

Impact of Consumption Taxes on Nigeria's Economy

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ABSTRACT: Taxes are crucial to every economy's progress, developed or emerging. This research investigated Nigeria's consumption taxes. The empirical analysis utilised 1981-2021 annual data. The study's variables were analysed using error correction model. Following the findings made, this study have thereby established that, except for previous years consumption taxes, all consumption taxes in current year in Nigeria does not possess any significant explanation on the current state of the Nigerian economy. Therefore, current economic happenings in Nigeria cannot be attributably said to be a resultant effect of current changes in any of the consumption taxes in Nigeria, but a resultant effect of previous changes in all consumption taxes in Nigeria. The study suggested that the government maintain import, excise; value added tax and petroleum profit tax laws and guarantee their efficient execution to reduce consumer harm; and simplify tax administration, enhance compliance, and broaden tax net. Educating the public about tax benefits should be a priority.

KEYWORDS: *Consumption taxes, Exercise duty, Import duty, Nigeria economy, Petroleum profit tax*

INTRODUCTION

Fiscal policy can boost economic growth. Worldwide, tax is an important government income stream. Government uses tax revenues to provide public goods, maintain law and order, defend against external attack, and regulate commerce and business to preserve social and economic stability (Azubike, 2009; Edame, 2008:14). A higher tax rate diminishes the returns on human capital and research and development (R&D) spending, slowing economic growth (OECD, 2009).

A good and trustworthy tax system may help mobilise a nation's internal resources and foster economic progress. Tosuu and Abizadeh (2005) suggested tax-growth strategies. First, corporate, personal, and capital gain taxes can slow investment. Taxes can decrease labour supply growth by favouring leisure over work. Tax policy affects R&D spending. Taxes can divert resources to less productive industries. High tariffs on labour supply can distort the effective utilisation of human resources notwithstanding high social output. Tax policies that skew capital accumulation reduce economic growth. Tax composition affects economic growth in developed and developing nations.

Consumption tax is a tax on products and services' consumption value. It's a consumer-paid tax. Consumption taxes include excise, value-added, gross-receipts, and import tariffs. Nigeria has traditionally had consumption and income taxes. Despite tax policy changes in 1991 and 2003 and regular budget modifications, tax income in Nigeria has been a modest part of overall government revenue. Oil provides most development money. Crude oil exports continue to account for about 80% of federal government revenue, while taxation accounts for the remaining 20%. The Nigerian Federal Inland Income Service's financial and administrative autonomy boosted tax revenue in 2007. In 2008, FIRS collected 2.972 trillion naira compared to 2.682 trillion naira between 1996 and 2003 before the reform.

Taxes grew 2.1% between 1991 and 2010, while the economy grew 4.8%. Excise duty fell from 33.7% in 1980 to 17.1% in 1984 and 32.9% in 1993 before declining to 0.36 in 2007 and 0.26 in 2011. This is a 6% rise from 1998's 0.30% rate. Despite rising tax income, notably from Value Added Tax (VAT) and petroleum profit tax, economic development has been erratic. Real GDP grew 0.53 percent in 1980, 0.2% in 2000, and 19.4% in 2008. The majority of revenue has exposed the government to foreign shocks and macroeconomic uncertainty owing to the declining oil market. Does consumption tax affect Nigeria's GDP? This study examines consumption's influence on Nigeria's economy. As of 1 February 2020, the regular VAT rate raised from 5% to 7.5%.

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Governmental organisations and oil and gas firms must subtract the VAT from their purchases at source and remit it to the tax administration. For filing and payment to the tax authority, all other organisations must get from their clients the VAT levied on their invoices (PwC Nigeria, 2022). For services for which no tax invoice was received, a reverse-charge mechanism has been included by the Finance Act of 2019. The filing of VAT returns must now be done on a cash basis (PwC Nigeria, 2022). According to PwC Nigeria, (2022) the FIRS has put in place a mechanism called FIRS VAT-Collect for automatic tracking and remittance of VAT. Domestic airlines and other retailers are some of the system's customers (for the prompt remittance of VAT on their ticket sales).

Nigeria solely imposes customs taxes on imports. Rates vary depending on the item, often ranging from 5% to 35%, and are calculated using the current Harmonized Commodity and Coding System (HS code). Beer and stout, wines, spirits, cigarettes, and homogenised tobacco produced in or imported into Nigeria are all subject to a 20% excise charge.

Effective 1 June 2022, there will be higher excise taxes on cigarettes and alcoholic beverages and new tax on non-alcoholic beverages and telecommunication services. The new regulations only apply to alcoholic beverages (beers and stouts, spirits, and wines), tobacco and its products (such as cigarettes), non-alcoholic beverages, and communications services (PwC Nigeria, 2022). Beginning on June 1, 2022, a special rate of NGN 4.2 will be paid on each cigarette stick in addition to the 30% ad valorem tax (NGN 84 per pack of 20 sticks). The exact price will rise to NGN 4.7 per stick in 2023. (NGN 94 per pack of 20 sticks). The exact price will rise to NGN 5.2 per stick in 2024. (NGN 104 per pack of 20 sticks). Alcoholic beverages are not subject to an ad valorem rate. Beer and stout will cost NGN 40 per litre starting in 2022. NGN 45 per litre and NGN 50 per litre will be due in 2023 and 2024, respectively. Wines: in addition to the 20% ad valorem rate, a special charge of NGN 50 per litre will be paid as of 1 June 2022. The rise to the particular rate will take place in 2023 and will be NGN 60 per litre. The rise to NGN 70 per litre is scheduled to take effect in the year 2024 (PwC Nigeria, 2022).

In addition to the ad valorem rate of 20%, which will be paid beginning on June 1, 2022, a special fee of NGN 50 per litre will be paid. The rise to the particular rate will take place in 2023 and will be NGN 65 per litre. The rise to the particular rate will take place in 2024 and will be NGN 75 per litre. Non-alcoholic beverages, carbonated beverages, and sweetened beverages (such as fruit juices and energy drinks) will all be subject to an excise duty of N10 per litre. This excise duty will apply to beverages that are carbonated and sweetened (PwC Nigeria, 2022).

The Finance Act of 2020 establishes a framework for the imposition of excise duty on communications services offered within Nigeria at rates that are left up to the discretion of the President. Excise charges of 5% were imposed on both postpaid and prepaid communications services as a result of the Fiscal Policy Measures and Tariffs Amendments Act of 2022.

The Petroleum Profits tax rate was as low as 18.9% in 1970 after which it rose astronomically to 80.7% between 1971 and 1974. The rate was 82.3% from 1975 to 1989 and it peaked at 85% in 1990 till date ((PwC Nigeria, 2022).

Personal Income Tax Rate in Nigeria is expected to reach 24.00 percent by the end of 2022, according to Trading Economics global macro models and analysts expectations. In the long-term, the Nigeria Personal Income Tax Rate is projected to trend around 24.00 percent in 2023, according to our econometric models.

2. LITERATURE REVIEW

Tax revenue existed in Nigeria before 1914. Direct taxes were originally established in the north of Nigeria, where inhabitants were already acclimated to some sort of taxation. The emirate system's administrative performance was key. Direct tax was established in the western region in 1916 and the surrounding provinces in 1927 after the north and south merged in 1914. British enabling legislation and regulations were used (Ariyo, 1998).

Adiegbe (2011) said tax is a legal framework recognised by the government to collect and remit all necessary taxes. Tax policy management is a key indicator of a tax system's performance. Nigeria's Joint Tax Board (JTB) and Federal Inland Revenue Services administer corporation income tax, petroleum tax, personal income tax, value added tax, withholding tax, education tax, custom and excise duty (FIRS). The joint tax board was founded in 1961 to advise and coordinate tax revenue and to promote consistency in the implementation of the Personal Income Tax Act 1993 and the incidence of tax on persons throughout Nigeria.

CITA (2004) confirmed that FIRS is established to carry out the following functions: exercise the power and duties conferred by any federal government enactment in respect of the above taxes, advise the federal government on request on double tax revenue arrangement, promote uniformity in the personal income tax Act 1993 and the incidence of tax on individuals, and advise the federal government on request on capital allowance rate. Federal board of Inland Revenue administers Company Income Tax Act 1990. FBIR operates the 1993 Federal Inland Revenue Service (FIRS). FIRS collects, accounts for, and administers income tax.

Since 1904, Nigeria's tax system has undergone modifications. Between 1904 and 1926, Nigeria introduced a revenue tax, and in 1945, Nigeria Inland Revenue was granted authority, the Riseman fiscal commission of 1957, the Petroleum Profit Tax Ordinance No. 15 of 1959, and the Income Tax Management Act of 1961, the 1979 Companies Income Tax Act (CITA), the 1979 inland

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revenue, the 1991-1992 federal inland revenue service, and the 2001-2004 tax policy and administrative improvements (Ogbonna 2009).

According to Ola (2006), Nigeria's tax administration is unjust. These laws are frequently complex and prohibitive. Many tax payers don't know the tax regulations, deductible costs, or allowance. They can't declare taxable income. Taxpayers in Nigeria may now go to the tax office, indicate what they're willing to pay, get assessed, pay, and receive a tax clearing certificate (Ola, 2006). The following indicates administrative inefficiency, low literacy, no regular record keeping. Tax officers are few. Most authorities are poorly trained, ill-equipped, underpaid, and corrupt. Ogbonna (2011) agrees that tax administration's failure to realise the need of communication and discussion between government and public is a fundamental concern.

In nations like the US, UK, and Canada, tax administration is automated and every payer is collected at source through an integrated computer system. The Nigeria Inland Revenue Service is mostly responsible (FIRS). Tax evasion is one of the key social problems impeding progress in poor nations and degrading the welfare state in rich economies, according to Graeme (2003). This has led to greater attention from policymakers, western countries, international bodies, and academia. According to Omoruyi (1983), tax evasion is Nigerians' preferred crime, making armed robbers look trivial. Tax evasion and avoidance remain despite official attempts (Alli, 2009).

A. Nigerian Taxes

Buba (2007) emphasizes that the private sector, which drives national development growth and wealth creation, requires major investments in infrastructure, energy, and electricity. Government must make such large investments. All these projects can be implemented if the government raises enough tax income. Olawunmi and Ayinla (2007) say economic policy's goal is policy advice. Taxes and spending are the key fiscal policy tools. Here are some government-generated taxes and their functions: oil profit tax and corporation tax.

Oil profit tax

According to Buba (2007), Nigerian law mandates all oil extraction and transport businesses to pay profit tax. Adigbe (2011) said a petroleum company's taxable revenue includes earnings from the sale of oil and associated substances used in its own refineries plus any other income from its petroleum activities. Adereti (2011) said that a petroleum company's taxable income is taxed at 85%, however this number is dropped to 65.75% during the first 5 years of operation. Companies operating under production sharing arrangements are taxed at 50%.

The 1960s were dominated by international trade. In the early 1970s, indirect tax gave way to direct tax with the oil boom (Egwakhide, 1988). Due to disregard of conventional (agricultural) tax sources, import taxes rose until 1973. In the 1970s, industrial success boosted excise duty income (Buba, 2007). Given the oil sector's position as a key source of government revenue, this general picture has persisted.

Corporation Tax

The Company Income Tax Act 1990 oversees the collection of tax on profit produced by Nigerian firms, except oil exploration corporations. This tax represents 30% of a company's annual profit (Adereti, 2011). Ola (2006) says Nigeria's company income tax administration is inadequate. Due to poor supervision, self-employed and unquoted private firms escape tax. Festus and Samuel (2007) found that corporation income tax is a substantial source of revenue in Nigeria, although tax payer non-compliance is widespread due to insufficient control. Nigeria's company-income tax structure needs improvement.

GDP (VAT): VAT is an easy-to-administer and hard-to-evade consumption tax used by many nations (Federal Inland Service, 1993). Value Added Tax Act 1993 controls tax on vat-able products and services (Aereti, 2011). It replaced sales tax. The end consumer pays a consumption tax at each level of the chain. A taxable person must charge and collect VAT at 5% of all taxable products and services after registering with the Federal Inland Revenue (Ariyo, 1998). Adereti (2011) said research shows VAT income is a substantial source of revenue in Nigeria. However as at February 2022 VAT stands at 7.5% (PwC Nigeria, 2022).

B. Theoretical Literature

Taxability ability to pay is often interpreted as sacrifice. Equal, equal-proportional, and least sacrifice arguments all justify progressive taxes. It ensures commercial or semi-commercial connections between the state and residents. According to this principle, a citizen should pay taxes because he can, and his relative tax burden should be based on his paying ability. This philosophy is embraced by socialists and non-socialists because it upholds fairness and equity. The primary concept of this approach is that society's tax burden should be divided fairly.

C. Empirical Literature

Adegbe, Salawu, & Ojutawo, (2020) examined vat and revenue generation, they stated that the consumption of goods and services is the goal of value added tax, and unless an item is expressly exempted by law, consumption of it would incur a portion

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of its price, which is now a fixed rate of 7.5 percent in Nigeria. In order to raise the country's reputation in terms of revenue collection and in recognition of its widespread acceptance as a powerful revenue generation source on a worldwide scale, VAT was implemented in Nigeria in 1994. Aside from those specifically exempted by the enabling law, all products and services in Nigeria are subject to VAT.

Omodero (2020) used a variety of econometric tools, including trend analysis, paired Granger causality, unrestricted co-integration test, and ordinary least squares methods, to examine the effects of indirect tax on consumption in Nigeria. The study's findings showed that whereas VAT had a small but positive impact on consumption, CED had a far larger and more favourable impact. They came to the conclusion that a VAT hike might deter consumers from buying things. However, since CED fees remain unchanged, the study's recommendation to lower food and service costs in order to encourage more consumer spending was adopted.

Bingilar and Angaye (2020) looked into how the VAT affected Nigeria's economic expansion. The study used secondary time series panel data that was gathered for the years 2009 to 2018 and a longitudinal research approach. The coefficient of determination, t-test, F-test, and DW statistics were used to analyse the research's data. The findings showed that VAT makes a good and significant contribution to the government's overall tax income and, consequently, to Nigeria's economic growth. Additionally, the growth of VAT revenue increased steadily during the course of the study. According to the study, a prolonged overhaul of the VAT's administrative procedures might increase tax income. The researchers also recommend that the public be made aware of the need to properly remit VAT collected.

Additionally, nations frequently alter their tax structures, and occasionally they do away with outmoded tax structures altogether and replace them with new ones. The former sales tax was replaced with value added tax in the majority of nations. It is a consumption tax that, according to Apere & Durojaiye (2016), is due when individuals, businesses, or government bodies consume goods and services.

Taxation is said to as the lifeline of every nation by Omesi & Nzor (2015). Furthermore, they claimed that a country's level of growth is typically based on the amount of tax money it can raise. The development of key infrastructure and services that can only be delivered by the government requires a critical source of funding, and that funding comes from taxes. Because of this, the majority of nations applied a variety of taxes and take tax-related offences harshly.

Akintoye & Tashie (2013) studied tax compliance's impact on Nigeria's growth and development. Primary data were utilised. In Lagos and Ondo, tax compliance preceded citizen willingness. Many Nigerians pay taxes, and Lagos has a larger desire to pay than Oyo. They determined that Lagos inhabitants were more inclined to pay tax because of the accessible infrastructural amenities, tax awareness, and accountability of the government, etc. They were eager to pay since they believed tax helped economic growth and development.

Omolayo, Aworemi & Ajala (2013) used secondary data to study VAT's influence on economic growth. Data analysis was done using stepwise regression. They discovered that VAT stimulates economic growth and advised taxing more products and services to produce more income. Osundina & Olanrewaju (2013) used consumption theory to assess taxation's influence on Nigeria's economy. Total consumption (TCE) was utilised to assess the welfare effect, whereas private investment level (PIL) and total federally collected revenue (TFCR) captured the economy. Ordinary least square regression analysis was performed to assess the possible effect, and the result showed that PIL has a positive but small influence with TCE, whereas TFCR has a positive and substantial effect. They believe that this is due to misappropriation of funds and advocate using government income to improve Nigerians' wellbeing.

Umoru & Anyiwe (2013) examine Nigeria's New National Tax Policy (NNTP). To fulfil the study's aims, secondary data was analysed using co-integration and error correction. Direct taxation is favourably connected with economic growth, according to the study. In poor nations like Nigeria, the global move from direct to indirect taxes lacks factual foundation. Instead of extending indirect tax systems, the authors proposed expanding Nigeria's direct tax structure to increase revenue.

Wambai & Hanga (2013) studied the impact of taxation on Kano state's social development. The study used survey data. 40 respondents filled out questionnaires to gather analytical data. Informality hampered tax compliance in Kano state. The study found that tax compliance is related with adequate campaigns and wise use of tax funds, thus it advised expanding the tax base to bring the hidden economy within the tax net.

Moses (2013) used ordinary least square to analyse the influence of VAT on Nigeria's economic development during 1994-2010. The results show that VAT boosts Nigeria's economic development. Government spending, inflation, and unemployment all have favourable effects on Nigeria's economic development, according to the research. The research advises giving infant companies tax exemptions and using VAT income for infrastructural development.

Abdul-Rahamoh, Taiwo, and Adejare (2013) used multiple regression technique to analyse the impact of petroleum profit tax on Nigeria's economy. Petroleum profit tax, inflation, and currency rate all affected economic growth over the research period. They suggested transparent and prudent accounting for petroleum profit tax income.

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Umoru and Anyiwe (2013) explore the empiricism underlying the new national tax policy in Nigeria using error correction and positively connected with economic growth. Indirect taxes had a detrimental influence on economic growth in Nigeria. Instead of boosting indirect taxes, they supported expanding direct taxes in Nigeria.

Ayuba (2014) used secondary data from 1993 to 2012 in Nigeria to examine the influence of non-oil tax income on economic development. Non-oil tax revenue boosts Nigeria's economic growth. He advised that the government improve non-oil tax collection, notably from the informal sector, and strengthen Federal Inland Revenue Service (FIRS) and other tax bodies to eliminate deficiencies and internal control gaps.

3. RESEARCH METHODOLOGY

A. Model Specification

The analysis is based on endogenous growth theory and taxability. Model based on simple endogenous growth theory:

$$y = AK \dots \dots \dots 3.1$$

where;

Y is actual GDP, A is technology or efficiency. This uses the newest tax technologies, and K is utilised capital. Economic growth requires capital; according to the study, taxes can provide such capital.

$$K = f(Ts) \dots \dots \dots 3.2$$

Ts is taxes

Thus, equation 3.1 may be modified to include technology and tax sources relevant to Nigeria's economic growth. Here's the enhanced model:

$$RGDP = a_0 + a_1EXCD_t + a_2IMPD_t + a_3VAT + a_4PPT_t + u_1 \dots \dots 3.3$$

Where;

RGDP is real gross domestic product as proxy for economy; EXCD is excise duty tax; IMPD is import duty tax; VAT is value added tax; PPT is petroleum profit tax and; u_t is stochastic error term.

4. RESULT AND DISCUSSIONS

Sourced time series data are often trendy, exhibiting random walk as such using them in the raw form without subjecting them to series statistics specifically that of stationarity test analysis may produce misleading results. In this study given the series of stationarity test technique the researcher(s) choose to use the Phillip-Perron unit root test as it is simple to understand and presents result in a concise manner. The unit root tests are presented in Table 1.

Table 1: Unit Root Test using Phillip-Perron (PP) Test

Variables	Phillip-PerronTest				Order of int.	Remark
	@ level	@ 1 st Diff	5% C. V	Lag		
Log(RGDP)	-3.020982	-3.751824	-3.529758	AS	I (1)	Stationary
Log(PPT)	-2.374846	-10.22694	-3.529758	AS	I (1)	Stationary
Log(EXCD)	-1.601288	-4.406739	-3.540328	AS	I (1)	Stationary
Log(IMPD)	-4.221937	-14.12562	-3.540328	AS	I (1)	Stationary
Log(VAT)	-2.003547	-5.137608	-3.595026	AS	I (1)	Stationary

Source: Author's own computation using EView 9

As clearly shown in table 1, real gross domestic product (RGDP), excise duties (EXCD), and petroleum profit tax (PPT) were non-stationary series at levels but became stationary at the first difference with the exception of import duties which was stationary at level, affirming that most time series data set are not stationary at level but after first difference. Following the determination of the variables' stationarity, we use the Johansen cointegration test to see if there is a linear combination of the variables with unit roots that is stationary.

Co-integration Test Result

Table 2: Johansen Co-integration result

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 Percent	1 Percent
			Critical Value	Critical Value

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None **	0.965875	122.9623	62.99	70.05
At most 1 **	0.812350	55.40765	42.44	48.45
At most 2	0.623110	21.94412	25.32	30.45
At most 3	0.114324	2.428076	12.25	16.26

Trace test indicates 2 cointegrating equation(s) at both 5% and 1% levels
 *(**) denotes rejection of the hypothesis at the 5%(1%) level

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.965875	67.55467	31.46	36.65
At most 1 **	0.812350	33.46353	25.54	30.34
At most 2 *	0.623110	19.51604	18.96	23.65
At most 3	0.114324	2.428076	12.25	16.26

Max-eigenvalue test indicates 3 cointegrating equation(s) at the 5% level

Source: EView Output

Table 2 shows that the variables in the model have a long-term association. At 5% significance, the test shows 2 co-integrating equations. Max-eigenvalue test indicates 3 cointegrating equation(s) at the 5% threshold rejects hypothesis.

Table 3: Over Parameterized ECM for the model

Dependent Variable: LOG(RGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.460852	0.475905	17.77844	0.0000
D(RGDP)	1.69E-05	4.07E-06	4.162152	0.0088
LOG(PPT)	-0.013318	0.005992	-2.222541	0.0769
LOG(PPT(-1))	0.009215	0.006393	1.441392	0.2090
LOG(PPT(-2))	0.015607	0.008161	1.912354	0.1140
LOG(EXCD)	-0.039311	0.029848	-1.317036	0.2450
LOG(EXCD(-1))	0.157130	0.021155	7.427669	0.0007
LOG(EXCD(-2))	0.008595	0.019351	0.444177	0.6755
LOG(IMPDP)	0.024311	0.017475	1.391128	0.2229
LOG(IMPDP(-1))	47.18478	8.024214	5.880300	0.0000
LOG(IMPDP(-2))	-0.028393	0.016823	-1.687763	0.1523
LOG(VAT)	0.007987	0.027551	0.289917	0.7835
LOG(VAT(-1))	0.098548	0.029818	3.304932	0.0214
LOG(VAT(-2))	0.023109	0.023841	0.969294	0.3769
ECM(-1)	0.864016	0.063640	13.57651	0.0000

$R^2 = 0.893938$, F-statistic = 3009.255, Prob(F-statistic) = 0.000000, D.W. = 3.73445

Source: EView Output

From the above over parameterized ECM model it revealed that some of the variables as well as the error correction term are not significant at 5%. Such variables with high probability value are being dropped in the process until the error correction term became significant at 5%. The Parsimonious error correction model regression result is shown below in table 4.

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Table 4: Parsimonious Error Correction Model

Dependent Variable: LOG(RGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.420143	0.212261	39.66877	0.0000
LOG(PPT)	-0.001913	0.012183	-0.157023	0.8776
LOG(PPT(-2))	0.022545	0.009809	2.298362	0.0388
LOG(EXCD)	-0.039378	0.040427	-0.974046	0.3478
LOG(EXCD(-1))	0.151923	0.027602	5.504154	0.0001
LOG(IMPD)	0.005602	0.010499	0.533521	0.6027
LOG(IMPD(-1))	0.002022	0.000740	2.732029	0.0125
LOG(VAT)	0.014638	0.045163	0.324115	0.7510
LOG(VAT(-1))	0.121601	0.046229	2.630398	0.0208
ECM(-1)	-0.771678	0.096174	-8.023769	0.0000

$R^2 = 0.878048$, F-statistic = 738.4139, Prob(F-statistic) = 0.000000, D.W. = 2.160086

Source: EViews Output

Table 4 at first shown that a rise in petroleum profit tax in two preceding years (PPT(-2)) by a unit, results in a significant 0.02 unit rise in Nigeria's real GDP. Secondly, the table have shown a unit rise in excise duty tax in a preceding year (EXCD(-1)) as instituting a significant 0.15 unit rise in Nigeria's real GDP. The result also show that import duties has a positive significant effect on the Nigeria economy as a unit increase in import duties (IMPD(-1)) will bring about 0.002 unit increase in real GDP in the preceding year. Finally, the table showed that a unit rise in value added tax in a preceding year (VAT(-1)) will result in a significant 0.12 unit rise in Nigeria's real GDP. Following these revelations by table 4, this study thus establishes that the variables; PPT, EXCD and VAT does exert positive and significant effects on the Nigerian economy. This suggests therefore that consumption tax promotes the growth of Nigeria's economy. It was in this regard that Onwuchekwa and Aruwa (2004) also found VAT to contribute to total tax income and economic development in Nigeria.

Current year Excise duty tax (EXCD), though found to be negatively impacting on real GDP with a -0.039378 coefficient value, the negative impact is yet found to be insignificant, having attained a prob. value of 0.3478 which is greater than the 5% significance level, i.e., greater than 0.05. The insignificant impact of current year excise duty tax on real GDP is also replicated on the current year value of petroleum profit tax and current year value of value added tax which are also found to be insignificant having respectively attained prob. values of 0.8776 and 0.7510, which are respectively greater than 0.05. Following these findings, this study have thereby established that, except for previous years consumption taxes, all consumption taxes in current year in Nigeria does not possess any significant explanation on the current state of the Nigerian economy. Therefore, current economic happenings in Nigeria cannot be attributably said to be a resultant effect of current changes in any of the consumption taxes in Nigeria, but a resultant effect of previous changes in all consumption taxes in Nigeria. In this regard, any policy change made on consumption taxes in Nigeria with the intent of improving on the real GDP of the country must be made in the disposition that the effect of such changes in consumption taxes will not have an immediate effect on the Nigerian economy, but the economy will only respond to any change on consumption taxes with a lapse of time.

The estimated model can be said to have a good fit having attained an R^2 value of 0.878048, and all the variables can be said to be jointly significant in explaining changes in the dependent variables, real GDP, having attained an F-statistic prob. value of 0.000000. Also, the estimated model proves to be free from the econometric problem of autocorrelation having attained a Durbin-Watson (D.W.) value of 2.160086.

5. CONCLUSION AND RECOMMENDATION

This study examined consumption tax and the Nigerian economy between 1981 and 2021, empirically all the tax variables employed in this study indicates that the Nigerian economy is favourably influenced by consumption taxes. The economy is boosted by changes in PPT, EXCD, IMPD, and VAT significantly not in the current year but by changes in the previous year. The study recommends the followings: government should maintain present excise, import, and petroleum profit tax policies and guarantee their efficient execution to reduce consumer harm; simplify tax administration, enhance compliance, and broaden tax net; and sensitization programmes should educate the public about tax benefits.

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