieving its goal of increasing non-oil revenue by encouraging businesses and individuals to pay taxes that would help the country's GDP growth.

Enhance its ability to fund budgeted projects and get the economy back on track by improving its revenue-to-debt ratio. With an unacceptably low level of non-oil revenue, owing primarily to tax administration failure resulting in low tax revenue collection, the ex-Minister admitted that the country needed to do something basic to boost its revenue. Since then, additional tax reforms have been enacted in several finance acts (most recently the Finance Act 2019) to improve Nigeria's tax administration. As a result, the purpose of this research is to assess these tax reform initiatives and their impact on Nigeria's consolidated revenue fund. This is to see how the alleged rise in tax receipts as a result of tax policy adjustments affects Nigeria's consolidated revenue fund.

### Objectives of the Study

The main objective of this study is to examine the effect of tax policies and reforms on consolidated revenue funds in Nigeria. The specific objectives of the study include to:

i. Ascertain the effect of company income tax reforms on consolidated revenue funds in Nigeria.
ii. Determine the effect of value-added tax reforms on consolidated revenue funds in Nigeria.
iii. Evaluate the effect of petroleum profit tax reforms on consolidated revenue funds in Nigeria.

**Statement of Hypotheses**

To achieve the stated objectives and answer the research questions, the following hypotheses were formulated for the study. They are deliberately stated only in their null form, they include:

- **i.** Company income tax reforms do not significantly affect consolidated revenue funds in Nigeria.
- ii. Value-added tax reforms do not significantly affect consolidated revenue funds in Nigeria.
- iii. Petroleum profit tax reforms do not significantly affect consolidated revenue funds in Nigeria.

## 2 Review of Related Literature
### 2.1 Conceptual Review

**Tax Policies and Reforms**

Policymakers face tremendous hurdles as a result of the current national and global economic realities brought on by the Covid-19 epidemic. The important features of the difficulties may need to be separated to occasion-specific macroeconomic adjustments, depending on their nature. According to Herbert, Nwarogu, and Nwabueze (2018), macroeconomic reforms will put the country in a far stronger and more resilient position to deal with both national and global economic turbulence while maintaining economic stability. The tax administration overhaul is an implied admission of the current tax system's failure. Reform is now required to correct the system's flaws, deficiencies, and ineffectiveness.

Tax reform, according to Nwaorgu, Herbert, and Onyilo (2016), is a conceptual fiscal policy plan aimed at improving tax administration. It's a fiscal structural framework designed to make government more responsive and responsible. According to the researchers, tax reforms, in general, are concerned with creating incentives and structures that prospectively address the following concentric issues: I introduce focused changes to the country's tax system; (ii) unlock tax-revenue collection in pursuit of high levels of macroeconomic growth and development; (iii) improve tax-administration processes to enforce compliance and increase collections; and (iv) improve taxpayer service and communication. To put it another way, tax reform is the process of the government reviewing and modifying the way it administers and collects taxes in order to increase state income on the one hand while also providing more and better socioeconomic advantages on the other (Pereira, Hoekstra & Queijo, 2013).

According to Herbert, Nwarogu, and Nwabueze (2018), reviewing and changing the tax administration involves several decision variables, including (a) lowering the level of taxation for all taxable entities; (b) making the tax system more progressive or less progressive; (c) simplifying the tax system and making it more understandable, friendly, and accountable; (d) plugging all known loopholes to reduce tax evasion and avoidance; and (e) allowing for more efficiencies. According to Rao (2014), one essential goal of fiscal reform is to develop or cultivate an incentive environment that is compatible with prudent fiscal management and efficient and fair public service provision and delivery. The reform comprises modifying how taxes are collected and administered by the tax authority, with the ultimate goal of increasing national income and consolidated revenue funds, as well as providing economic and social advantages to citizens. Tax reform implies that there are issues with the system's fiscal management, which necessitates clinical diagnostic tests of the institutional arrangements for fiscal management and accountable governance, as well as an examination of the role of taxation in macroeconomic development.

Because it is a major component or process of fiscal consolidation, Islam (2001) contends that a good tax reform entails numerous steps. First, it is critical to dimensionalize the problem after recognizing that there is a problem with and in the country's fiscal structure. This entails a clinical assessment of the current fiscal structure's flaws. After then, the role of taxation as a macroeconomic tool is evaluated (Islam, 2001). Until recently, many developing countries, particularly those with a resource-based economy, did not appear to pay much attention to the function of taxation in macroeconomic development. There were two key reasons for this lack of focus. First, the country's reliance on mineral resources for revenue had grown to such proportions that successive governments' attempts to diversify the revenue base failed to pay off.

The locus of economic diversification has become more strident, with more and more governments paying greater attention to other sources of revenue, including taxation, as prices of mineral resources on the international market have dwindled and fluctuated, juxtaposing national governments' helplessness over the revenue profile therefrom. As a result, there is a greater emphasis on taxation as a critical internal revenue source. According to Herbert, Nwarogu, and Nwabueze (2018), the fiscal management tool provides the mechanics of analysis of issues of transparency and accountability, fiscal prudence, bureaucratic inefficiency, citizen empowerment, and public integrity by unlocking the tax-revenue potential to accelerate economic growth.

**Tax Revenue Gap in Nigeria**

Nigeria has one of the lowest domestic income mobilization rates in the world. This has had a significant negative influence on economic growth and the creation of an investment-friendly environment. Nigeria's tax-to-Gross Domestic Product (GDP) ratio in 2019 was 6.1 percent, according to the Organisation for Economic Co-operation and Development (OECD Revenue )'s Statistics in Africa 2019 report. This was a drop from the previous year's values (6.3 percent ). However, when compared to the same index for other African countries over the same time period, it was clear that Nigeria's tax income generation was notably low in comparison to the country's level of economic activity. The 26 African countries studied by the OECD (including Ghana and Botswana) had an average tax to GDP ratio of 16.5 percent (11.4 basis points greater than Nigeria's ratio).

According to recent figures from the National Bureau of Statistics, Nigeria's GDP was N31.79 trillion in the first quarter of 2019, yet total government tax collections were just N1.5 trillion. This resulted in a tax-to-GDP ratio of roughly 4.7 percent, which was lower than in previous years. Oil production disruptions and price shocks have accounted for much of the low tax income return, as the country has relied heavily on oil money.

**Company Income Tax Act (CITA)**

According to Appah (2010), all established firms in Nigeria must pay Company Income Tax on earnings earned in, derived from, brought into, or received in Nigeria. Taxes on the profits of non-resident firms doing business in Nigeria are also included and are paid by both private and public limited liability companies. The Companies Income Tax Act (CITA) of 1979 was enacted, with its origins in the Income Tax Management Act of 1961. It is one of the taxes managed and collected by the Federal Inland Income Service (FIRS), and it makes a major contribution to the government's revenue profile. Such gains are assumed to have accrued in Nigeria regardless of whence they arose (globally) or whether they were brought into or received in Nigeria (Ugochukwu & Azubike, 2015). Earnings from any trade or business, rent on property used for business, dividends, interest, royalty, discounts, charges, annuities, fees for services given, and other sources of annual profits or gains are included. As a result, both Nigerian and international corporations are subject to the Company Income Tax Act in Nigeria. One of the most important sources of revenue for the Nigerian government is the corporate income tax.

A total of about 23 sections of the CITA have been either amended, repealed, or substituted by the Finance Act. Some of the provisions of the CITA amended by the Finance Act are as follows:

i. Section 9 of the CITA was amended to check for double or multiple taxations, and also to charge taxes on collaterals.
ii. The requirement for Tax Identification Number (TIN) for companies is made mandatory under the new section 10 of the CITA. TIN is also made mandatory for the opening of bank accounts and the operation of existing ones by account holders.
iii. Section 13 was expanded to make companies with the electronic or online business within the spheres of Nigeria and having some significant economic presence in Nigeria taxable.
iv. Under section 19 of the CITA, excess dividend is exempted from further tax. Section 23 exempted franked investment incomes from tax liabilities under CITA.
v. Section 16 of the CITA was further amended by the addition of a new subsection that defines what an "investment income" is for the taxation of life insurance companies.

The monetary penalty for late submission of tax returns was also enhanced under the Act. For corporation tax responsibility, the CITA also classified companies based on their annual gross turnover or income, with companies with a yearly gross turnover of $25 million or less being classified as small businesses and exempt from taxation. A medium-sized business is one with an annual gross turnover of more than N25,000,000.00 (Twenty-Five Million Naira) but less than N100,000,000.00 (One Hundred Million Naira). Companies other than small and medium-sized businesses are classified as large businesses, with a 30 percent income tax rate.

**Value Added Tax Act (VATA)**

Different authors and writers have provided different definitions to the concept of Value-Added Tax. According to Abata (2014), "Value-Added Tax is a consumption tax in which the tax burden is borne by the consumers." According to the researcher, the tax burden is passed down from the manufacturer to the wholesaler to the retailer, and eventually to the customer, who bears the brunt of the burden. As a result, the only way to avoid paying VAT is to stop purchasing and consuming vatable products and services. A vatable individual, on the other hand, trades vatable goods and services for money. According to Olurofimi (2013), the indirect tax levied on every sale begins with the production and distribution cycle and ends with consumer sales. Consumers absorb VAT as part of sales prices, according to the researcher, implying that VAT is really a consumption tax collected along the manufacturing cycle. With few exceptions, VAT is a consumption tax placed on products and services at a rate that varies from country to country. According to Okoye and Gbegi (2013), Value Added Tax (VAT) is a multi-stage tax imposed on the value added to goods and services as they pass through various stages of the manufacturing and distribution process, as well as on services as they are rendered, with the burden ultimately borne by the final consumer and collected at each stage of the manufacturing and distribution chain.

Section 4 of the VAT Act has been amended by increasing the value-added tax payable by consumers from 5% to 7.5%. Section 19 increased the penalty payable by a taxable person for non-remittance within the specified period from 5% to 10%.

Under section 28, the penalty for failure to give notice of change of address or permanent cessation of business was increased from N 5000 to N 50, 000 in the first month and N25000 in subsequent months.

The VAT Act has a new section 8 that deals with registering a taxable person when they start a business. The fine for failing to register has been raised from N10,000 to N50,000 in the first month, and from N5,000 to N25,000 in succeeding months. However, the new law does not specify when a taxable person must register with the agency; rather, the statute simply hinges on the time "upon initiation of business." This is a little vague and could be interpreted differently by the court. The new VAT section 15 establishes a VAT compliance threshold. The new section 15 of VAT introduces a threshold for VAT compliance. Thus, companies with a turnover of N25, 000, 000. 00 or more shall render their tax on or before the 21$^{st}$ of every month.

**Petroleum Profit Tax Act (PPTA)**

Petroleum Profit Tax Act 1959 as amended described petroleum profit tax as a liability where a company disposes of chargeable oil and gas. Disposal includes delivering chargeable oil to the refinery; the tax is based on the company's profit from petroleum operations, as defined by the Nigerian Petroleum Profit Tax Act (PPTA). Petroleum exploration, development, production, and sales are all included in the act's definition of a petroleum operation. According to Section 8 of the Petroleum Profit Tax Act (PPTA), every company engaged in petroleum operations is required to file a return, along with a properly audited annual account and computations, within a specified time after the accounting period ends. According to Fasoranti (2013), PPT entails levying a tax on profits derived from petroleum operations. The importance of petroleum to Nigeria's economy has led to the enactment of many regulations governing the taxes of earnings from petroleum operations, according to the researcher. Petroleum profit tax is a tax on rent, royalties, oil mining prospecting, and exploration leases that applies to upstream businesses in the oil industry. It is a significant tax in Nigeria in terms of total revenue contribution, accounting for more than 70% of government revenue and 95% of foreign exchange earnings (Kiabel 2009). According to Ilaboya (2012), the basic period for Petroleum Profit Tax (PPT) is the accounting period's real profit. This means that the basis period for any assessment year is the same as the company's accounting period.

The PPTA's section 60 is repealed in the new Act. This is the section that exempts dividends or income paid from profits after-tax deductions under the Petroleum Profits Tax Act from taxation. The revocation of said section 60 appears to have the effect of subjecting such incomes or profits to taxation in the future.

**Consolidated Revenue Fund**

The consolidated fund, sometimes known as the consolidated revenue fund, is the government's principal bank account, according to Wikipedia. Taxation paid into the consolidated fund for general spending, as opposed to hypothecated taxes allocated for specific purposes, is known as general taxation (Wikipedia). Share from Federation Account, Direct Taxes (PAYE), Licenses and Internal Revenue, Mining (Solid Minerals), Fees, Earnings and Sales, Rent of Government, Interests and - General Repayments, Armed Forces, Reimbursements, and Miscellaneous are some of the sources of revenue paid into the consolidated revenue fund (Afrogha, 2014).

## 2.2 Theoretical Framework

The study is anchored on Expediency Theory because the theory centers on how to make a tax system better.

**Expediency Theory**

According to Otu and Adejumo (2013), every tax proposal passes the practicality test, which is the only factor that government officials examine when deciding on a tax policy. The economy, efficacy, and efficiency of tax collection devices are explained by this theory, which is part of the canon of taxes. Taxation offers authorities a formidable set of policy tools that should be used to address societal economic and social evils such as income inequality, regional inequities, and unemployment (Afuberon & Okoye 2014). The state's economic and social goal is to put in place an effective tax system that is relevant to a country's economic growth (Kiabel, 2009). According to Kiabel (2009), this proposal is correct because it is pointless to have a tax system that cannot be charged and collected efficiently. Because economic, social, and political pressures exist, and each group strives to defend and promote its own interests, governments are frequently forced to modify tax structures to satisfy these pressures. Furthermore, the administrative setup may be inefficient in terms of collecting tax income at a reasonable cost. According to Ihenyen and Ebipanipre (2014), taxes offer authorities a formidable set of policy tools that should be successfully used to address economic and social problems such as income inequality, regional disparities, unemployment, and cyclical swings.

## 2.3 Empirical Review

Herbert, Nwarogu, and Nwabueze (2018) examined the effect of tax reforms on the economic stability of Nigeria over 16 years, 2000- 2015. Using a modified econometric linear model, the researchers discovered a positive and substantial link between PPT and CIT, as well as economic stability. The link between VAT and economic stability isn't particularly strong.

Edame and Okoi (2014) examined the impact of taxation on investment and economic growth in Nigeria from 1980 to 2010. The data from the CBN statistical bulletin were analyzed using the ordinary least square method of multiple regression analysis. The results reveal that the Company Income Tax parameter estimations are inversely related to economic growth. Finally, the findings revealed that in Nigeria, taxation is negatively associated to investment and GDP while positively related to government spending. Taxation is also a statistically significant factor impacting investment, GDP, and government expenditure in Nigeria, according to the study.

Abata (2014) studied the impact of tax revenue on Nigeria economy used descriptive survey design and chi-square to analyze the data collected. The study discovered that tax revenue has a significant impact on federal government budget implementation in Nigeria, that tax evasion has a significant impact on government revenue in Nigeria, and that tax officers' lack of training has a significant impact on government revenue generation in Nigeria.

Ihenyen and Ebipanipre (2014) examined taxation as an instrument of economic growth in Nigeria. Using annual time series data sourced from the CBN statistical bulletin between 1980 and 2013. The OLS technique was used to estimate a linear model of corporate income tax, value-added tax, and economic growth. The empirical conclusion demonstrates that in the Nigerian setting, the hypothesized link between corporate income tax, value-added tax, and economic growth does exist.

Asaolu, Olabisi, Akinbode, and Alebiosu (2018) examined the relationship between tax revenue and economic growth in Nigeria. The study used a descriptive and historical research approach, with secondary data acquired from various issues of the Central Bank of Nigeria (CBN) statistical bulletin and annual reports for a period of twenty-two years (1994-2015). The Auto-Regressive Distributed Lag (ARDL) Regression was used to analyze the data. VAT and CED had a significant association with economic growth (p0.05), while CIT had a negative significant relationship with economic growth (p0.05), according to the study's findings. PPT, on the other hand, exhibited no correlation with economic development.

Onaolapo, Aworemi, and Ajala (2013) examined the impact of value-added tax on revenue generation in Nigeria. The CBN Statistical Bulletin (2010), Federal Inland Revenue Service Annual Reports, and the Chartered Institute of Taxation of Nigeria Journal were used as secondary sources of data. The data was analyzed with the use of stepwise regression analysis. The findings revealed that in Nigeria, the Value Added Tax had a statistically significant impact on revenue generation.

Uzoka and Chiedu (2018) studied the effect of revenues from taxation on the growth of the economy in Nigeria between 1997 -2016. The unit root test demonstrated that income from corporation tax, customs, and excise duty, as well as gains from the sale of capital assets, are flat. In the first order, that is after the first difference, Real Gross Domestic Product (RGDP), Petroleum Profit Tax (PPT), Value Added Tax (VAT), and RDT are stationary. Economic growth has a long-run link with RGDP, PPT, VAT, RDT CIT, CED, according to cointegration tests. The results of the model's analysis revealed that while CGT and EDT have no significant impact on economic growth, PPT, CIT, VAT, and CED have a significant impact on Nigeria's economy.

Okwara and Amori, (2017) examined the effect of revenue from taxation on the growth of the Nigerian economy from 1994 to2015. Value Added Tax (VAT) and non-oil income (tax) were used to measure tax revenue, while Gross Domestic Product (GDP) was utilized to reflect economic growth. The results showed that non-oil income had a considerable impact on GDP, but that value-added tax had a negative impact and was statistically insignificant for the review period. As a result, it was found that tax revenue has a favorable impact on Nigerians' economic progress, and it was suggested that the country diversify its revenue sources beyond crude oil to include agricultural and extractive industries.

Ewa, Adesola, and Essien (2020) determined the impact of taxation proceeds on the development of the Nigerian economy for the period 1994 to 2018. The study applied Ordinary Least Square statistical and revealed a positive relationship with a coefficient of determination of 99.2% of the variation in economic development attributable to the tax income streams studied. Also, although the study revealed the existence of the significant effect of taxes from companies' profits and Value Added Tax on GDP Growth, there is little or no significant impact of taxes on profits of Petroleum companies on GDP growth in Nigeria.

Abomaye, Nimenibo, Michael, and Friday (2018) empirically examined the tax revenue and economic growth in Nigeria from 1980 to 2015 by employing Gross Domestic Product (GDP) as the dependent variable and Petroleum Profit Tax (PPT), Company Income Tax (CIT), and Customs and Excise Duties (CED) as the independent variables. The Ordinary Least Square (OLS) approach was an Econometric software-based analytical tool (E-Views 9.0). Petroleum profit tax (PPT), business income tax (CIT), and custom and excise duties (CED) were all positive but not significant, according to the findings. As a result, the study suggests that the government should ensure that taxation is appropriately controlled in order to boost economic growth, lower inflation, and create jobs in the country.

Khumbuzile and Khobai (2018) investigated the impact of taxation on economic growth in South Africa from 1981 to 2016. The Auto-Regressive Distribution Lag (ARDL) strategy was utilized to conduct the analysis. The empirical findings show that taxes have a negative link with economic growth in South Africa. Economic growth, commerce, and openness, as well as capital and taxes, are all intertwined, according to the study's conclusions. This article indicates that fiscal policy is critical for South Africa to achieve long-term economic growth.

Popoola, Jimoh, and Oladipo (2017) investigated the tax revenue and Nigerian economic growth for a period of three-decade, using time series data from 1986 to 2015. Ordinary Least Square (OLS) was utilized in conjunction with Statistical Package for Social Science (SPSS) Version 23. The findings revealed that oil and non-oil tax income were both positive and substantially associated with real GDP. The findings also revealed that the effects of oil and non-oil tax revenue were significantly different. They advised that government officials be held accountable and transparent in the handling of tax money in Nigeria in order to boost economic growth.

Cornelius, Ogar, and Oka (2016) the impact of tax revenue on the Nigerian economy, The association between the dependent and independent variables was established using ordinary least square of multiple regression models. The findings revealed that there is a significant link between petroleum profit tax and Nigerian economic growth. It was discovered that there is a strong link between non-oil earnings and Nigerian economic growth. The findings also found that there is no substantial link between corporate income tax and Nigerian economic growth.

Akwe (2014) analyzed the impact of Non-oil Tax Revenue on Economic Growth from 1993 to 2012 in Nigeria. Relevant secondary data from the Central Bank of Nigeria's 2012 Statistical Bulletin were used to meet this study goal (CBN). The Ordinary Least Squares Regression was used to examine the data. The test's findings indicate that non-oil tax revenue has a favorable impact on Nigeria's economic growth.

Umoru and Anyiwe (2013) examined the effect of tax structure on economic growth in Nigeria. They used empirical estimate approaches such as co-integration and error correction, as well as an empirical disaggregation strategy. They discovered that direct taxes have a large and positive relationship with economic growth, whereas indirect taxation has a negligible negative influence.

Bacarreza, Vasquez, and Vulovic (2013) utilized a variety of approaches to analyze the effect of several variants of taxes on economic growth. Using vector autoregressive approaches, the researchers investigated the impact of various instruments. According to the findings, personal income tax has a favorable impact on Latin American economic growth. Individual countries, notably Argentina, Mexico, and Chile, were found to have small negative effects on growth due to corporate income taxes. Consumption taxes were found to have a considerable positive impact on economic growth, whereas natural resource revenues did not.

## 3. Methodology

To determine the impact of tax policies and reforms on Nigeria's consolidated revenue funds, the study used an ex-post-facto (after the fact) research design. Because it used historical data, the effort is classified as ex-post-facto research. The research was carried out in Nigeria. From 2011 through 2019, the study examines the impact of tax policies and reforms on consolidated revenue funds.

Secondary data was used in the study. The Statistical Bulletin of the Central Bank of Nigeria provided the time series data (2011-2019). The study's population was drawn from the revenue heads of Nigeria's consolidated revenue funds, such as exports, taxation, oil revenue, non-oil revenue, and so on. Because it was impossible to conduct a study on all revenue heads of the consolidated revenue fund, the study focused on the effect of tax revenue, with a particular focus on the Finance Act of 2019, due to the Finance Act's non-implementation in tax collection and remittance at the time of the study. The fundamental statistical method for data analysis was ordinary least square multiple regression approaches. Because regression is used to determine the effect of the explanatory variables on the focal variable, multiple regression was performed.

The model is specified as follows:

$CRF_{t\,i} = \beta_o + \beta_1\, CIT_t + \beta_2 VATt + \beta_3 PPT_t + \mathcal{E}_t$ …………………………… [Equation (1)

*Where*:

| | |
|---|---|
| CRF | Consolidated Revenue Fund |
| CIT | Company Income Tax |
| VAT | Value Added Tax |
| PPT | Petroleum Profit Tax |
| Ɛ | Stochastic disturbance (Error) Term |
| $\beta_o$ | Coefficient (constant) to be estimated |

βi – β3 Parameters of the independent variables to be estimated

T Current period

**4. Data Presentation and Analyses**
**4.1 Data Presentation**

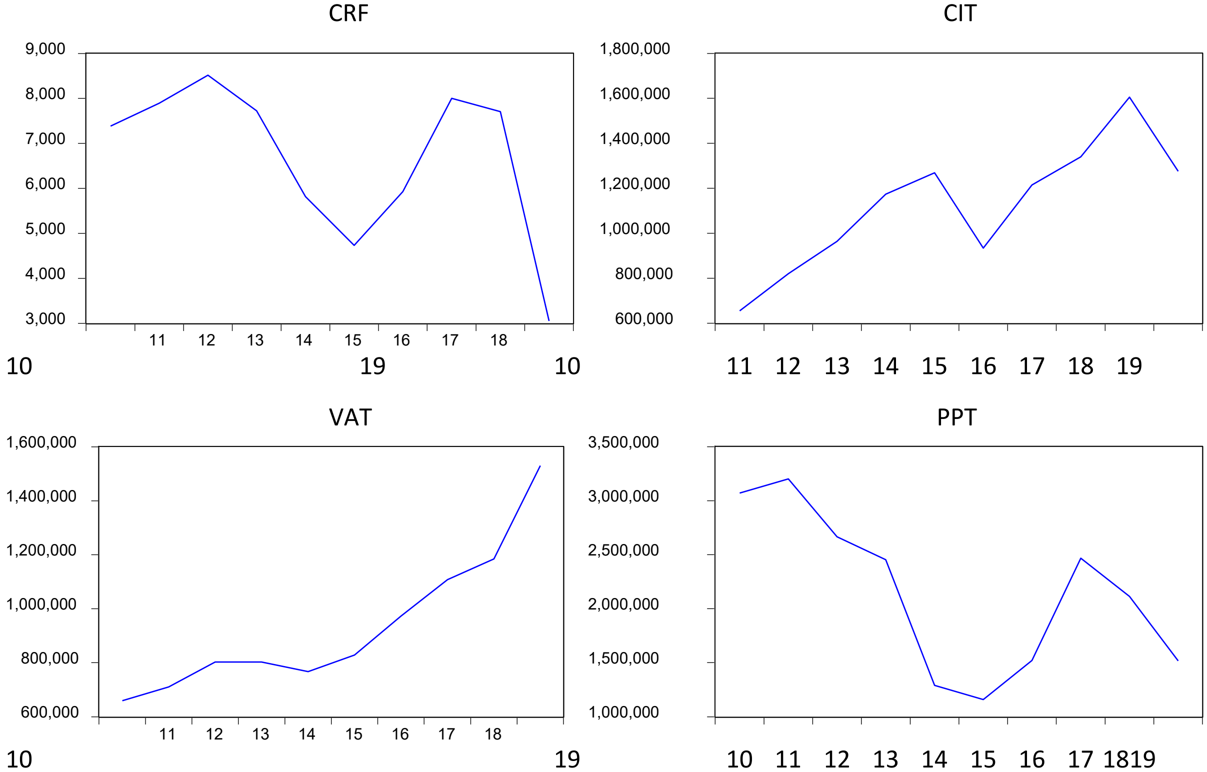
**Table 4.1.1: Time Series Data for Tax Revenue and Economic Growth**

| YEAR | CRF | CIT | VAT | PPT |
|---|---|---|---|---|
| **2010** | 7544.1022 | 658502.6 | 564891.6 | 1480363.9 |
| **2011** | 7383.3092 | 654448.2 | 659153.6 | 3070591.3 |
| **2012** | 7893.7246 | 820565.5 | 710555.1 | 3201319.5 |
| **2013** | 8515.9479 | 963450.8 | 802683.5 | 2666366.9 |
| **2014** | 7724.4423 | 1173491 | 802964.7 | 2453947.4 |
| **2015** | 5814.0697 | 1268977 | 767333.5 | 1289960.7 |
| **2016** | 4734.3617 | 933537.3 | 828199.1 | 1157808.1 |
| **2017** | 5926.048 | 1215057 | 972348.4 | 1520481.7 |
| **2018** | 8002.0005 | 1340329 | 1108040 | 2467580.675 |
| **2019** | 7,706.42 | 1604698 | 1184580 | 2114268 |

**Source: CBN Statistical Bulletin and FIRS Statistical Data**

### 4.2 Data Analysis

***Figure 4.2.1: Line Graph of The Data Variables***




**Source**: EViews 9.0 Software

Figure 4.2.1 shows the movement of the focal and explanatory variables within the year under study. From the graph it could be seen that company income tax and petroleum profit tax share the same pattern of movement within the period under review. Value added tax has a pattern of movement very opposite to consolidated revenue fund in Nigeria. The implication is that as company income tax and petroleum profit tax increases, consolidated revenue fund in Nigeria also increases. The reverse is the case for value added tax.

**Table 4.2.1: Descriptive Statistic for the Focal and Explanatory Variables**

| | *CRF* | *CIT* | *VAT* | *PPT* |
|---|---|---|---|---|
| *Mean* | 6675.043 | 1124993. | 936585.8 | 2145932. |
| *Median* | 7544.863 | 1194274. | 815581.9 | 2284108. |
| *Maximum* | 8515.948 | 1604698. | 1530000. | 3201320. |
| *Minimum* | 3050.113 | 654448.2 | 659153.6 | 1157808. |
| *Std. Dev.* | 1748.338 | 280304.9 | 268442.8 | 740484.2 |
| *Skewness* | -0.942523 | -0.085235 | 1.123075 | 0.024272 |
| *Kurtosis* | 2.736468 | 2.314869 | 3.299499 | 1.586839 |
| *Jarque-Bera* | 1.509520 | 0.207694 | 2.139537 | 0.833075 |
| *Probability* | 0.470124 | 0.901363 | 0.343088 | 0.659326 |

| | | | | |
|---|---|---|---|---|
| *Sum* | 66750.43 | 11249934 | 9365858. | 21459317 |
| *Sum Sq. Dev.* | 27510176 | 7.07E+11 | 6.49E+11 | 4.93E+12 |
| *Observations* | 10 | 10 | 10 | 10 |

**Source:** EViews 9.0 Software

Table 4.2.1 shows that Consolidated Revenue Fund (0.942523), Company Income Tax (0.085235), and Petroleum Profit Tax (0.024272) are less than one. This suggests that the data for these variables are normally distributed. Value Added Tax (1.123075) have a slightly abnormal distribution with skewness coefficient greater than one. The kurtosis coefficient shows that Consolidated Revenue Fund (2.736468), Company Income Tax (2.314869), and Petroleum Profit Tax (1.586839) are normally distributed with kurtosis coefficients less than three. The insignificance of the Jarque-Bera probability confirms that all data series for both focal and explanatory variables are normally distributed. It can be concluded that the data for the variables are normally distributed.

**Table 4.2.3: Multiple Regression Analysis Result**

Dependent Variable: CRF
Method: Least Squares
Date: 08/29/21 Time: 14:16
Sample: 2010 2019
Included observations: 10

| Variable | Coefficient | Std. Error | t -Statistic | Prob. |
|---|---|---|---|---|
| CIT | 0.004535 | 0.001042 | 4.353497 | 0.0048 |
| VAT | 0.004454 | 0.001051 | 4.238021 | 0.0055 |
| PPT | 0.001981 | 0.000315 | 6.287140 | 0.0008 |
| C | 1494.350 | 1431.183 | 1.044136 | 0.3367 |

| | | | |
|---|---|---|---|
| R-squared | 0.916935 | Mean dependent var | 6675.043 |
| Adjusted R-squared | 0.875402 | S.D. dependent var | 1748.338 |
| S.E. of regression | 617.1365 | Akaike info criterion | 15.97723 |
| Sum squared resid | 2285145. | Schwarz criterion | 16.09827 |
| Log likelihood | -75.88616 | Hannan-Quinn criter. | 15.84446 |
| F-statistic | 22.07740 | Durbin-Watson stat | 2.353444 |
| Prob(F-statistic) | 0.001214 | | |

**Source:** EViews 9.0 Software

Table 4.2.2 reveals that Company Income Tax have a positive (Coefficient 0.004535) and significant effect (p-value 0.0048) on Consolidated Revenue Fund. Value Added Tax have a positive (Coefficient 0.004454) and significant effect (p-value 0.0055) on Consolidated Revenue Fund. In line with Company Income Tax, Petroleum Profit Tax have positive

(Coefficient 0.004535) and significant effect (p-value 0.0008) on Consolidated Revenue Fund. The adjusted R-squared ($R^2$) indicated that about 88% of the changes in Consolidated Revenue Fund are accounted for by the explanatory variables (Company Income Tax, Value Added Tax, and Petroleum Profit Tax). The remaining 12% could be explained by other factors capable of influencing Consolidated Revenue Fund in Nigeria and other remote factors captured by the error term. The probability of the F-statistic (0.001214) is significant which shows the statistical fitness of the multiple regression model and the results, by extension. There is an absence of serial autocorrelation in the panel data extracted from Central Bank of Nigeria Statistical Bulletin and FIRS website as suggested by Durbin-Watson stat of 2.353444.

### 4.3 Test of Hypotheses

The three formulated hypotheses in section one were subjected to empirical testing. These hypotheses were tested as follows:

**Hypotheses One:** Company income tax does not significantly affect consolidated revenue fund in Nigeria.

**Decision Rule:** Reject $H_0$ if P-value is less than the A-value of 0.05

**Decision:** The P-Value of 0.0048 is less than the A-Value of 0.05; hypotheses one therefore, is rejected in reference to company income tax. This implies that company income tax has a significant effect on consolidated revenue fund in Nigeria.

**Hypotheses Two:** Value added tax does not significantly affect consolidated revenue fund in Nigeria.

**Decision Rule:** Reject $H_0$ if P-value is less than the A-value of 0.05

**Decision:** The P-Value of 0.0055 is less than the A-Value of 0.05; hypothesis two is therefore rejected in connection to value added tax. This implies that value added tax has a significant effect on consolidated revenue fund in Nigeria.

**Hypotheses Three:** Petroleum profit tax does not significantly affect consolidated revenue fund in Nigeria.

**Decision Rule:** Reject $H_0$ if P-value is less than the A-value of 0.05

**Decision:** The P-Value of 0.0008 is greater than the A-Value of 0.05; hypothesis three is therefore rejected in connection to petroleum profit tax. This implies that petroleum profit tax does not significantly affect consolidated revenue fund in Nigeria.

### Discussion of Results

**Hypothesis one:** From the result of the regression analysis in Table 4.2.3, it reveals that company income tax affects consolidated revenue fund positively and significantly in the tune of 0.0048. This implies that as the government generate more money from company income tax, the consolidated revenue fund of the country increases significantly. The finding is in tandem with the findings of Lyndon and Paymaster (2016), who found a positive relationship company income tax and economic growth.

**Hypotheses two:** The regression analysis result of Table 4.2.3 reveals that consolidated revenue fund is influenced positively by value added tax in a significant amount of 0.0055. This implies that as the government generate more money from value added tax, the consolidated revenue fund of the country will increase. This is in tandem with the apriori expectation of the researcher. This is supported by prior studies by Adegbie, Jayeoba, and Kwabai (2016) which also revealed a positive relationship between value added tax and economic growth.

**Hypotheses three:** Table 4.2.3 shows that petroleum profit tax has a positive and significant effect on consolidated revenue fund in Nigeria. The implication of this finding is that as petroleum profit tax is increasing, consolidated revenue fund is also increasing. Uzoka and Chiedu (2018) which also revealed a positive relationship between petroleum profit tax and economic growth.

## 5. Conclusion

The study ascertained the effect of tax policies and reforms on consolidated revenue funds in Nigeria. Tax revenue studied were company income tax, value added tax, and petroleum profit tax. From the regression analysis results, it was found that all the explanatory variables (company income tax, value added tax, and petroleum profit tax) have a positive and significant effect on consolidated revenue funds in Nigeria. The result also shows that 87% of changes in consolidated revenue funds in Nigeria could be explained by these variables, hence, the study concludes that tax policies and reforms have greatly improved tax revenue collections in Nigeria with great reference to Finance Act 2019 because of the non-implementation of the 2020 Finance Act by FIRS when the study was conducted.

## 6. Recommendations

The following are hereby recommended:

i. The tax revenue collected from companies in Nigeria should be increased to provide funds for government. Tax policies and reforms should enable tax collection agencies and boards of the government the tools and strategies to ensure that all taxable companies pay their tax as at when due. They should devise a strategy to avoid tax evasion and avoidance.

ii. They should seriously find a means to increase their value-added tax revenue collections as such will increase consolidated revenue fund and economic growth.

iii. They should ensure that no loopholes were in the tax policies and reforms that will be utilized by oil and gas companies to avoid or evade tax in Nigeria.

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