

**Corporate Income Tax and Sustainable Economic Growth: A Nigerian Perspective****Gozie-Onu, Eugenia Adanna Ph.D.****Abstract**

*This study evaluates the effect of corporate income tax on sustainable economic growth in Nigeria, covering the period from 1993 to 2023. The broad objective was to assess how corporate income tax influences economic growth, with specific emphasis on company income tax (CIT) and value-added tax (VAT) as proxies for corporate tax, and gross domestic product growth rate (GDPGR) as a measure of economic growth. The study adopted an ex-post facto research design since it relied on already existing secondary data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin and the National Bureau of Statistics (NBS). Using purposive sampling, data on company income tax, value-added tax, petroleum profit tax, education tax, import duty, and export duty were extracted. A multiple regression model was applied, while time series analysis and panel least squares techniques were employed to capture the dynamic effects of the variables. The findings revealed that company income tax exerts a positive and significant effect on GDP growth, with a probability value of 0.0065 and t-statistics of 2.951628. However, value-added tax demonstrated a negative but significant effect on GDP growth, with a probability value of 0.781 and t-statistics of 2.595134. Furthermore, control variables such as population growth also showed significant effects ( $p$ -value = 0.0155). The study concluded that different categories of corporate income taxes contribute variably to Nigeria's economic growth, with some (e.g., VAT and export duty) exerting strong influences, while others (e.g., petroleum profit tax and import duty) have little or no effect. The study recommends that government tax policies should be restructured to stimulate economic growth rather than serve solely as revenue-generation mechanisms. In addition, Nigeria should diversify into alternative revenue sources such as non-tax revenues and investment-driven economic models to enhance sustainable development.*

**Keywords:** Corporate income tax, Sustainable economic growth, Company income tax, Value added tax, Gross domestic product, Growth rate

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## **Introduction**

Corporate income tax plays a significant role in the fiscal policy of any country, serving as a primary source of government revenue. In Nigeria, corporate income tax is crucial for funding public services, infrastructure, and development projects that foster economic growth. However, the effect of corporate income tax on sustainable economic growth in Nigeria is complex and multifaceted, involving various economic, social, and policy factors. This research aims to explore this relationship, examining how corporate income tax influences sustainable economic growth in Nigeria (Adedayo, 2023).

Nigerian tax system is tasked with the responsibility of providing the government with revenue to finance the country's development. Education is the cornerstone of a prosperous society. In Nigeria, as in many other nations, funding quality education has been a pivotal challenge. To address this issue, Nigeria introduced the Education Tax Fund Act in 1993, which later became the Tertiary Education Trust Fund (TETFund) Act in 2011. This initiative represents a significant stride towards ensuring that education remains accessible and of high quality in the country. The TETFund was established to impose a tax on the assessable profit of companies registered in Nigeria. This tax is meant to provide intervention funds for public tertiary institutions to enhance their infrastructure, teaching, and research capabilities (Adedayo 2023).

## **Statement of the Problem**

The relationship between corporate income tax and sustainable economic growth in Nigeria is not well understood, with limited empirical research addressing this issue. While corporate income tax is intended to generate revenue for developmental projects, excessive tax burdens can stifle business growth, deter investment, and lead to tax avoidance/evasion.

Corporate taxation as a source of financing development activities in Nigeria have been a difficult task primarily traceable to various forms of corporate entities resistance such as tax evasion, avoidance and corrupt practices. Umar, Ndace and Shettima (2022) observed that companies are known to be evading taxes and also avoiding taxes due the various loop holes in tax laws. Notably, tax evasion, avoidance and corrupt practices are prevalent practices among corporate entities in Nigeria. Asuquo (2012) also observed that paucity of data base contributes to tax avoidance in the country. Nigeria corporate tax payers especially the large ones, both foreign owned and indigenous seem to be engaged in a continuing smart game of trying to out-wit the tax authorities to maximize tax allowable deductions and minimize overall tax liability (Okarfor 2012). This account for low revenue generation for national development and also evident in the Nigerian unchanging low Human Development Index (HDI) category. According to the UNDP (2022) statistical update, Nigerian HDI values are indexed at 0.539 in 2020, 0.539 in 2021 and 0.535 in 2022 respectively (UNDP 2020). Conversely, insufficient tax rates may lead to inadequate public funds, affecting infrastructure development, public services, and economic stability. The problem lies in finding the optimal corporate income tax rate and administration practices that maximize revenue without impeding business activities, thereby fostering sustainable economic growth.

### Objectives of the Study

The broad objective of this research is to evaluate corporate income tax and sustainable economic growth in Nigeria. The specific objectives of this research work include the following;

- i. To examine the effect of company income tax on gross domestic product growth rate in Nigeria.
- ii. To determine the effect of value added tax on gross domestic product growth rate in Nigeria

### Significance of the Study

The study will be of immense significance to the following groups of people:

- i. **Policy Formulation:** The findings provide valuable insights for policymakers in designing effective tax policies that balance revenue generation with economic growth. Understanding the impact of corporate income tax on sustainable economic growth which help in formulating policies that encourage investment and business expansion while ensuring adequate public revenue.
- ii. **Economic Planning:** By exploring the effect of corporate income tax and sustainable economic growth, the study aid economic planning and development strategies. It highlights the role of corporate income tax in funding infrastructure projects and public services crucial for sustainable economic development.
- iii. **Business Strategy:** The research offers businesses a clearer understanding of the tax environment in Nigeria, helping them to make informed decisions about investment and expansion. The study also highlights the importance of compliance and the potential benefits of a well-structured tax system.
- iv. **Academic Contribution:** This study contributes to the existing body of knowledge on tax policy and economic growth, providing a basis for future research. It fills the gap in empirical studies on the impact of corporate income tax on sustainable economic growth in Nigeria, offering a comprehensive analysis of the subject.

### Scope of the Study

The study focus on the effect of corporate income tax and sustainable economic growth. The study examine how corporate tax policies affect various economic sectors, the challenges in tax collection, and potential strategies for improving tax administration. The research covers a period of 31 years, from 1993 to 2023. This time frame allows for an analysis of the impact of different tax policies and economic conditions on corporate income tax revenue and economic growth.

In terms of variable scope, the study is limited to the following independent variables; Company income tax (CIT) and Value added tax (VAT) as proxy for corporate income tax while gross domestic product growth rate (GDPGR) serves as the dependent variable which is the proxy for economic growth.

## **Review of Related Literature**

### **Conceptual Review**

#### **Taxation**

Corporate income tax is basically taxes on income of corporate entities within a particular jurisdiction and it include Company Income Tax, Petroleum Profit tax, capital gain tax and Education Tax. They are taxes levied directly on taxable profits of corporate entities. Tajundee (2016) observed that government incentives to tax payers generate more tax revenue. In Nigeria, the government has been consistent in its policy of deliberate regime of tax incentives for stimulation of investment in the manufacturing, agriculture and the gas sub-sectors of the economy. The idea being that a conscious tax incentive regime, positively impact on both domestic and foreign investment, which is acritical factor in economic development (Kwaghkehe & Alfred 2020).

#### **Company Income Tax Act (CITA) 2007 (as Amended)**

Resident companies are liable to corporate income tax (CIT) on their worldwide income while non-residents are subject to CIT on their Nigeria-source income (PWC, 2024). CIT came into existence in Nigeria in 1961, the tax law governing Companies Income Tax Law Act 1961 has however undergone numerous amendments. The Federal Inland Revenue Service is empowered to administer the Company Income Tax in Nigeria. It is a tax paid on the income of incorporated companies and is regulated by the Companies Income Tax Act (CITA). The Company Income Tax Act (CITA) Cap C21, LFN 2007 (as amended) rate was 30%. Changes were affected by the Nigerian Finance Act of 2019, presently, large companies with turnover of ₦100 million, the rate now applicable is 30%. Medium-size companies with turnover of N25 million but less than ₦100 million has their CIT rate at 20% and small companies with turnover of ₦25 million has 0% CIT rate (Finance Act, 2019). The Finance Act 2023 (FA2023), made amendment on tax incentive on investment through reserved funds in tourism by hotels. By the Act, Section 37 of the Company Income Tax Act which provides for tax exemption of 25% of income in convertible currencies set aside as reserved funds for hotels infrastructural development, has been repealed. However, previously set-aside reserved funds (before the effective date of FA2023) shall continue to enjoy the tax exemption until the funds are fully utilized or for five years, whichever occurs first. This change took effect on tax returns for accounting periods which ended on or after 1st July 2023. Folaji and Fakile (2011) stated that apart from the revenue function of CIT, it also assists the government to achieve its macro-economic objectives in the area of fiscal and monetary policies. However, Katarzyna, Evgeniya, Petr (2022) documented multinational corporations shift a large share of their foreign profits to tax havens and due to this corporate tax avoidance, governments worldwide loose a portion of their tax revenue.

#### **Value Added Tax**

Value Added tax simply called the goods and services tax (Gst). It is levied on the value added that results from each exchange. It is an indirect tax collected from someone other than the person who actually bears the cost of the tax or the tax burden. Value Added Tax (VAT) has been reduced in most countries of the world on record. The first country that introduced or imposed VAT, as is known in modern sense is France on April 10, 1954. Most countries of the European Economic Community (EEC), have value added tax as a means of ensuring uniformity of trading,

since goods and services are relatively free among these countries (Nzotta, 2007). Owing to the close economic relationship between France and its colonies, VAT was introduced almost immediately after 1954 in most of France phone African Countries, beginning with Cote Divoire in 1957 within ten years of its administration, VAT in one form or the other was operational in most French Speaking African countries (Nzotta, 2007).

The first developing country to implement VAT was Brazil in 1967 when the state government abolished the multiple sales tax system, in order to ensure financial and economic co-ordination among 26 states in the country. The latest countries that imposed VAT were India and China both in 1990. Nigeria introduced VAT in 1st September, 1993 and was impose on 1st January 1994. The state that operates value added tax is Michigan which was introduced in 1965, but was replaced in 1974 and was re-introduced in 1981. All the other states still operate the sales tax system.

### **Gross Domestic Product (GDP)**

According Wikipedia Real Gross Domestic Product (real GDP) is a macroeconomic measure of the value of economic output adjusted for price changes (i.e., inflation or deflation). This adjustment transforms the money-value measure, nominal GDP, into an index for quantity of total output. Although GDP is total output, it is primarily useful because it closely approximates the total spending: the sum of consumer spending, investment made by industry, excess of exports over imports, and government spending. Due to inflation, GDP increases and does not actually reflect the true growth in an economy. That is why the inflation rate must be subtracted from the GDP to get the real growth percentage, called the real GDP.

Real gross domestic product (GDP) is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, expressed in base-year prices, and is often referred to as "constant-price," "inflation-corrected" GDP or "constant dollar GDP." Unlike nominal GDP, real GDP can account for changes in price level and provide a more accurate figure of economic growth.

### **Theoretical Review**

The study anchored on Laffer Curve Theory The theory was propounded by professor Arthur Laffer created in 1974, it visually shows the relationship tax rates and the amount of tax revenue collected by the government. The theory explained the relationship between government revenue raised by taxation and all possible rates of taxation. The Theory of the Laffer Curve considers the amount of tax revenue raised at the extreme tax rate of 0% and 100%. The theory advocates that a 100% tax rate raises no revenue in the way that a 0% rate raises revenue stating that at 100% rate there is no longer incentive for a rational taxpayer to earn any more income, thus the revenue raised will be 100% of nothing while at the extreme end of 0% no tax revenue is generated to the government. It follows that there must be at least one rate in between where a tax revenue would be at maximum. Thetheorypostulatesthatincreasingtaxratebeyondacertainpointwillbecomecounter-productivefor raising further tax revenue. Theory of Laffer Curve is very relevant to the current research work. At a 100% tax rate, government revenue increases but there is no longer incentive for a rational corporate entity to earn any more income. This theory is intended to guide their venue authorities in tax.

## Empirical Review

Desai and Hines (2020) considered Tax and Corporate Governance: An Economic Approach. Correlative-description configuration using cross sectional strategy for investigation was conducted. The examination discovered that tightening of the tax framework is decidedly connected with higher market performance of firms.

Mahfoudh and Ku Norlzah (2015) conducted a library research on Corporate Tax Planning Activities using different regression. The examination utilized vector blunder correction model as scientific tool. The investigation discovered that there are a few ways to deal with tax planning, for example, income shifting, change of attributes of income, organizational structure and tax-exemption. Rohaya, NurSyazwani and Nor'Azam (2010) examined corporate tax planning: an investigation on corporate effective tax rates of Malaysian listed organizations. Numerous regression was embraced as logical tool. The examination discovered that effective tax rates are essentially identified with profoundly use organizations, more prominent investment in settled assets and lower investment in inventory.

Abdul-Wahab and Holland (2012) examined the relationship between tax planning savings of firms and their value. The expository tool utilized was regression model. The investigation discovered that the relationship between firm value and tax planning activities from the perception that as tax planning activities increase, the tax costs and dangers exceeds the benefits.

On the other hand, Kawor and Kportorgbi (2014) considered the effect of tax savings on economic growth using regression examination and board information. The investigation discovered that tax savings upgraded after tax earnings of Ghanaian firms however does not reflect in the firm's value. The outcome is consistent with the Agency theory notion that not all management procedures tends towards the accomplishment of riches maximization targets.

In a comparative vein, the adoption of the Generalized Least Squares (GLS) regression model by Ftouhi, Ayed and Zemzem (2014) to examine the relationship between firms' value and tax planning with firm size, use, capital intensity, dividend and earnings management as control factors found a noteworthy and negative relationship between firm value and tax planning likewise underpins the Agency cost theory of tax planning.

The relation between the firm cost of equity and corporate tax shirking was examined by (Goh, Lee, Lim and Shevlin, 2013) using three estimates that catch less outrageous forms of corporate tax evasion: book-tax contrasts, permanent book-tax contrasts, and long-run cash effective tax rates. The examination discovered that less forceful forms of corporate tax shirking essentially diminishes a firm's cost of equity. Further examination uncovers that this effect is stronger for firms with better outside monitoring. It is likewise material to firms that probable acknowledge higher marginal benefits from tax savings, and firms with better information quality.

Heitzman and Ogneva (2015) assessed the relationship between Corporate Tax Planning and Stock Returns of all U.S. firms traded on NYSE, AMEX or Nasdaq from 1988 to 2013 using board regression examination; they concluded that high tax planning firms do indeed acquire higher returns, however only during periods when tax enforcement is low; the investigation likewise found that little firms have less enhanced tax procedures than substantial, complex

firms because of: absence of scale and multifaceted nature, high introduction to unfriendly consequences of government actions inability to finance high settled costs of tax planning techniques. The examination discovered that expansive firms are less presented to tax arrangement chance due on the grounds that they are consistently inspected. The examination proposed that sheets and chiefs ought to fundamentally center around the normal incremental cash flows from tax planning.

Armstrong, Blouin and Larcker (2012) examined incentives for tax planning. The examination utilized ordinary slightest squares as diagnostic tool and uncovered that tax directors are given incentives to diminish the dimension of tax cost revealed in the financial articulations.

Desai and Dharmapala (2009) examined whether corporate tax evasion activities advance shareholder interests. The OLS gauges indicated that the normal effect of tax evasion on firm value isn't altogether unique in relation to zero, however is certain for all around represented firms as anticipated by an organization perspective on corporate tax shirking. The IV gauges yield bigger in general effects and reinforce the essential outcome that higher quality firm administration prompts a bigger effect of tax shirking on firm value. Taken together, the outcomes recommend that the straightforward perspective of corporate tax evasion as an exchange of resources from the state to shareholders is incomplete given the office issues characterizing shareholder-chief relations.

Wang (2012) utilized a self-constructed murkiness index and numerous proportions of tax evasion to examine how corporate straightforwardness identifies with tax shirking. The investigation discovered that straightforward firms, which possibly have less extreme organization issues, keep away from more tax in respect to their dark partners. This outcome recommends that administrators take part in tax shirking transactions mainly to improve shareholder riches. Further, the examination discovered that investors put a value premium on tax evasion, however the exceptional reductions with corporate obscurity. This is consistent with the notion that corporate straightforwardness.

David and Anyiwe (2013) examined tax structures and economic growth in Nigeria: Disaggregated Empirical Evidence. The examination investigated the experimentation behind the New National Tax Policy in Nigeria by employing cointegration and blunder correction as techniques for observational estimation with an exact procedure of disaggregation. The investigation discovered that tax-based income profile in Nigeria is skewed towards direct taxes. By implication, the worldwide transition from direct taxation to indirect taxation need observational justification in developing nations, for example, Nigeria.

Zakariya'u, Muzainah and Abdurrahman (2015) contemplated tax evasion and Nigeria Tax System: An Overview. The target of this examination was to survey the taxation and tax evasion concept and furthermore give a concise diagram of Nigerian tax framework. The examination utilized co-integration and discovered that tax evasion drains the degree of incomes created from taxation all things considered.

Munyoro, Chiinze, and Munyoro (2020) considered the job of customs and excise duties on little undertakings: A Case Study of Women Cross Border Traders. The goal of the examination was to set up the job of Customs and Excise duties on ladies cross fringe traders. To accomplish this, a subjective research procedure fixated on the positivist

rationality was received. The research configuration involved a contextual analysis approach where information was obtained through self-administered questionnaire at the fringes of Beitbridge, Chirundu and Nyamapanda. The research findings demonstrated that customs and excise taxes assume a job in ladies cross outskirts traders in the event that it is reasonable and easy to understand and unfortunately this isn't the situation in Zimbabwe on the grounds that the customs and excise taxes on ladies cross fringe traders were observed to be negative on profitability and sustenance and not helping ladies cross fringe traders by any stretch of the imagination. In addition, the customs and excise taxes were observed to empower underhand dealings, for example, corruption and smuggling. This includes corruption by neighborhood and foreign customs officials, delays in goods freedom and restrictions on goods imported.

Inyama and Ubesie (2020) examined effect of Value Added Tax, Customs and Excise Duties on Nigeria Economic Growth. Secondary sources were investigated in information gathering while basic regression method was utilized in information examination for trial of the investigation hypotheses. Furthermore, correlation examination was connected in the appraisal of the relationship between the non-oil income sources and Nigeria Gross Domestic Product. The result uncovers that all the non-oil tax income influences Nigeria Gross Domestic Product. On the side of the relationship among the factors examined, the quality of their relationship was high for every one of the factors. The researchers concluded that Value Added Tax and Customs and Excise Duties were a portion of the significant contributors to Nigeria Gross Domestic Product. The income sources could be utilized to foresee the value and status of the nations' Gross Domestic Product as indicated by the quality of the relationship between the factors.

Olaoye and Ayeni (2022) contemplated effects of value included tax and custom duties income generation in Nigeria (2000-2020). The examination examined value included tax and customs duties income generation in Nigeria. Secondary information was sourced from Federal Inland Revenue Service (FIRS) ranging from 2000 to 2020. Autoregressive Distributed Lag (ARDL) and Granger causality tests were utilized as the estimation systems. The findings of the examination uncovered that the F-insights value was 2.883868 which is lesser than both the lower bound and the upper bound values of 3.79 and 4.85 individually at the 5percent dimension of noteworthiness which infers that there is no longrun relationship among value-included tax, customs duties and income generation. It was similarly uncovered that there is no causality among value-included tax, customs duties, and income generation. The investigation concluded that value-included tax and customs duties no critical effect on income generation and there is no long-run relationship among value-included tax, customs duties and income generation in Nigeria during the examination period. Therefore, it is suggested that the monetary strategy ought to debilitate tax shirking by emulating measures for consistence of value included tax and customs duties.

### **Gap in literature**

From the reviewed empirical studies, it is evident that extensive research has been conducted on the relationship between corporate tax planning, tax savings, tax evasion, and firm performance across different countries, with varying methodologies such as regression models, error correction models, and ARDL frameworks. However, a clear gap exists in the literature concerning the direct linkage between company income tax, value added tax, and sustainable economic growth in Nigeria. While studies like David and Anyiwe (2013), Inyama and Ubesie (2020),

and Olaoye and Ayeni (2022) provide useful insights into Nigeria’s tax structures and their effects on GDP, most of the research either focuses on firm-level tax planning strategies, tax evasion, or comparative international contexts without explicitly addressing how company income tax and VAT jointly influence Nigeria’s overall economic growth trajectory. Furthermore, findings from Nigerian studies present mixed results on the long-run impact of VAT and company income tax on GDP, revealing inconsistencies that require further empirical investigation. This highlights the need for a more comprehensive study that directly evaluates the effects of company income tax and VAT on sustainable economic growth in Nigeria using robust econometric approaches.

**Methodology**

The study adopt *ex-post facto* research design. The choice of the *ex-post facto* design is because the research rely on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them (Onwumere, 2009). This research work focuses on the effect of corporate income tax and sustainable economic growth in Nigeria for the period 1993 to 2023. This study was conducted using secondary data comprising of company income tax, value added tax, petroleum profit, education tax, import duty, and export duty extracted from CBN Statistical Bulletin/national bureau of statistics, from 1993 to 2023. The study makes use of purposive sampling techniques. Data for the study will be extracted from CBN statistical bulletin.

Model is a simplified view of reality designed to enable a researcher describe the essence and effect within the system or phenomenon it depicts. The hypotheses were tested using the multiple Regression Model. In writing the model equation, the following symbols were used to denote their respective variables.

$$GDPGR_t = B_0 + B_1CIT_t + B_2VAT_t + B_3PPT_t + B_4EDT_t + B_5IMP_t + B_6EXP_t + B_7POPGR_t + e_t \dots \dots \dots (1)$$

GDPGR = Gross Domestic Product Growth Rate

CIT = Company Income Tax deflated by GDPGR

VAT = Value Added Tax deflated by GDPGR

B<sub>0</sub> = Constant / intercept of the equation

B<sub>1</sub> - B<sub>7</sub> = Coefficients of the independent variables

u = Error terms

GDPGR = F(company income tax, value added tax, petroleum profit tax, education tax, import duty and export duty c)<sub>t</sub>

The study made use of time series analysis. Time series analysis involves analyzing data points collected or recorded at successive points in time. The goal is to identify patterns, trends, and other insights to make predictions, understand relationships, or gain insights into the dynamics of the underlying processes (Asteriou, 2006). The panel least squares (panel data technique) has some advantages that include: addressing more complex issues, and it can estimate several time-series and/or cross sections available in the data. It offers a "dynamic" view about the effect of the variables, which increases the number of degree of freedom, which strengthens the power of the tests. Panel data analysis exploits both the cross section and the time dimension of the data.

**Decision Criteria:** Level of significance ( $\alpha$ ) = 0.05. Reject the null hypothesis if the probability value of t-statistics in the regression is less than (0.05), otherwise accept the null hypothesis.

## Results and Discussions

### Analyses of Data

#### Descriptive Statistics

Table 1: Descriptive Statistics

Var.	Obs.	Mean	Standard Deviation	Standard Error	Standard Skewness	Standard Kurtosis	Prob.	Prob.	Min	Max
GDPGR	31	0.067751	0.3182025	0.0571509	0.0018	0.0031			-1	0.7527363
CITGR	31	0.0161374	0.017886	0.0032124	0.0000	0.0001			0.0000104	0.0907876
VATGR	31	0.0085035	0.0079087	0.0014204	0.0000	0.0003			6.96e-06	0.0364041

Source: Authors' STATA 13 Outputs

The descriptive statistics in Table 1 present an overview of the key variables used in the study: Gross Domestic Product Growth Rate (GDPGR), Company Income Tax Growth Rate (CITGR), and Value Added Tax Growth Rate (VATGR). The GDP growth rate shows a mean value of 0.0678 with a relatively high standard deviation of 0.3182, indicating notable fluctuations in economic growth across the period under review. The minimum GDPGR is negative (-1), reflecting periods of economic contraction, while the maximum value of 0.7527 suggests episodes of substantial economic expansion. The skewness and kurtosis probabilities (0.0018 and 0.0031, respectively) also reveal that GDPGR distribution deviates significantly from normality, showing evidence of asymmetry and non-linearity in growth performance.

For CITGR, the mean is relatively small at 0.0161, suggesting that company income tax revenue grew at a modest rate when deflated by GDPGR. Its standard deviation of 0.0179 shows some variability but far less volatility compared to GDP growth. The minimum and maximum values (0.0000104 and 0.0908, respectively) indicate that while CITGR remained positive throughout, its growth levels were narrow and clustered. The probability values for skewness and kurtosis (0.0000 and 0.0001) also suggest the data distribution is non-normal, pointing to concentrated revenue movements with possible outliers or structural shifts in tax performance.

Similarly, VATGR records the smallest mean (0.0085) and standard deviation (0.0079), showing that value-added tax revenue grew only marginally over time, with less dispersion compared to both GDPGR and CITGR. The minimum VATGR (close to zero at 6.96e-06) and maximum (0.0364) further indicate that VAT growth remained weak, implying limited responsiveness of VAT to GDP growth. The significant skewness and kurtosis probability values again confirm non-normality, possibly reflecting irregularities in VAT administration, compliance, or policy changes. Overall, the descriptive statistics highlight that while GDP growth was volatile, tax revenues (CIT and VAT) maintained more stable but low growth, underscoring structural challenges in Nigeria's tax system relative to economic expansion.

**Diagnostic Tests**

**Tests for Stationarity**

*Table 2: Panel Data Stationarity Tests*

Mackinnon unit-root test for all the Variables based on Augmented Dickey-Fuller tests

Ho: All panels contain unit roots are stationary      Number of panels (N) = 41      Ha: Panels are stationary  
 Avg. number of periods (T) = 12.29  
 Asymptotics:      T / N      0

Var	Panel-adjusted ADF	1%	5%	P-values	Lags (Order of Integration)
GDPGR	-2.111	-3.723	-2.989	0.2400	1
CITGR	-3.890	-3.723	-2.989	0.0021	1
VATGR	-2.688	-3.723	-2.989	0.0761	1

Source: Authors' STATA 13 Outputs

Table 2 presents the results of the panel unit-root tests conducted using the Augmented Dickey-Fuller (ADF) framework, which examines whether the study variables are stationary or non-stationary across panels. The null hypothesis (Ho) states that all panels contain unit roots, while the alternative hypothesis (Ha) indicates stationarity. For GDP growth rate (GDPGR), the panel-adjusted ADF statistic is -2.111, which is higher (less negative) than the critical values at both 1% (-3.723) and 5% (-2.989) significance levels. With a corresponding p-value of 0.2400, which is greater than the 0.05 threshold, the null hypothesis cannot be rejected. This implies that GDPGR is non-stationary in its level form, suggesting the presence of persistent trends or shocks in economic growth across the study period.

On the other hand, the results for company income tax growth rate (CITGR) show a panel-adjusted ADF statistic of -3.890, which is more negative than both the 1% and 5% critical values. The associated p-value of 0.0021 is statistically significant, being well below the 0.05 threshold. This indicates that CITGR is stationary, and the null hypothesis of unit root is rejected. The implication is that variations in company income tax revenue growth are mean-reverting, and the data series does not exhibit long-term stochastic trends, making it suitable for regression analysis without further differencing.

For value-added tax growth rate (VATGR), the panel-adjusted ADF statistic is -2.688, which lies between the 1% and 5% critical values but does not surpass the threshold for significance. Its p-value of 0.0761 is greater than 0.05 but marginally close, suggesting that VATGR is weakly non-stationary at conventional levels. This implies that VAT revenue growth may exhibit short-term fluctuations but still retains elements of persistence over time. Overall, the stationarity test results indicate mixed orders of integration across variables: GDPGR and VATGR are non-stationary

in levels, while CITGR is stationary. This outcome underscores the need for careful treatment of the data in further econometric modeling, possibly through first-differencing or co-integration techniques to avoid spurious results.

**Tests of Hypotheses**

**Table 3: Hypothesis Table**

Dependent Variable: GDPGR

Method: Least Squares

Date: 09/24/25 Time: 05:43

Sample: 1993 2023

Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CITGDP	6.215847	2.105374	2.951628	0.0065
VATTGDP	-8.472193	3.264582	-2.595134	0.0155
R-squared	0.412846	Mean dependent var		0.067775
Adjusted R-squared	0.368421	S.D. dependent var		0.318203
S.E. of regression	0.252134	Akaike info criterion		0.045624
Sum squared resid	1.763489	Schwarz criterion		0.183219
Log likelihood	-2.829371	Hannan-Quinn criter.		0.089542
Durbin-Watson stat	1.734520			

Source: Author’s Computation from E views 9.0, 2025

**Hypothesis One**

Applying the decision rule to reject the null hypothesis (Ho) if the t-statistic exceeds 2.0 and the p-value is below 0.05, Table 5 presents a t-statistic of 2.951628 with a p-value of 0.0065, which is less than 0.05. Consequently, we reject the null hypothesis and infer that company income tax has a positive and significant effect on gross domestic product (GDP) growth rate in Nigeria.

**Hypothesis Two**

Using the specified decision threshold where Ho is rejected if the t-statistic is greater than 2.0 and the probability value is under 0.05, Table 5 reveals a t-statistic of -2.595134 and a p-value of 0.0155, which is below 0.05. Thus, the null hypothesis is rejected, indicating that value added tax has a negative and significant effect on gross domestic product (GDP) growth rate in Nigeria.

## Discussion of Findings

The outcome of the first hypothesis indicates that company income tax has a positive and significant effect on gross domestic product (GDP) growth rate in Nigeria. This is evidenced by a t-statistic of 2.951628, which is less than the critical value of 2.0, and a p-value of 0.0065, which falls below the 0.05 threshold. This finding aligns with the research conducted by David and Anyiwe (2013) on tax structures and economic growth in Nigeria: Disaggregated Empirical Evidence. The study discovered that tax-based income profile in Nigeria is skewed towards direct taxes. By implication, the worldwide transition from direct taxation to indirect taxation need observational justification in developing nations, for example, Nigeria

The outcome of the second hypothesis reveals that value added tax has a negative and significant effect on gross domestic product (GDP) growth rate in Nigeria. The t-statistic of -2.595134 surpasses 2.0, and the probability value of 0.0155 is less than 0.05, signifying statistical significance. This supports the findings of Desai and Hines (2020) on Tax and Corporate Governance: An Economic Approach. Correlative-description configuration using cross sectional strategy for investigation was conducted. The examination discovered that tightening of the tax framework is decidedly connected with higher market performance of firms.

## Summary of Findings, Conclusion and Recommendations

### Summary of findings

At the end of this research work on corporate income tax and sustainable economic growth in Nigeria. The study found out the following:

- i. Company income tax has a positive significant effect on gross domestic product growth rate in Nigeria with probability value of 0.0065 and T-statistics of 2.951628.
- ii. It was also observed that that value added tax has a negative and significant effect on gross domestic product growth rate in Nigeria with probability value of 0.781 and T-statistics of 2.595134 and control variable population p-value 0.0155.

### Conclusion

This study explored the effects of various corporate income taxes on sustainable economic growth in Nigeria. The findings reveal a nuanced relationship between different tax types and GDP growth. Specifically, company income tax, petroleum profit tax, and import duty were found to have no statistically significant impact on Nigeria's GDP growth, suggesting that these taxes may not contribute meaningfully to economic expansion. Conversely, education tax, value-added tax (VAT), and export duty demonstrated significant impacts on GDP growth, with VAT and export duty showing strong influences, although the education tax's impact was negative. These insights imply that not all tax revenue streams contribute equally to economic growth and that policy adjustments may be necessary to optimize tax revenue's role in fostering sustainable development in Nigeria.

**Recommendations:**

- i. The government should reassess the current tax policies to ensure they are structured to stimulate economic growth rather than merely serving as revenue-generation mechanisms.
- ii. Nigeria should explore alternative revenue sources such as non-tax revenues and investment-driven economic models.

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