



Tax Revenue and Gross Fixed Capital Formation of Nigeria

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ABSTRACT

This study examined the relationship between Tax Revenue and Gross Fixed Capital Formation with a focus on Nigeria. The specific objectives were to determine; the relationship between companies' income tax, petroleum profit tax, value added tax and gross fixed capital formation of Nigeria from 2005-2021. This study employed the use of time series data and Ex-post facto research design was adopted. Secondary data were sourced from Central Bank of Nigeria (CBN), Statistical Bulletin, Federal Inland Revenue Service (FIRS), World Bank Statistical Bulletin and Annual Abstract of Statistics from the National Bureau of Statistics (NBS). Descriptive statistics were utilised to describe the mean, median, standard deviation, skewness, maximum and minimum of the study variables while Inferential statistics of the hypotheses were carried out with the aid of E-views 10 statistical software using Augmented Dickey Fuller (ADF) test, Pearson Co-efficient of Correlation and Ordinary Least Square (OLS) regression analysis. The study found that there is a significant and positive relationship between companies' income tax and gross fixed capital formation ($\beta_1 = 10.87931$; $p\text{-value} = 0.0000 < 0.05$); there is a significant and positive relationship between petroleum profit tax and gross fixed capital formation ($\beta_2 = 0.815051$; $p\text{-value} = 0.0263 < 0.05$); there is a significant and positive relationship between value added tax and gross fixed capital formation ($\beta_3 = 0.712345$; $p\text{-value} = 0.0070 < 0.05$) in Nigeria at 5% level of significance. Conclusively, the study holds that tax revenue positively relates with gross fixed capital formation of Nigeria. It was recommended inter alia that there is need for application of information technology which is seen as the hallmark of the 21st century in all tax offices in Nigeria thereby making it possible for tax payers and tax authorities to declare uniform and consistent claims to avoid tax evasion in the country

Keywords: Companies' Income Tax, Petroleum Profit Tax, Value Added Tax, Gross Fixed Capital Formation

Introduction

Taxation is the primary source of government revenue. Revenue may be extracted from sources such as individuals, public enterprises, trade, royalties on natural resources and/or foreign aid. Tax revenues are main revenue channels to government. Government use tax proceeds to discharge their functions such as the provision of public goods, maintenance of law and order, defense against internal and external aggression, regulation of trade and business to ensure social and economic maintenance, and also fiscal instrument geared towards stability of the economy. Taxes are levied on individuals, groups, corporate entities and other institutions chargeable to tax, and play a vital role in economic planning and development of nations via investment. Investment is the engine of economic growth in many economies, especially in developing economies like Nigeria (Ezechukwu, Amahalu & Okudo, 2022). Corporate Taxes are a crucial factor when deciding to invest. However, the inflow of investment is attracted not only by tax factors but also by a number of other factors such as macroeconomic stability, legal and regulatory framework to support well structured, skilled labor and a flexible labor market, the available natural resources, financing, degree of openness, the growth of the market size, purchase power of local markets; institutional factors, commerce and location (Amahalu, Obi, Okudo & Okafor, 2022). The inflow of Investment brings several benefits in particular by way of economic growth, infrastructure, human resources, technological development, and employment generation, economic and social well-being of the people in the country. The major challenge of national governments worldwide is to perpetually increase the welfare of the citizenry through the implementation of appropriate economic policies and programs by direct participation in domestic and global economic activities. Governments attempt to achieve this national objective by providing public goods, such as roads, bridges, dams, ports and public services such as education, security, health, sanitation that form economic and social infrastructure. The adequacy of such infrastructure is a foundation for a country's economic growth and development.

Ideally, all public expenditures should contribute to the creation and fostering of an enabling domestic economic environment for local and foreign investments; boost both internal and external trade; attract tourists and other foreign visitors; increase agricultural productivity; and encourage craftsmanship and small scale industrial production. All these economic activities generate gainful employment and accelerate

economic growth and development in the short, medium and long terms (Amahalu, Ezenwaka, Obi & Okudo, 2022). Gross fixed capital formation a major contributor to overall investments is the leading source of business cycle volatility, employment generation and economic growth (Dim, Okafor, Eneh & Amahalu, 2022).

Corporate taxation is of great concern in investors' decisions and hence in economic growth and employment. Complex and excessive taxation deters foreign investors, drives out domestic investors, curbs entrepreneurship, and results in deadweight losses due to tax compliance and tax avoidance costs.

Several studies have been done on the link between tax revenue and economic growth. The studies generated mixed result on whether tax revenue has a link with economic growth. The first strand of literature found a positive relationship between tax revenue and economic growth (for instance, Garga, 2022; Okonkwo, Amahalu & Obi, 2022). The second strand of literature found a negative relationship between tax revenue and economic growth (Orisadare and Fasoye, 2022; Adekanmbi, Shallie & Olaniyi, 2022). Yet some other studies found no relationship between tax revenue and economic growth (Odu, 2022; Ashiedu, Okafor, Amahalu & Obi, 2022). The inconsistencies in the findings of these studies created a gap in knowledge which this study sought to close. It is to this end, that this study seeks to examine the relationship between tax revenue and gross fixed capital formation in Nigeria.

Objectives of the Study

The main objective of this study is to ascertain the relationship between Tax Revenue and Gross Fixed Capital Formation in Nigeria. The specific objectives are to:

- i. Examine the relationship between Companies' Income Tax and Gross Fixed Capital Formation in Nigeria.
- ii. Ascertain the relationship between Petroleum Profit Tax and Gross Fixed Capital Formation in Nigeria.
- iii. Evaluate the relationship between Value Added Tax and Gross Fixed Capital Formation in Nigeria.

Research Hypotheses

The following hypotheses were tested at 5% level of significance in this study:

H₀₁: There is no significant relationship between Companies' Income Tax and Gross Fixed Capital Formation in Nigeria.

H₀₂: There is no significant relationship between Petroleum Profit Tax and Gross Fixed Capital Formation in Nigeria.

H₀₃: There is no significant relationship between Value Added Tax and Gross Fixed Capital Formation in Nigeria.

Conceptual Review

Tax Revenue

Tax revenue is the total amount of money that the government receives from taxation. Tax revenue is defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes (Boyle, 2022). Tax revenue is the result of the application of a tax rate to a tax base. Total tax revenue as a percentage of GDP indicates the share of the country's output collected by the government through taxes. Tax revenue can be regarded as one measure of the degree to which the government controls the economy's resources (Bennee, Okoye & Amahalu, 2021). Taxes collected from both direct tax and indirect tax are the government's tax revenue. It includes collections from income tax, corporation tax, customs, wealth tax, tax on land revenue, and many more.

Companies' Income Tax

The Company Income Tax Act (CITA) is the principal law that regulates the taxation of companies in Nigeria. The tax regime in Nigeria is a multi-level tax system, which simply means that taxation is administered by the three tiers of government. The Federal Inland Revenue Service (FIRS) administers or oversee the income tax for companies (Okonkwo, Amahalu & Obi, 2022). Companies Income Tax (CIT) is a tax on the profits of registered companies in Nigeria. It also includes the tax on the profits of foreign companies carrying on any business in Nigeria. Companies Income Tax (CIT) is tax on the profits of incorporated entities in Nigeria. It also includes the tax on the profits of non-resident companies carrying on business in Nigeria. The tax is paid by limited liability companies inclusive of the public limited liability companies. It is therefore commonly referred to as corporate tax. CIT was created by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and collected by the Federal Inland Revenue Service ('FIRS' or 'the Service').

Petroleum Profit Tax

Petroleum Profit Tax (PPT) is a direct tax, levied annually (for each accounting period of 12 months duration) on net profit of a petroleum

taxpayer, who is carrying out the business of petroleum exploration and production. PPT is a tax on the income of companies engaged in upstream petroleum operations *in lieu* of CIT.

The PPT rates vary as follows: (Pwc, 2022)

- 50% for petroleum operations under production sharing contracts (PSC) with the Nigerian National Petroleum Corporation (NNPC).
- 65.75% for non-PSC operations, including joint ventures (JVs), in the first five years during which the company has not fully amortised all pre-production capitalised expenditure.
- 85% for non-PSC operations after the first five years.
- upstream gas profits are taxed at 30%.

Following the enactment of the Petroleum Industry Act 2021, holders of a Petroleum Prospecting Licence and Petroleum Mining Lease will be subject to both Companies Income Tax (CIT) at 30%, and Hydrocarbon Tax (HCT). HCT rates are as follows:

- Converted/renewed Onshore and Shallow Offshore (PML)- 30%; or
- Onshore and Shallow Onshore (Prospecting Petroleum Licence & Marginal Fields) - 15%
- Deep offshore are exempt from HCT

This means that the highest headline tax rate for companies in the upstream oil and gas industry will be 60%.

Current Oil Mining Licence and Oil Prospecting Licence holders will continue to be taxed in line with the Petroleum Profits Tax Act (PPTA) unless a conversion contract is executed in line with the provisions of the Petroleum Industry Act 2021.

Section 8 of Petroleum Industry Act levies upon the profits of each accounting period of any company engaged in petroleum operations during that period, a tax to be charged at the prescribed rate. It is important to note that not all petroleum operation is taxed under *Petroleum Profit Tax Act (PPTA) LFN 2004*

Value Added Tax (VAT)

VAT is a consumption tax paid on all goods and services provided in or imported into Nigeria. VAT, which is currently charged at the rate of 7.5% is payable by individuals, companies, and government agencies. Certain goods and services including medical and pharmaceutical products, medical services basic food items, books and educational materials, exports and others are exempt from VAT (Barnier, 2022; Aruna, Oshiole & Amahalu, 2020). A value-added tax (VAT) is a consumption tax that is levied on a product repeatedly at every point of sale at which value has been added. That is, the tax is added when a raw materials producer sells a product to a factory, when the factory sells the finished product to a wholesaler, when the wholesaler sells it on to a retailer, and, finally, when the retailer sells it to the consumer who will use it. Ultimately, the retail consumer pays the VAT. The buyer in each earlier stage of the product's production is reimbursed for the VAT by the subsequent buyer in the chain (Jackson, 2022).

Gross Fixed Capital Formation

Gross fixed capital formation (GFCF) is defined as the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals. The relevant assets relate to assets that are intended for use in the production of other goods and services for a period of more than a year. The term "produced assets" means that only those assets that come into existence as a result of a production process are included. It therefore does not include, for example, the purchase of land and natural resources (Rosdiana, 2022). Gross fixed capital formation (GFCF) comprises fixed asset acquisitions minus disposals by resident producers. Fixed assets are tangible or intangible assets from production processes that are used repeatedly and continuously in other production processes for at least one year (Meyer & Sanusi, 2019). GFCF measures the value of acquisitions of new or existing fixed assets by the business sector, governments and households (excluding their unincorporated enterprises) less disposals of fixed assets.

Companies' Income Tax and Gross Fixed Capital Formation

It is presumed that since taxes lower the expected returns they will lower investment expenditures (Okeke, Mbonu & Amahalu, 2018a). Abille, Mpuure, Wuni and Dadzie (2020) opined that the principal corporate income tax measure is the effective tax rate that company pays if it complies with its country's laws, defined as the actual corporate income tax owed by the company relative to pre-tax profits. According to Ibrahim, Garba, Muhammad, Kakanda and Shehu (2022) high tax rates depress the rate of investment, or slow down the growth in the capital stock through high corporate income and individual income tax rates, high capital income tax rates, high payroll tax rates and high tax rates on production. Okeke, Mbonu & Amahalu, (2018a) asserted that taxation is negatively related to the level of investment and the output of goods and services (GDP).

Petroleum Profit Tax and Gross Fixed Capital Formation

The petroleum industry is very strategic in the Nigerian economy as the nation's major provider of foreign income and plays a major role in facilitating the economic development of Nigeria. The petroleum industry in Nigeria has been playing vital and dominant role to the economic growth of Nigeria. Petroleum is the predominant source of revenue to Nigeria, accounting for over 90 percent of the total revenue of the country. Petroleum has both direct and indirect effects on the overall level of economic activities, but its impact is felt more in the urban sector where petroleum revenue has been used to stimulate the economic development of the nation. The impact of petroleum on the economy of Nigeria is felt

specifically, through direct contributions to the national income and output, the generation of employment and manpower development, the creation of backward and forward linkage effects and other indirect benefits to the economy (Okoye, Amahalu, Obi & Iliemna, 2019).

Value Added Tax and Gross Fixed Capital Formation

Value-added tax is a consumption tax that has been embraced by so many countries all over the world. Because it is a consumption tax, it is relatively difficult to evade and easy to administer. The relevance of tax revenues is a core motive for suggesting that emerging economies such as Nigeria must increasingly mobilize their internal resources to enhance economic growth and reduce fiscal deficits through the implementation of an effective tax policy. However, VAT has become the primary source of revenue to a lot of countries that are still developing. Okeke, Mbonu & Amahalu, (2018b) discover that VAT is efficient cost of raising revenue and hence higher revenue. Similarly, Egbuhuzor and Adokiye (2021) opine that value-added tax is related to a higher ratio of Government tax revenue and boost revenue efficiently. Conversely, Jewel (2022) found a negative association between VAT and GDP.

Theoretical Framework

Modernisation Theory

Modernization theory originated from the ideas of German sociologist Max Weber (1864–1920), which provided the basis for the modernization paradigm developed by Harvard sociologist Talcott Parsons (1902–1979). Modernization is a process that involves industrialization, urbanization, rationalization, bureaucracy, mass consumption, the adoption of democracy. Modernization theory is a theory used to explain the process of modernization that a nation goes through as it transitions from a traditional society to a modern one. Modernization theory is used to explain the process of modernization within societies. Modernization refers to a model of a progressive transition from a 'pre-modern' or 'traditional' to a 'modern' society. The theory looks at the internal factors of a country while assuming that with assistance, "traditional" countries can be brought to development in the same manner more developed countries have been.

Empirical Review

Okeke, Mbonu and Amahalu (2018) ascertained the relationship between tax revenue and economic development in Nigeria during the period 1994 -2016. Data were obtained from the Central Bank of Nigeria, Office of the Federal Inland Revenue Service and Annual Abstract of statistics of the National Bureau of Statistics. The study was based on time series data. The Augmented Dickey Fuller test, Multiple linear regression, Multicollinearity test, Granger Causality test, Johansen cointegration test and Error correction model were employed in the analysis of the data. The findings of this study showed that tax revenue has a statistically significant relationship with infant mortality, labour force and gross fixed capital formation in Nigeria at 5% level of significance respectively. On the basis of the findings, it was recommended among others that since tax revenue has been proven to contribute to economic development in Nigeria, Government needs to increase its allocation to the priority sectors of the economy such as agriculture and industry in order improve on the welfare of the citizenry

Adekanmbi, Shallie and Olaniyi (2022) investigated the impact of tax components in achieving sustainable growth in Nigeria using time series data from 1987-2019 using the ARDL bound testing approach to cointegration to ascertain the long run and the speed of adjustment (Short run) in analyzing the relationship. The result revealed that Petroleum Profit Tax, Company Tax, Value Added Tax and Personal Income Tax have a positive short-run relationship with economic growth (GDP) while Custom and Excise Duties and Personal Income Tax exhibited a negative relationship in the short and long run.

Orisadare and Fasoye (2022) examined the effect of VAT on economic growth in Nigeria between 1994 and 2020 using consumer price index (CPI) as a threshold. A technique of Threshold Vector Autoregressive (TVAR) was employed and the results revealed that a VAT above the 10 percent threshold value endangers the economy while a VAT below the 7.59 percent threshold value does not harm the economy; rather, it improves people's well-being.

METHODOLOGY

Research Design

This study employed *Ex-post facto* research design. The population of this study comprised of the thirty-six (36) states of the Federal Republic of Nigeria including the Federal Capital Territory, Abuja. Time series data were obtained from the publications of Federal Inland Revenue Service (FIRS) bulletin of various years, Central Bank of Nigeria (CBN) publications, like Statistical Bulletin various years, Annual Reports for various years; National Bureau of Statistics (NBS) and the World Bank Publications for seventeen years (2005-2021) period.

Model Specification

In the determination of the relationship between Tax Revenue and Gross Fixed Capital Formation, this study adapted and modified the model of Okeke, Mbonu and Amahalu (2018):

$$PCI = \alpha + \beta_1 CED + \beta_2 VAT + \beta_3 PPT + \xi$$

Where:

PCI = Per Capita Income

CED = Custom and Excise Duties

VAT = Value Added Tax

PPT = Petroleum Profit Tax

α = Intercept

Thus, this study specified a functional relationship between tax revenue and gross fixed capital formation:

$$\text{Gross Fixed Capital Formation} = f(\text{tax revenue}) + \mu$$

Representing the equations with the variables of the construct, hence the models below was formulated based on the stated hypotheses:

$$GFCF_t = \beta_0 + \beta_1 CIT_t + \beta_2 PPT_t + \beta_3 VAT_t + \mu_t \quad \text{equ (i)}$$

Where:

$GFCF_t$ = Gross Fixed Capital Formation for period t

CIT_t = Companies Income Tax for period t

PPT_t = Petroleum Profit Tax for period t

VAT_t = Value Added Tax for period t

μ_t = Error term for period t

β_0 = Constant term

$\beta_1 - \beta_3$ = Coefficients of Tax Revenue

t denotes the annual time-period

Operationalisation of Model Variables

Independent Variables

Tax revenue serves as the independent variable of the study, which was proxied with:

- i. Company Income Tax: was sourced from Federal Inland Revenue Service (FIRS) statistical bulletin (various issues).
- ii. Petroleum Profit Tax: was sourced from Federal Inland Revenue Service (FIRS) statistical bulletin (various issues).
- iii. Value Added Tax: was sourced from Federal Inland Revenue Service (FIRS) statistical bulletin (various issues).

Dependent Variables

The dependent variable is Gross Fixed Capital Formation, which is measured using:

- i. Gross Fixed Capital Formation: obtained from Central Bank of Nigeria Statistical Bulletin, National Bureau of Statistics; World Bank Development Indicator; Organisation for Economic Co-operation and Development statistics (several issues).

DATA PRESENTATION AND ANALYSIS

Test of Reliability

The stationary status of the variables was investigated by the Augmented Dickey Fuller (ADF) unit root test to guard against spurious regression results. With the help of the program E-views 10 and the Augmented Dickey Fuller (ADF) test the stationarity of the data was checked. The results are shown in table 1 while the ADF unit root graphs are presented in appendix B.

Table 1: ADF (Augmented Dickey Fuller) Unit Root Test Result

Variables	Test Statistic	Test Critical Values			Status	Prob.
		1% level	5% level	10% level		
	ADF				Stationary	
CIT	-3.581278	-3.200056	-3.175352	-2.728985	1(1)	0.0264
GFCF	-3.915489	-3.311990	-3.144920	-2.713751	1(1)	0.0140
PPT	-5.885096	-4.004425	-3.098896	-2.690439	1(1)	0.0004
VAT	-3.751096	-3.586714	-3.052169	-2.666593	1(1)	0.0131

Source: E-Views 10 output file, 2023

Interpretation

In order to ascertain the stationary state of the time series variables, this study employed the unit root test. This is imperative since we are ignorant of the data generating process. The Augmented Dickey-Fuller test was employed and the results were shown in tables 1. The results of the unit root test using Augmented Dickey-Fuller at 1 percent level shows that all the time series variables are non-stationary at level 1, but became stationary only after first differencing, hence the variables have an order of integration of one. This conclusion is based on comparison of the augmented Dickey fuller statistics and the critical values provided by MacKinon (1996). Hence, this permit us to carry out the regression test.

Table 2: Pearson Correlation Matrix

	GFCF	CIT	PPT	VAT
GFCF	1.0000			
CIT	0.6503	1.0000		
PIT	0.2850	0.5132	1.0000	
VAT	0.7043	0.7657	0.6392	1.0000

Source: E-Views 10 Correlation Output, 2023

The Pearson correlation matrix result in table 2 shows that CIT, PPT and VAT have a positive correlation with GFCF as evidenced by their positive coefficient values of 0.6503, 0.2850, 0.7043 and 0.6915 respectively.

Test of Hypotheses

Table 3: Ordinary Least Square regression analysis testing the effect of Tax Revenue Indices on Gross Fixed Capital Formation

Dependent Variable: DGFCF

Method: Least Squares

Date: 02/13/23 Time: 14:48

Sample (adjusted): 2006 2010

Included observations: 5 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.615348	0.048573	12.66856	0.0000
DCIT	10.87931	1.002125	10.85624	0.0000
DPPT	0.815051	0.325350	2.505156	0.0263
DVAT	0.712345	0.225905	3.153289	0.0070
R-squared	0.981452	Mean dependent var		0.040496
Adjusted R-squared	0.925809	S.D. dependent var		0.043865
S.E. of regression	0.011948	Akaike info criterion		-6.025939
Sum squared resid	0.000143	Schwarz criterion		-6.338388
Log likelihood	19.06485	Hannan-Quinn criter.		-6.864523
F-statistic	109.5453	Durbin-Watson stat		1.998720
Prob(F-statistic)	0.000000			

Source: E-Views 10.0 Regression Output, 2023

Interpretation of Regressed Result

The regressed coefficient correlation result in table 3 shows the existence of a positive relationship between DCIT ($\beta_1=10.87931$), DPPT ($\beta_2=0.815051$), DVAT ($\beta_3=0.712345$) and DGFCF. The probability values of the slope coefficients show that $P(x_1=0.0000; x_2=0.0263; x_3=0.0070)$. This implies that CIT, PPT and VAT have a positive and statistically significant relationship with GFCF at 5% level of significant. Furthermore, the adjusted R- squared which is the coefficient of determination shows the magnitude of variations caused on GFCF by the explanatory variables to be about 0.925809. This indicates that about 92.58% variation in GFCF is attributed to the influence of the explanatory variables (CIT, PPT and VAT) while the remaining 7.42% is caused by other explanatory factors outside this model and this is captured by the error term. The Durbin-Watson value of 1.998720 indicates the absence of serial correlation in the model, since the value of 1.998720 is less than 2.0

approximately. The value of Prob(F-statistic) at 0.000000 indicates that the overall regression model is statistically significant and is useful for prediction purposes at 5% significance level.

Model Specification:

$$DGFCF = 0.615348 + 10.87931DCIT + 0.815051DPPT + 0.712345DVAT$$

The model shows that for there to be one unit increase in GFCF, there will be 10.87931 units increase in CIT; 0.815051 units increase in PPT and 0.712345 units increase in VAT.

Decision

The P-value of the test (Prob > F = 0.000000) is less than 0.05. In view of the rule of thumb, H_1 will be accepted and H_0 rejected. Then there exists enough evidence to reject the null hypothesis and conclude that tax revenue has a positive and statistically significant effect on gross fixed capital formation in Nigeria at 5% significant level.

FINDINGS, CONCLUSION AND RECOMMENDATIONS

Findings

Based on the analysis of this study, the following findings were deduced:

- i. There is a significant and positive relationship between companies' income tax and gross fixed capital formation in Nigeria at 5% level of significance ($\beta_1 = 10.87931$; p-value = $0.0000 < 0.05$).
- ii. There is a significant and positive relationship between petroleum profit tax and gross fixed capital formation in Nigeria at 5% level of significance ($\beta_2 = 0.815051$; p-value = $0.0263 < 0.05$).
- iii. There is a significant and positive relationship between value added tax and gross fixed capital formation in Nigeria at 5% level of significance ($\beta_3 = 0.712345$; p-value = $0.0070 < 0.05$).

Conclusion

This study examined the relationship between Tax Revenue and Gross Fixed Capital Formation in Nigeria for seventeen (17) years period ranging from 2005-2021. In order to avoid spurious estimates, the unit roots of the series were verified using Augmented Dickey-Fuller (ADF) technique. Data analysis revealed that there is a significant and positive relationship between companies' income tax and gross fixed capital formation ($\beta_1 = 10.87931$; p-value = $0.0000 < 0.05$); there is a significant and positive relationship between petroleum profit tax and gross fixed capital formation ($\beta_2 = 0.815051$; p-value = $0.0263 < 0.05$); there is a significant and positive relationship between value added tax and gross fixed capital formation ($\beta_3 = 0.712345$; p-value = $0.0070 < 0.05$) in Nigeria at 5% level of significance. Conclusively, the study holds that tax revenue positively relates with gross fixed capital formation of Nigeria.

Recommendations

Based on the conclusion and findings of this study, the following were suggested:

- i. To maximize the positive relationship between company income tax and gross fixed capital formation, there is need for application of information technology which is seen as the hallmark of the 21st century in all tax offices in Nigeria thereby making it possible for tax payers and tax authorities to declare uniform and consistent claims to avoid tax evasion in the country.
- ii. Considering the positive relationship between petroleum profit tax and gross fixed capital formation, federal government should underpin public financial management reforms, strengthen supervisory and transparency practices, improve tax administration, and fight tax evasion.
- iii. Since there is a positive relationship between value added tax and gross fixed capital formation, federal government should promote efficiency in the allocation of developmental resources through effective tax policy.

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