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Effect of Direct Tax on Income Redistribution in Nigeria: An Empirical Analysis

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ABSTRACT

This study examined the effect of direct tax on income redistribution in Nigeria. The study employed *Ex-Post Facto* research design was adopted. The data were extracted from International financial statistics, World Bank and CBN. Regression analysis was used to test the hypotheses, and the study revealed that petroleum profit tax has a negative significant effect on government expenditure on goods in Nigeria; also company income tax has a negative significant effect on government expenditure on goods in Nigeria. Based on the results of the analysis, the researchers recommended, among other things, that the revenue from the luxury tax be used to finance free education and medical care for poor people as well, to fund research and support poor people in other countries.

Keywords: Direct tax, Petroleum profit tax, Company income tax and income redistribution

Introduction

Income inequality is a global problem that every country, including Nigeria, is trying to address (Madzinova, 2017). Inequality has reached drastic levels in Nigeria, despite being the largest economy in Africa. Nigeria is a growing economy with abundant human resources and the potential to lift millions out of poverty. However, the misuse, misappropriation and misappropriation of these resources have led to poverty (Ugbede, 2020). Household incomes did not grow properly, but continued to hang in a cloud of inequality, especially in developing countries. If all factors remain the same and the coronavirus outbreak continues, inequality will continue to grow and income will be unevenly distributed.

As a result, poverty and unemployment will further increase (Africa, 2020). Income inequality is linked to increased poverty, sharp declines in real incomes, per capita private spending, social services and a decline in overall well-being (The Guardian, 2019). The observed increase in income inequality in emerging economies and the concentration of Nigeria is attributed to several factors, including limited employment prospects that correspond to the concentration of economic opportunities in a few cities, excessive government spending that accounts for the majority of government spending, and about 60 percent of the population living in poverty. Among the world's top politicians, there are only a few who earn up to $65,000 a month. The United Nations has not lost sight of this function, and as such has made it one of its sustainable goals to reduce income inequality, with a constant focus on achieving and maintaining supra-national income growth for the bottom 40 percent of the population, duty minimum wage and adopt approaches, especially monetary, wage and social security approaches to equality (UN, 2019). With income distortions in Africa and Nigeria, and the fight against poverty and inequality, the literature suggests that income redistribution and taxation could beat this course. However, the study of income differences and taxes has grown in the fields of accounting and finance. Chen, Lee and Tsai (2019) argue that rising income inequality around the world is the greatest challenge facing humanity in the 21st century, and interest in the topic has improved significantly since the global recession of 2008-2009. According to Atkinson (2014) and Piketty (2015), long-term improvements in income and wealth inequality in most developed and developing countries and recent public debate have focused largely on the role of taxes in reducing inequality. Cano (2017) argued that taxes are instruments of fiscal policy that are often used when the central idea is to change the distribution of after-tax income. Also, the possibilities to reduce income inequality through taxes depend significantly on the country and the #039 tax situation. As a result, the redistributive effect of income taxes has gradually turned out to be a pressing issue in both developed and developing countries (Omesi and Appah, 2020; Atkinson and Leigh, 2010; Sameti and Rafie, 2010; Iris et al., 2012; Ogbeide and Agu, 2015; Obaretin et al., 2017; Oboh and Eromonsele, 2018).

Redistribution is the use of tax and transfer policies to reduce income inequality; although it does not equalize the rich with the poor, it does raise the consumption capacity of the poor to a more comfortable consumption threshold. Overcoming income inequality requires effective economic policies such as taxation (Lustig, 2017). Edoni, Okafori and Akhigbodemhe (2020) and Ezu and Okoh (2016) taxation helps generate funds that are used to provide social amenities and ensure adequate conditions for general financial well-being, emphasizing the redistributive effect. However, taxes can have a negative impact on the purchasing power of individuals and businesses if not managed effectively (Edo, Okafor, and Justice 2020b, 2020a). However, (Bhartia,

2009) believed that the main reason for imposing a tax is to collect revenue for government use, redistribute revenue and control the economy of the country. However, the main motive behind imposing taxes is to meet government expenditure and redistribute income efficiently, which is reflected in economic growth and national development (Bhartia, 2009; Musgrave and Musgrave, 2004; as cited in Worlu and Emeka, 2012). Taxation as a fiscal instrument could be used to promote the development process of the country and its economic activities, thereby improving the general prosperity and economic well-being of all citizens (Anyaduba, 1999). The framework of taxation offers itself as the most important tool for efficient and effective mobilization of the country's resources and thus creates a favorable situation for economic growth and development (Akintoye and Tashie, 2013). They further emphasized that taxes give the government the means to provide security, social services and create conditions for the financial well-being of the country. On the other hand, Odusola (2006) argued that Nigeria's income is largely derived from primary commodities, arguing that between the 1960s and the mid-1970s, income from agricultural products dominated, while income from other sources did not. The most extreme aspect is that from the oil boom of 1971 to the 77s, oil revenue dominated Nigeria and #039 revenues, increasing from 26.3% in the 70s to about 70% in mid-2014. .

The apparent increase in income inequality is due to a number of reasons, including limited employment opportunities, driven by the high concentration of economic opportunity in some areas, crowding out residents of other cities in terms of employment and living conditions. At the same time, the country's high administrative costs, which annoy many people, have also contributed to the increase in inequality, while almost 60 percent of the country's population lives in poverty, our members of parliament and a minority of them have the highest salaries in the country. world earning up to $118,000 per year (Lustig, 2018). The high administrative costs of managing state affairs are at the expense of infrastructure and related investments. Similarly, rampant corruption and corruption, whether withholding salaries and pensions of civil servants, nepotism or dirtying the hands of policemen, tends to redistribute income from the masses (Ugbede, 2020). Growing income inequality has a negative economic impact, leading to higher poverty rates, rapid declines in real incomes, private sector spending per capita, declines in social services and overall well-being (The Guardian, 2020). Crime is on the rise and the official poverty rate remains high at 46 percent of the population or 62 percent per capita. Graduate unemployment and layoffs are on the rise, a recurring problem due to deteriorating infrastructure and energy shortages in the real economy (Omoniyi, 2017). The atmosphere of insecurity across the national landscape deepens and has created a bad situation and makes the recovery a fantasy, so the government has to deal with these problems and one way is to redistribute resources to areas that need them (The Guardian, 2020)

Various empirical studies of the tax structure and income inequality have shown mixed and mixed results. Studies such as Manukeji (2018), Babatundel et al. (2017), Nasira et al. (2016) showed a positive relationship between tax components and income inequality. On the other hand, studies by Appah and Iweiasi (2023), Obehioye and Adebukola (2022) reported a negative relationship; Stoilova (2017), Akhor and Ekundayo (2016). It remains unclear which explanations and empirical evidence point to the often conflicting results. These mixed results indicate that taxes and income inequality remain ambiguous. This study therefore examines the impact of taxes on income inequality in Nigeria.

However, this study adds to the literature by using a different measure of income redistribution. The GINI coefficient used in previous studies focuses on income inequality and the width of   income inequality rather than showing the distribution of income. Therefore, the study introduces public expenditures for infrastructure goods as a measure of redistribution. The main objective of this study is to empirically examine the relationship between taxation and income inequality in Nigeria from 1980 to 2020. This study therefore, sought to ascertain the effect of direct tax on income redistribution in Nigeria from 1999 to 2023. Specifically, the study tends to;

1 Determine the significant effect of petroleum profit on income redistribution;

2. Ascertain the significant effect of company income tax on income redistribution.

Literature Review

Taxation and Tax

Taxation is an instrument of social development and also a means by which the benefits of development are redistributed (Oladiran, 2009). The historical background of both developed and developing countries shows that taxation is a critical tool in the hands of the government not only to generate revenue, but also to achieve fiscal policy goals, such as influencing the direction of social development. According to the New Internationalist (2008), tax is derived from the Latin word "Taxare" which means "to assess", while Ariwodola (2008) describes taxation as a method by which the state implements decisions to transfer resources from the private sector to. the public sector. . Adejuwon (2009) describes tax as a tax that the government through its agencies is forced to impose on the income, capital and consumption of the people to increase the resources of the government and enhance the delivery of social services. Traditionally, taxes are based on the income of individuals or the profit of an economic unit (Naiyeju, 1996). Ndekwu (1991) also argues that there is now more interest than ever in Nigeria in the collection of various taxes. The demand for government in human affairs is the basis of taxation. It follows the idea that if there is a government in a certain area that controls human affairs, such a government needs resources (human and material) to achieve its goals. The most effective way to obtain such resources is for the people in the area to participate in an agreed upon manner, such payment is called tax (Osemeke, 2010). Tax is a compulsory payment made by the citizens of any country to the government or even to a foreigner under the jurisdiction of the government for housing or property and that payment is for the provision of social services of this society (Appah and Zibaghafa, 2018; Appah, 2019). Omesi and Appah (2020) believe that inequality is a situation where the income levels of individuals are different. Oboh and Eromonsele (2018) pointed out that differences in income are essentially related to the reference point of different people in the income distribution. The relationship between taxes and income differences between countries has been studied for a long time. Hanni et al. (2015) consider that most studies have concluded that taxes have a modest effect on income distribution. According to Goñ et al. (2011), this is due to the neutrality of taxes on the weak

performance of revenue collection. Bird and Zolt (2014) noted that taxes in developing countries have proven to be ineffective in addressing income redistribution. However, due to Nigeria's dependence on oil and gas, Martin and Crookes (2013), Omesi and Appah (2020) noted that there are strong indications of increased income inequality resulting from even higher oil levels and gas production. Rosen and Gayer (2014) noted that taxes can be used to redistribute income, but the extent is controversial.

Manukaji (2018), Ogbonna and Appah (2016) noted that petroleum profit tax is a type of tax imposed on Nigerian companies involved in the extraction and transportation of petroleum products. It specifically refers to rents, royalties, margins and profit sharing elements related to oil extraction, exploration and exploration. This type of tax is imposed to generate revenue for the government and also act as a tool for the government to regulate the number of participants in the oil industry and gain control over the country's finances (Abdul-Rahamoh et al., 2013). It is a means of redistributing wealth between rich and industrialized nations, represented by international organizations that have the technology, know-how and capital to develop industry and poor and emerging nations from which oil reserves are derived. Chigbu and Njoku (2015) argued that this tax is applied to the downstream activities of the petroleum sector and is the most important tax in Nigeria, accounting for 95% of government revenue and 70% of total foreign exchange earnings. The problem with this type of tax is fluctuations in international markets.

It is the unequal distribution of individual income; different households participate in the economy. Income inequality is often expressed as the ratio of income to population. The causes of income differences can vary greatly depending on education, gender, religion and social status. According to Ilaboya and Ohonba (2013), income inequality is addressed through various public policies such as social spending and taxation. Social spending emphasized education, health care and housing. However, how much taxes could close the income inequality gap has long been debated in the developed world. The distribution of money from the richest in society to the poorest in the economy is called income redistribution (Awe and Olawumi, 2012). Income redistribution is described by Obaretin et al. (2017) as "the unequal distribution of individual, household, and firm income among different actors in the economy." Income differences are differences in the income levels of residents (differences in the income levels of citizens). Economic inequality is exacerbated by characteristics such as religion, gender, social status and education (Libabatu, 2014). The government can intervene in income inequality through measures such as taxes and public spending. Among other things, public expenditure includes expenditure on health, housing and education. Another policy measure that can be used to address economic injustice is taxation; however, the extent to which this can be done is still a matter of great debate, not only in developing countries but also in developed countries (Bird and Zolt, 2014). Government spending

Government spending is used to measure income redistribution, a study by Martinez-Vazquez, Vulovic, and Dodson (2014) argues that government policies, especially spending policies, can have a large impact on the profitability of government infrastructure spending.

It is also clear that economic development has a significant impact on the redistribution of income. Contrary to popular belief, specific redistributive measures, such as the provision of public services and goods, are now largely seen as growth-enhancing (Madzinova, 2017). Public spending now clearly affects the quantity and quality of growth and growth in turn leads to redistribution of income. Not only has that, but the existing distribution of income determined the content of growth of public initiative. Actual studies of the direct relationship between public expenditure and income distribution focus on the impact of specific public expenditure on specific income groups rather than on total income distribution (MartinezVazquez, 2008). Direct Taxes and Income Redistribution Between 1972 and 2005, Martinez-Vazquez, Vulovic, and Liu (2014) examined the effects of direct and indirect taxes on income inequality in 116 industrialized, developing, and transition countries. A two-stage least squares method was used to evaluate the data to test some variables for possible reverse causality. According to the results, the effect of the tax ratio on income inequality depends on the size of the tax system. Income differences narrowed in countries with limited tax frameworks. In countries with a more complex tax structure, however, the effect was negative. The tax mix has a negative effect on the Gini coefficient overall, reducing income differences in countries with a higher total tax-to-GDP ratio (0.29). In the sub-sample of developed countries, the tax mix did not have a statistically significant effect on income differences. They said the findings are consistent with previous evidence showing that taxation has little effect on the distribution of income in rich countries.

Empirical studies

Appah and Iweias (2023) determined the relationship between taxes and income inequality in Nigeria from 1980 to 2020. The study adopted ex post facto and correlational research design. The population of the study consisted of taxes and gini coefficient in Nigeria from 1980 to 2020. The secondary data were sourced from Federal Inland Revenue Service (FIRS), Central Bank of Nigeria (CBN), and National Bureau of Statistics (NBS) of various publications ranging from 1980 to 2020. The study used univariate, bivariate and multivariate analysis. The results revealed a positive and insignificant relationship between personal income tax company's income tax (CIT), petroleum profit tax (PPT), capital gain tax (CGT), value added tax (VAT), custom excise duties (CED) and Gini coefficient for the period under study, while strong positive relationship when literacy rate moderate tax structure, and weak positive and insignificant relationship. Obehioye and Adebukola (2022) examined the effect of direct tax as a tool for income redistribution in Nigeria. The research design employed in the study is the longitudinal design. The population and sample of this study focused mainly on direct taxes which include; education tax (ED), company's income tax (CIT), personal income tax (PIT) and petroleum profit tax (PPT), that are domicile in Nigeria. The time frame spanned 1990-2020. Data was sourced from world statistics, central bank statistical bulletin and federal Inland Revenue service. The data for the study was analyzed using the error correction model. Education tax and company income tax had no significant impact in redistributing income, according to the results of the inferential statistic utilized; however petroleum profit tax and personal income tax had a large impact on income redistribution. Furthermore, PIT had a beneficial influence on income redistribution, but petroleum profit tax had a negative effect. Okoh, Edo, Akhigbodemhe And Edeoghon (2021) investigated the impact of direct taxes on income redistribution in the context of Nigeria, using company income tax, personal income tax, petroleum profit tax and education tax as direct tax variables. Methodology –The study covered the period 1990 to 2019 using annualized data set from Federal Inland Revenue Service (FIRS) and Central Bank of Nigeria Statistical Bulletin. The study employed the Fully Modified

Least Squares (FMOLS) to analyze the data. The empirical results of the study revealed that, company income tax and education tax had insignificant negative effects on income redistribution, while personal income tax and petroleum profit tax had significant positive effects on income redistribution, thus reducing income inequality in the context of Nigeria. Anyaduba and Otulugbu (2019) examined the impact of taxes on income inequality (GINI), explicitly; they determined the effect of Value Added Tax (VAT), Custom and Excise Duties (CED), Petroleum Profit Tax (PPT) and Company Income Tax (CIT) on GINI in Nigeria from the year 1990 to 2016. The Cointegration and Error Correction Models (ECMs) were utilized to examine the variables. Augumented Dickey Fuller unit root was utilized to test for stationarity. They found that VAT, CED and PPT had positive relationship with GINI when estimated at 5% critical level, however VAT and CED were not significant. CIT fundamentally affected GINI. In light of the discoveries, they infer that CIT alone was largely responsible for inequality. Kaisa, Mika and Jukka (2019) examined the effect of tax on revenue and inequality. The fixed effects ordinary least square technique was employed to analyze the data derived from multiple countries in Africa and America. The study used high-quality macro data, and fixed country effect approach combined with instrumental variables. The results of the study showed that tax adoption has not automatically contributed to increased inequality on average. The study fund relatively clear proof, however, that where inequality is measured on the basis of disposable income, countries with taxes have experienced rises in inequality, while in countries where inequality is measured on the basis of consumption; inequality has not increased following tax adoption. Osasu, Sadiq and Osahon (2017) focused on taxation as a tool for effective income re-distribution in Nigeria. To achieve this data for the study were gathered from secondary source which include the Office of the Federal Inland Revenue Service and the World Bank Data Bank for the relevant years 1981 to 2014 (34 years) and this period is consider long enough to eliminate any effect of short run fluctuation on the dynamic on taxation and income redistribution in Nigeria. However, the ordinary least square statistical tool was used in analyzing the time series data gathered. From the analyses the paper concluded that all tax variants do not exert significant impact on income disparity as observed by GINI at 5% level. The result suggests the taxation as not be able to fulfill its role as a standard tool of income re-distribution in Nigeria. Claus, Martinez-Vazquez, and Vulovic, (2012) examined the role of taxation and government expenditures on a combination of companies and personal income are progressive over time and are effective as a tool for income redistribution. Rodrigo and Ivanna, (2010) examined equity and fiscal policy, focusing on the distributional impact of taxes and social spending of Central America countries and the study revealed that the income distributional effect of taxes are regressive but in an insignificant manner. Chu, Davoodi and Gupta, (2000) examined income distribution, tax and government social spending policies in developing nations, between 1980 to 1990 (20 years), the study revealed that unlike industrialized nations, developing nations have not been able to use taxation and transfer policy to adequately cut down on the issue of income disparity. With strong emphasis that tax proportion and urbanization were factors statistically relevant and the level of relevance was found to be robust. James and Robert (2007) studied the effect of the structure tax on economic growth and income disparity; data were gathered from 65 countries over a period of 1970 to 2006. The study applied the Ordinary Least Square, random effect and fixed effect estimations. The study reveals that statutory corporate income tax rates are negatively correlated with income disparity after taking into consideration other determinants of economic growth and income re-distribution.

Methodology

This study utilized *Ex-Post Facto* research design. The choice of the design is based on the idea that the method provides discovery on trends and pattern of change. The study employed time series data covering a period 1999 to 2022.

Data were extracted from International financial statistics, World Bank and CBN). The data collected includes; government expenditure on goods as the dependent variable (income redistribution), while petroleum profit tax, and company income tax represent the independent variables.

This study adopted the model of Obaretin et al., (2017), whose model this study adopts. The model of Obaretin et al., (2017) is stated below:

$GINI_t = \beta_0 + \beta_1 TIT_t + \beta_2 TDT_t + \beta_3 OPN_t + \beta_4 FDI_t + \beta_5 INF_t + \varepsilon_t$ - - - 1

TIT = Total indirect tax revenue,

TDT= Total direct tax revenue,

FDI = Foreign direct investment,

OPN= Economic openness,

INF= Inflation rate,

GINI= Gini coefficient

The model for this study stated in its econometric form is given below:

Where:

INRD= Income redistribution (proxied by government expenditures on infrastructural goods),

PPT = Petroleum profit tax,

CIT = Companies income tax,

t= Time frame,

$\alpha_1 \dots \alpha_2$ = unknown coefficients

Method of Data Analysis

Descriptive statistics employed to summarily describe the mean, median, standard deviation, kurtosis and skewness of the study variables. Inferential statistics will also be utilized with the aid of E-Views 9 using:

Decision rule

Accept the null hypothesis if the P Value is greater than 0.05 and then the alternate hypothesis will be rejected.

Data Analysis

Table 1: Descriptive Statistics

	GEG	PPT	CIT
Mean	84.49842	3174.059	15286.98
Median	85.74250	3292.485	853.6300
Maximum	90.00100	5404.770	347810.1
Minimum	67.00500	164.3000	40.32000
Std. Dev.	5.038804	1442.577	70829.57
Skewness	-1.768082	-0.256153	4.586799
Kurtosis	7.022939	2.082947	22.04045
Jarque-Bera	28.68849	1.103442	446.6935
Probability	0.000001	0.575958	0.000000
Sum	2027.962	76177.41	366887.5
Sum Sq. Dev.	583.9595	47863660	1.15E+11
Observations	24	24	24

Source: E-View output, 2023

Interpretation of Descriptive Statistics

The descriptive statistics in table 1 revealed that the government expenditure on goods (GEG) is 84.50; the maximum value of 290.00 with a minimum value of 67.00 with a standard deviation of 5.04. The average petroleum profit tax (PPT) is 3174.06; standard deviation value of 1442.58; a maximum observation of 5404.58 and a minimum value of 164.30. The mean value of company income tax (CIT) stood at 15286.98, a standard deviation of 70829.57; maximum observation of 347810.10 with a minimum value of 40.32. Skewness is the measure of how much the probability distribution of a random variable deviates from the normal distribution. Table 1 delineates that the probability distribution for GEG (0.000); PPT (0.576); and CIT (0.000) are negative skewed distribution.

Test of Hypotheses

Dependent Variable: GEG
Method: Least Squares
Date: 12/22/23   Time: 08:59
Sample: 1999 2022
Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	90.14905	2.292876	39.31702	0.0000
PPT	-0.001657	0.000650	-2.550175	0.0186
CIT	-2.55E-05	1.32E-05	-1.929464	0.0673

R-squared	0.294930	Mean dependent var	84.49842
Adjusted R-squared	0.227780	S.D. dependent var	5.038804
S.E. of regression	4.427901	Akaike info criterion	5.930197
Sum squared resid	411.7325	Schwarz criterion	6.077454
Log likelihood	-68.16237	Hannan-Quinn criter.	5.969264
F-statistic	4.392131	Durbin-Watson stat	0.895634
Prob(F-statistic)	0.025494		

Source: E-Views 9.0 Correlation Output, 2023

Interpretation of Regression Result

In Table 2, R-squared and adjusted Squared values were (0.29) and (0.23) respectively. This indicates that all the independent variables jointly explain about 23% of the systematic variations over the twenty four years periods (1999-2022). Table 2 revealed an adjusted R^2 value of 0.23, which represents the coefficient of multiple determinations imply that 94% of the total variation in the dependent variable (GEG) in Nigeria is jointly explained by the explanatory variables (PPT and CIT). The adjusted R^2 of 23% did not constitute a problem to the study because the F- statistics value of 4.392 with an associated Prob.>F = 0.025 indicates that the model is fit to explain the relationship expressed in the study model and further suggests that the explanatory variables are properly selected, combined and used.

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 2, it is observed that DW statistics is 0.896 and an Akika Info Criterion and Schwarz Criterion which are 5.930 and 6.077 respectively also further confirms that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Hypothesis One

Ho_1: Petroleum profit tax has no significant effect on government expenditure on goods in Nigeria

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Table 2 indicates that petroleum profit tax has a negative significant effect on government expenditure on goods in Nigeria. This can be observed from the beta coefficient (β_1) of -0.002 with p value of 0.02 which is highly statistically significant at 5% level of significance.

Decision

Since the P-value of the test was 0.000 less than 0.05 (5%)., this study upholds that petroleum profit tax has a negative significant effect on government expenditure on goods in Nigeria.

Hypothesis Two

Ho_2: Company income tax has no significant effect on government expenditure on goods in Nigeria.

H_2: Company income tax has no significant effect on government expenditure on goods in Nigeria.

Table 2 indicates that company income tax has a negative significant effect on government expenditure on goods in Nigeria. This can be observed from the beta coefficient (β_1) of -2.55E with p value of 0.06 which is highly statistically significant at 5% level of significance.

Decision

Since the P-value of the test was 0.000 less than 0.05 (5%)., this study upholds that company income tax has a negative significant effect on government expenditure on goods in Nigeria.

Discussion and Conclusion

This study examined the effect of direct tax on income redistribution in Nigeria. The study employed *Ex-Post Facto* research design was adopted. The data were extracted from International financial statistics, World Bank and CBN. Regression analysis was used to test the hypotheses, and the study revealed that petroleum profit tax has a negative significant effect on government expenditure on goods in Nigeria, as well; the company income tax has a negative significant effect on government expenditure on goods in Nigeria. This results are in agreement with Appah and Iweias (2023); Obehioye and Adebukola (2022) who found that petroleum profit tax and company income tax have significant effect on income redistribution in Nigeria, whereas the study of Okoh, Edo, Akhigbodemhe And Edeoghon (2021); Kaisa, Mika and Jukka (2019) disagreed with the findings. In conclusion, direct taxes partially affect income redistribution in Nigeria.

Based on the results of the analysis, the researchers recommended the following:

1. Luxury tax revenues should be used to fund free education and medical care for poor people. Education taxes should be used to fund research and support poor people in other countries.

2. Taxation in the informal sector in Nigeria is rife with corruption and inefficiency. Therefore, the tax ratio was found to increase inequality. That is why it is important to implement corporate income tax in Nigeria.

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