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Corporate tax policy and economic growth in Nigeria: Evidence from company income tax and petroleum profit tax, 2000–2024

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Abstract---This paper examines how sustainable corporate tax policy shapes Nigeria's economic growth trajectory between 2000 and 2024, with particular attention to Company Income Tax (CIT) and Petroleum Profit Tax (PPT). Anchored on the Ability-to-Pay Theory of Taxation, the study uses annual data from the Federal Inland Revenue Service and the National Bureau of Statistics. The Autoregressive Distributed Lag (ARDL) bounds testing approach is employed to explore both short-run and long-run relationships between effective tax rates and Real Gross Domestic Product (RGDP). The results show that CIT exerts a significant influence on RGDP, suggesting that taxation of corporate profits plays a meaningful role in Nigeria's growth process. PPT, while positively related to RGDP, does not record a statistically significant effect over the study period. The findings imply that for fiscal policy to deliver sustained growth, CIT should be structured to encourage investment and productivity, while PPT administration should be made more transparent and efficiently managed to translate oil revenues into broader economic gains. The study offers practical insights for policymakers seeking to balance revenue mobilization with growth objectives in a resource-dependent economy.

Keywords---Company Income Tax, Petroleum Profit Tax, Economic Growth, ARDL, Tax Policy, Nigeria.

INTRODUCTION

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Most governments globally are facing two major fiscal challenges. Borrowing costs are rising, and the demand for funds to drive development is growing. In developing countries like Nigeria, government revenue still relies heavily on oil with a narrow tax base and limited alternative sources. This makes revenue unstable and restricts spending on critical infrastructure because a large share goes to recurrent expenses.

This challenge has pushed many countries to rethink tax policies that can generate adequate revenue without slowing growth. A sustainable tax system should be equitable, transparent, and efficient (OECD, 2022). One area that requires urgent reform is the corporate tax structure, especially how Company Income Tax and Petroleum Profit Tax are designed to support long-term economic growth and fiscal stability.

To examine how Company Income Tax and Petroleum Profit Tax affect economic growth can help government plan better. When these taxes are properly structured, they can broaden the tax base, improve compliance through transparency and accountability, and in turn increase revenue for public services that drive growth. Therefore, this study will assess how CIT and PPT influence Real GDP in Nigeria over time. It will also provide useful insights for policymakers, investors, and citizens on how corporate tax policy can be used to support sustainable growth that can potentially improve living standards.

2.0. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Theoretical Review

2.1.1. The Ability-to-Pay Theory

The Ability-to-Pay Theory is a core principle of progressive taxation. It argues that tax liability should reflect a taxpayer's capacity to contribute. Associated with Friedman (1999), it holds that those with higher income can pay more without hurting their standard of living, making taxation fair and just (Grassi, 2015). Economists extended this with ideas like equal sacrifice, measured as equal absolute, proportional, or marginal sacrifice, each offering a way to share the tax burden equitably (Førsund and Vislie, 2016).

Company Income Tax fits this theory because it targets corporate profits. Firms that earn more pay more, which reflects their ability to fund public goods like infrastructure, security, and a stable business climate. Because CIT is charged on net profit, it preserves working capital for reinvestment. This aligns with the theory's aim of balancing revenue needs with fairness and economic stability (Guo, 2024).

However, the theory has limits. Very high CIT rates may discourage investment and entrepreneurship, which can slow growth. Also, fairness depends on how revenue is used. If funds are wasted or misallocated, the goal of reducing inequality and improving services is undermined, weakening public trust in the tax system (Seriah, 2024; Dasaolu, 2025).

2.1.2 The Resource Rent Theory

The Resource Rent Theory provides a basis for taxing natural resource extraction. It separates normal returns that cover capital and risk from economic rent, which is the surplus from resource scarcity (Boadway & Keen, 2010). Petroleum Profit Tax is designed to capture this rent without discouraging investment, by allowing full cost recovery and taxing only excess returns (Boadway & Keen, 2014).

PPT aligns with this theory because it focuses on rent, not operating costs. A well-designed PPT is investment-neutral. It uses tools like loss carry-forwards, uplift rates, and ring-fencing to avoid distorting marginal decisions (Daniel et al., 2010). When done right, PPT can be both progressive and efficient, raising public revenue from nonrenewable resources while keeping exploration attractive (Hebous, 2022).

But the outcome depends on design and governance. Poor loss rules, unclear rates, or weak administration can make PPT burdensome and drive investors away. For resource-rich countries like Nigeria, PPT can optimize revenue only if rules are transparent, stable, and supported by strong institutions (Boadway & Keen, 2010; Daniel et al., 2010).

2.1.5 Theoretical Framework

This study is anchored on Ability-to-Pay Theory, with support from Resource Rent Theory.

Ability-to-Pay Theory explains the link between Company Income Tax and RGDP. The logic is clear. CIT taxes profits, not capital, so firms retain funds to reinvest. Beyond that, CIT revenue can fund spending that drives growth, such as roads, power, education, and health.

Resource Rent Theory explains Petroleum Profit Tax. The idea is that government should capture economic rent from finite resources. Because PPT is structured around surplus profit, it can raise substantial revenue without taxing normal returns. When managed well, this revenue stability supports long-term fiscal planning and growth.

Together, the two theories cover revenue and growth. Ability-to-Pay Theory shows how taxing corporate profit supports fairness and investment. Resource Rent Theory shows how taxing resource rent secures public revenue from oil while protecting investment incentives.

2.3. Empirical Review

2.3.1. Company Income Tax and Gross Domestic Product in Nigeria

Several studies have examined the relationship between Company Income Tax and economic growth in Nigeria with largely positive results.

Lababatu (2014), using ex-post facto design on data from 2000-2012, found that CIT had a positive impact on economic growth. Okoli, Njoku and Kaka (2014), using OLS from 1994-2012, reported a significant positive relationship between CIT revenue and GDP. Chigbu and Njoku (2015), analyzing data from 2000-2013, confirmed a positive relationship between CIT and GDP. Naomi and Sule (2015)

and Adegbite and Fakile (2015), using regression from 2000-2013 and 1990-2014, established that CIT contributed significantly to government revenue.

Ojong, Ogar and Arikpo (2016), using ex-post facto design from 1990-2014, found CIT had a significant relationship with economic growth. Etale and Bingilar (2016), applying OLS for 2005-2014, showed CIT had a positive effect on growth. Uzoka and Chiedu (2018), using VECM from 1994-2016, revealed CIT had a significant effect on Nigeria's GDP. Yahaya and Bakare (2018) and Osho et al. (2018), with time series data, reported CIT had a significant positive impact on GDP.

Joseph, Omodero and Umeonu (2019), using OLS from 2000-2018, found CIT revenue significantly affected economic growth. Yahaya and Bakare (2021) confirmed CIT and PPT jointly had a positive impact on GDP. Brown et al. (2019), using ARDL from 1990-2018, established a long-run relationship between CIT and GDP growth. Adegbite, Nwaobia and Osinowo (2020) and Etim, Nweze and Umoffong (2020) further reported CIT had a positive and significant impact on growth.

In summary, most empirical studies show a positive relationship between Company Income Tax and economic growth in Nigeria. This suggests that a well-structured CIT can support revenue mobilization and growth, depending on policy design and administration.

2.3.2. Petroleum Profits Tax and Gross Domestic Product in Nigeria

Empirical studies on Petroleum Profit Tax and economic growth in Nigeria mostly report positive findings, though some show mixed results.

Ebimobowei (2012) and Ebimobowei and Ebiringa (2012), using time series and econometric tests, found a long-run equilibrium relationship and Granger causality between PPT and GDP. Jibrin, Blessing and Ifurueze (2012), using OLS, reported PPT had a significant positive impact on GDP. Ilaboya and Ofiafor (2014), with cointegration and ECM, found a significant positive relationship between PPT and real GDP growth.

Akeem and Adejare (2015) and Cornelius, Ogar and Oka (2016) confirmed PPT significantly affected economic growth. Lyndon and Paymaster (2016) and Okoh, Onyekwelu and Iyidiobi (2016) also found PPT had a positive significant effect on GDP. Lambe, Milam and Salifu (2019) and Njoku and Onyechere (2019) reported PPT was a key determinant of growth. Alhassan, Musa and Muhammed (2020) and Etim et al. (2020) further established a positive association between PPT and GDP.

Inimino, Otubu and Akpan (2020) and Ojutawo, Adegbie and Salawu (2020) found PPT significantly impacted growth and was affected by volatility. Ngu (2021) and Osasu and Monye-Emina (2022) confirmed positive effects on firm performance and GDP. Taiwo et al. (2022) reported a significant positive relationship.

However, some studies found weak effects. Usman et al. (2019) and Agunuwa and Arimitan (2022) reported insignificant impacts. Iriabiji, Elhomun and Kolawole

(2022) found an adverse insignificant effect. Pibowei and Marei (2021) noted PPT did not significantly affect per capita income. Edwin (2024) and Okoro (2024) argued PPT policies were unclear and poorly managed. Elom, Nweze and Chukwu (2025) found a negative effect on human development, while Onwubiko et al. (2025) found no significant effect. Overall, most studies support a positive link between Petroleum Profit Tax and economic growth in Nigeria, with results depending on policy clarity, administration, and investment conditions.

2.3 Gap in Literature

From the empirical review, a pattern emerges. Most studies find a strong positive link between Company Income Tax and economic growth in Nigeria. But the evidence on Petroleum Profit Tax is mixed. Some find positive and significant effects, others find no effect, and a few even find negative effects.

Part of the problem is how past studies were set up. Many looked at CIT and PPT separately, or bundled them with other taxes like WHT, VAT, and CGT. The focus was mostly on revenue in the short run, not on what happens to growth over the long term.

What's missing are studies that examine CIT and PPT together and trace their long-run impact on RGDP in Nigeria using recent data. That's the gap this study tries to fill.

Therefore, this creates a gap in literature regarding the combined and current long-run impact of CIT and PPT on economic growth in Nigeria. This study seeks to fill this gap by examining the long-run effect of Company Income Tax and Petroleum Profit Tax on Real Gross Domestic Product in Nigeria from 2000 to 2024 using the ARDL approach.

Therefore the main objective of the study is to examine the effect of corporate tax policy on long-run economic growth in Nigeria.

The specific objectives are to:

- i) examine the impact of _Company Income Tax_ on Real GDP in Nigeria, and
- ii) assess the impact of _Petroleum Profit Tax*_ on Real GDP in Nigeria.

2.4. Hypothesis Formulation

Sequel to the above specific objectives, the following null and alternate hypotheses are formulated

Hypothesis One

H0₁: The effective Company Income Tax rate has no significant impact on Real Gross Domestic Product in Nigeria.

H1₁: The effective Company Income Tax rate has a significant impact on Real Gross Domestic Product in Nigeria.

Hypothesis Two

H0₂: The effective Petroleum Profit Tax rate has no significant impact on Real Gross Domestic Product in Nigeria.

H1₂: The effective Petroleum Profit Tax rate has a significant impact on Real Gross Domestic Product in Nigeria.

3.0. METHODOLOGY

3.1 Research Design

This work adopts a quantitative time-series design to examine the effect of corporate tax policy on economic growth in Nigeria. The analytical framework is hinged on the Ability-to-Pay Theory and Resource Rent Theory, which treat corporate taxation as a stimulant to revenue mobilization, investment, and output.

This study tests two corporate tax instruments: the effective Company Income Tax rate and the effective Petroleum Profit Tax rate. Real Gross Domestic Product is the dependent variable.

We also include three control variables: Gross Capital Formation, Labor Force, and Trade Openness. These come straight out of standard growth models. The idea is to hold other drivers of growth constant, so we can pick out the separate effect of CIT and PPT on RGDP.

3.2 Source of Data

The data are annual and cover 2000 to 2024. They come from three places: FIRS tax records, the CBN Statistical Bulletin, and the NBS.

For the tax variables, effective rates were used. The effective CIT rate is annual CIT revenue divided by Corporate Taxable Profit, expressed as a percentage. I calculated the effective PPT rate the same way, using annual PPT revenue over Petroleum Profit, expressed as a percentage. Real GDP is measured at constant 2010 basic prices. And because the monetary variables were spread out, I log-transformed them to deal with heteroskedasticity.

In all, we have 25 annual observations. That's enough for standard macro time-series work and it satisfies the requirements for ARDL.

This study focuses on Nigeria. It's Africa's largest economy and runs on both oil and non-oil revenue. Nigeria has also had several tax reforms in the last decade. That mix makes it a strong case for testing how CIT and PPT relate to growth.

3.3 Population

This study uses Nigeria's annual macro and fiscal data from 2000 to 2024. The variables covered are Real GDP, effective CIT rate, effective PPT rate, and other standard growth controls.

3.4 Sample Size

The sampling frame covers 25 years, from 2000 to 2024. This period captures key developments in Nigeria's tax and governance environment, including the Finance Acts of 2019, 2021 and 2023, FIRS automation, and sustained democratic rule. With 25 annual observations, the dataset is sufficient for ARDL Bounds Test cointegration analysis.

3.5 Model Specification

This study uses an Autoregressive Distributed Lag (ARDL) model to estimate both the short-run and long-run effects of the effective tax rates on Real Gross Domestic Product (RGDP).

The model is limited to the two corporate tax instruments selected for this study. The ARDL cointegration model is specified below:

$$\Delta RGDP_t = \alpha + \sum_{i=1}^p \beta_i \Delta RGDP_{t-i} + \sum_{j=0}^{q_1} \gamma_j \Delta CIT_{t-j} + \sum_{k=0}^{q_2} \delta_k \Delta PPT_{t-k} + \lambda_1 RGDP_{t-1} + \lambda_2 CIT_{t-1} + \lambda_3 PPT_{t-1} + \varepsilon_t$$

Where:

Δ (Delta) is the first difference operator.

α (Alpha) is the constant interception.

$RGDP(t)$ is the Real Gross Domestic Product at time t .

$CIT(t)$ is the Effective Company Income Tax rate at time t .

$PPT(t)$ is the Effective Petroleum Profit Tax rate at time t .

$\beta(i)$, $\gamma(j)$, and $\delta(k)$ represent the short-run dynamic coefficients for $RGDP$, CIT and PPT respectively.

λ_1 , λ_2 , and λ_3 represent the long-run multipliers (coefficients) for $RGDP$, CIT , and PPT respectively.

p , q_1 , and q_2 indicate the optimal lag lengths chosen for each respective variable.

$\varepsilon(t)$ (Epsilon) is the white-noise error term.

The ARDL bounds testing approach was used because it handles both long-run relationships and short-run dynamics in one model. To test for stationarity, we applied the Augmented Dickey-Fuller and Phillips-Perron unit root tests. Lag length was selected based on the Akaike Information Criterion. Long-run coefficients and the error correction term were then estimated to assess how effective CIT and PPT rates affect Real GDP over time. For robustness, we also used Fully Modified OLS and Canonical Cointegrating Regression.

All computations were done in Eviews 13. Statistical significance was tested at the 1%, 5%, and 10% levels. Finally, diagnostic tests for serial correlation, heteroskedasticity, and model stability were carried out to confirm the reliability of the results.

4.0. DATA PRESENTATION AND ANALYSIS OF DATA

4.1 Data Presentation and Trend Analysis

Data for this study were sourced from the Federal Inland Revenue Service website, Central Bank of Nigeria website, and National Bureau of Statistics website, focusing on the relevant years and variables. Descriptive statistics were provided to describe the nature of the data.

Table 4.1: Descriptive Statistics

Year	lnRGDP	ECTR (%)	EPPT (%)
2000	11.2262	31.43	52.35
2001	11.2235	24.64	44.98
2002	11.1516	24.02	58.40
2003	11.2661	27.07	56.44
2004	11.2492	26.33	63.84

Year	lnRGDP	ECTR (%)	EPPT (%)
2005	11.2015	25.18	46.52
2006	11.2182	21.55	41.75
2007	11.2471	23.84	53.96
2008	11.2146	24.62	47.26
2009	11.2047	27.94	49.58
2010	11.1666	24.55	58.75
2011	11.2603	20.61	63.55
2012	11.2306	22.97	44.88
2013	11.2359	30.09	61.25
2014	11.1647	28.14	54.11
2015	11.2896	23.88	59.34
2016	11.2240	26.20	43.52
2017	11.1867	19.48	45.64
2018	11.2934	24.74	60.17
2019	11.2234	23.60	55.60
2020	11.1671	28.69	62.44
2021	11.2103	24.19	47.55
2022	11.1298	29.91	43.98
2023	11.2667	20.33	58.87
2024	11.2083	27.55	54.63

Source: Research Computation 2025

To begin, we examined the behavior of the variables using line plots to investigate their trends.

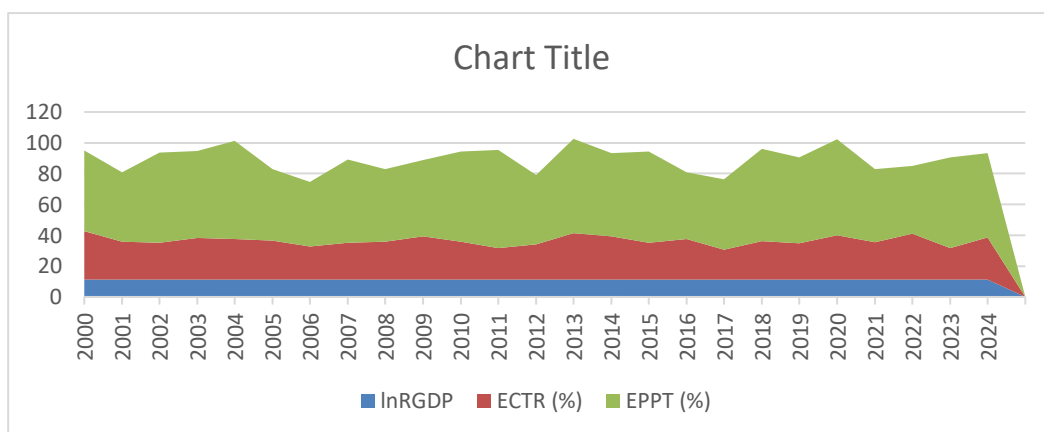


Figure 1: Stacked plot for lnRGDP, ECTR and EPPT
Source: Research Computation 2025

The plot shows that lnRGDP exhibits a relatively smooth and mildly upward trend, indicating steady economic growth with limited volatility. Among the fiscal indicators, Effective Petroleum Profits Tax Rate (EPPT) is the most volatile and consistently the highest, suggesting significant fluctuations in petroleum-related fiscal conditions driven by changes in oil prices, production, and policy adjustments. Effective Company Income Tax (ECTR) follows with moderate

variability but remains relatively stable, which may help support the observed steady movement in real output. The visual patterns do not indicate a clear direct relationship between lnRGDP and either tax variable, suggesting that a more rigorous econometric analysis is necessary to establish the magnitude and direction of the effects.

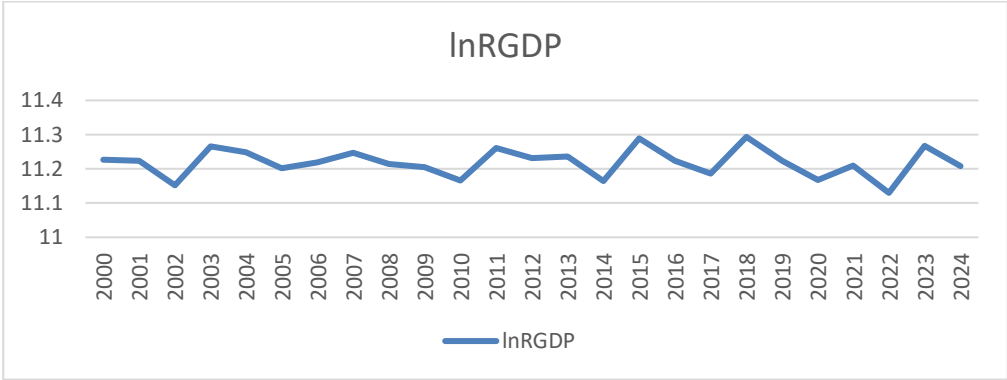


Figure 2: Line plot for RGDP
Source: Research Computation 2025

The plot shows that Nigeria's Real Gross Domestic Product follows a generally upward trend from 2000 to 2024, indicating sustained economic growth over the study period despite minor fluctuations.

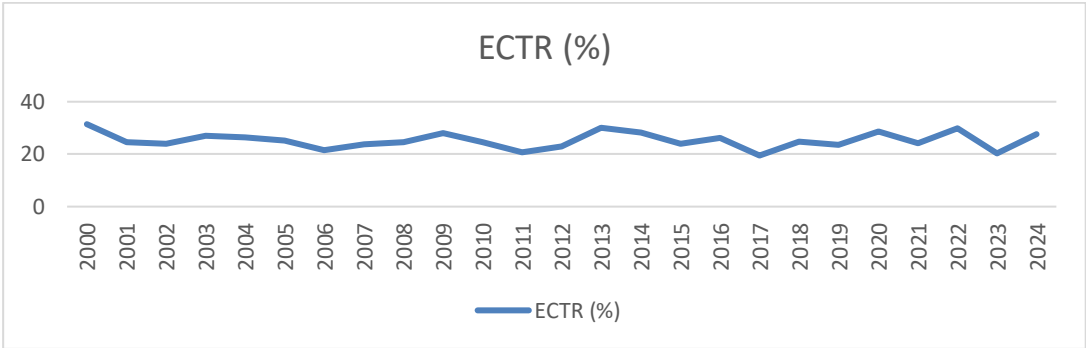


Figure 3: Line plot of ECTR (%)
Source: Research Computation 2025

The plot of Effective Company Income Tax shows a generally stable trend with only minor fluctuations, indicating that ECTR collections are relatively consistent and provide a reliable source of government revenue.

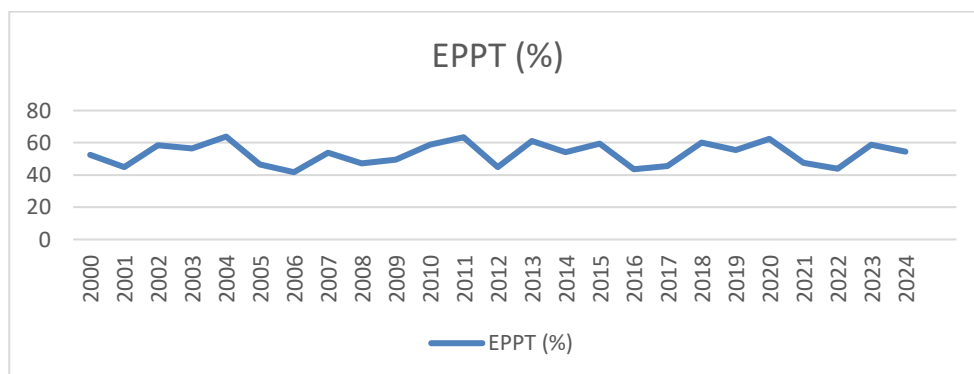


Figure 4: Line plot of EPPT (%)
Source: Research Computation 2025

The plot of Effective Petroleum Profits Tax shows significant fluctuations throughout the study period. This indicates that petroleum-related tax revenue is volatile and sensitive to oil prices, production levels, and policy adjustments, making it a less predictable source of government revenue.

4.2 Descriptive Statistics of the Study Variables

This section summarizes the key features of the study variables using mean, minimum, maximum, and standard deviation.

Table 4.2: Descriptive Summary of the Study Variables

Mean	11.21840	25.26200	53.17440
Median	11.22340	24.64000	54.11000
Maximum	11.29340	31.43000	63.84000
Minimum	11.12980	19.48000	41.75000
StdDev	0.041633	3.096291	7.058945
Skewness	-0.191682	0.085202	-0.079783
Kurtosis	2.569448	2.441690	1.618660
Jarque-Bera	0.346191	0.354946	2.014126
Probability	0.841057	0.837384	0.365290

LN(RGDP) = Natural Log of Real Gross Domestic Product, ECTR = Effective Company Income Tax rate, EPPT = Effective Petroleum Profits Tax rate_
Source: Research Computation 2025

The descriptive statistics show that EPPT has the highest mean at 53.1744% and also the greatest variability with a standard deviation of 7.0589, reflecting fluctuating petroleum-related tax revenue. ECTR has a mean of 25.2620% with lower variability, suggesting more stability. Skewness and kurtosis values are close to zero and three respectively, and the Jarque-Bera probabilities exceed 0.05, indicating that all variables are approximately normally distributed. Overall, the economy measured by ln(RGDP) has been relatively stable while petroleum taxation is volatile.

4.3 ADF Unit Root Test

The Augmented Dickey-Fuller test was conducted to determine the stationarity of the variables.

Table 4.3: ADF Unit Root Test

Variable	Constant	Constant and Trend	Remark
Ln(RGDP)	I(0)-6.617648	I(0)-6.506015	Stationary at level
ECTR(%)	I(0)-4.573071	I(0)-4.449725	Stationary at level
EPPT%	I(0)-5.175598	I(0)-5.076022	Stationary at level

Source: Research Computation 2025

Table 4.3 shows that ln(RGDP), ECTR and EPPT are all stationary at level under constant and constant-and-trend specifications. This confirms that the variables are integrated of order zero I(0), which satisfies the condition for ARDL analysis.

4.4 Correlation Analysis

Correlation measures the degree to which two variables move together.

Table 4.4: Correlation Matrix of Study Variables

	lnRGDP	ECTR	EPPT
lnRGDP	1.000		
ECTR	-0.284302	1.000000	
EPPT	0.317243	0.083651	1.000000

Source: Research Computation 2025

The results show that EPPT has a moderate positive correlation with lnRGDP ($r = 0.3172$), indicating that higher petroleum profits tax is associated with higher economic output. In contrast, ECTR shows a weak negative correlation with lnRGDP ($r = -0.2843$), suggesting that increases in company income tax are slightly associated with lower economic output. The correlation between ECTR and EPPT is very weak at 0.0837.

Table 4.5 F-Bounds Test for Cointegration

Test	Statistic	Value	Signif.	I(0)	I(1)
F-statistic	6.452461	5%	2.39	3.38	

Source: Research Computation 2025

The calculated F-statistic of 6.4525 exceeds the upper critical bound of 3.38 at the 5% level. This indicates rejection of the null hypothesis of no long-run relationship, confirming the existence of a statistically significant long-run equilibrium among ln(RGDP), ECTR and EPPT.

4.6 ARDL Long-Run Estimates

Table 4.6: ARDL Long-Run Estimates

Variable	Coefficient	Std.Error	t-Statistic	Prob
CoinEq(-1)	-0.617397	0.255042	-2.420765	0.0015
ECTR	0.100798	0.003420	29.47309	0.0000
EPPT	0.001848	0.001543	1.198776	0.6314
C	12.54553	2.884413	4.349422	0.0004

R-Square 0.272030

Source: Research Computation 2025

The negative and significant error correction term (-0.617, $p < 0.01$) confirms a stable long-run relationship. The effective Company Income Tax rate has a positive and statistically significant impact on RGDP with a coefficient of 0.100798 and p-value of 0.0000. This implies that a 1% increase in ECTR is associated with a 0.10% increase in RGDP in the long run. The effective Petroleum Profits Tax rate has a positive but statistically insignificant effect on RGDP with a coefficient of 0.001848 and p-value of 0.6314, suggesting that PPT does not have a meaningful long-run influence on economic growth within the study period.

4.7 Hypothesis Testing

Hypothesis One

H01: The effective Company Income Tax rate has no significant impact on Real Gross Domestic Product in Nigeria.

From Table 4.6, ECTR has a coefficient of 0.100798 with p-value = 0.0000. Since $p < 0.05$, we reject the null hypothesis. Therefore, the effective Company Income Tax rate has a significant impact on Real Gross Domestic Product in Nigeria.

Hypothesis Two

H02: The effective Petroleum Profits Tax rate does not bear significantly on Real Gross Domestic Product in Nigeria.

From Table 4.6, EPPT has a coefficient of 0.001848 with p-value = 0.6314. Since $p > 0.05$, we accept the null hypothesis. Therefore, the effective Petroleum Profits Tax rate has no significant impact on Real Gross Domestic Product in Nigeria.

4.8 Diagnostic Tests

Table 4.7: Diagnostic Test for ARDL

Test F-Statistic Prob

Breusch-Godfrey Serial Correlation LM Test 3.273715 0.0661

Breusch-Pagan-Godfrey Heteroskedasticity Test 0.196702 0.9733

Source: Research Computation 2025

The Breusch-Godfrey test shows no significant serial correlation at 5% level. The Breusch-Pagan-Godfrey test confirms homoskedasticity. The CUSUM test further

shows that model parameters are stable over the study period. These results indicate that the ARDL model is reliable for inference.

4.9 Discussion of Findings

Objective One: Effect of Effective Company Income Tax on RGDP
The ARDL result shows that effective Company Income Tax has a positive and statistically significant impact on RGDP ($\beta = 0.100798$, $p = 0.0000$). This implies that increases in corporate tax revenue contribute to economic growth, possibly through improved government revenue for infrastructure and public investment. The finding aligns with Omar et al. (2021) and Joseph et al. (2023) who reported a positive relationship between CIT and GDP.

Objective Two: Effect of Effective Petroleum Profits Tax on RGDP
The result shows that effective Petroleum Profits Tax has a positive but statistically insignificant impact on RGDP ($\beta = 0.001848$, $p = 0.6314$). This suggests that changes in PPT do not translate into significant long-run growth, likely due to oil price volatility, production disruptions, and the capital-intensive nature of the sector. The finding agrees with Adekunle (2021) and Pibowei & Marei (2021) who reported an insignificant effect of PPT on growth.

5.0. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion and Recommendations

This study examined the effect of corporate tax policy on economic growth in Nigeria using annual time series data and the Autoregressive Distributed Lag (ARDL) technique. Specifically, the study investigated the effects of the effective Company Income Tax Rate (ECTR) and the effective Petroleum Profits Tax Rate (EPPTR) on Real Gross Domestic Product (RGDP).

The findings revealed the existence of a long-run relationship between corporate tax measures and economic growth in Nigeria. The results further showed that the effective Company Income Tax Rate exerted a positive but statistically insignificant effect on economic growth in both the short run and long run. In contrast, the effective Petroleum Profits Tax Rate exerted a negative and statistically significant effect on economic growth in the short run, while its long-run effect remained negative but statistically insignificant.

The study therefore concludes that corporate tax instruments have mixed effects on economic growth in Nigeria. While company income tax appears to support economic growth, its contribution was not statistically significant. Conversely, increases in the effective petroleum profits tax rate may constrain economic growth in the short run, although the adverse effect is not sustained in the long run. This may reflect the volatile nature of oil revenues, production disruptions, and external shocks that limit the growth-transmission capacity of petroleum taxation.

Based on the findings of the study, the following recommendations are made:
i. Strengthen CIT Administration and Productivity Linkages*: The government should improve the administration, transparency and utilization of Company

Income Tax revenue to ensure that proceeds are efficiently channeled into productive sectors such as infrastructure, manufacturing and SMEs that can stimulate sustainable economic growth.

ii. Enhance Predictability of Corporate Tax Policy*: Policymakers should maintain a stable, credible and predictable CIT regime. Frequent changes in rates and incentives create uncertainty for businesses. A stable CIT environment will encourage investment, firm expansion and ultimately improve the growth contribution of corporate taxation.

iii. Reform PPT to Focus on Governance and Stability: Since the effective Petroleum Profits Tax rate has an insignificant long-run effect on growth, reforms should focus less on rate increases and more on governance, transparency, reduction of leakages, and stability in the oil sector. This will ensure that petroleum revenue contributes more reliably to national development.

iv. Diversify Revenue Dependence Away from Oil: Given the volatility and weak growth linkage of PPT, government should intensify efforts to broaden the non-oil tax base. This will reduce fiscal vulnerability to oil price shocks and ensure that growth is driven by more stable sources of revenue.

v. Improve Tax Compliance and Broaden the Base: Rather than relying solely on higher tax rates, government should expand the formal tax net, improve compliance through digitalization and taxpayer education, and reduce the cost of doing business. This will enhance revenue mobilization from CIT without imposing excessive burdens on firms.

In essence, a growth-compatible corporate tax framework for Nigeria should prioritize efficiency, equity and stability in CIT, while treating PPT reforms as a matter of sector governance rather than a direct growth instrument.

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Appendix A

Year	Petroleum Profits Tax (PPT)	Value Added Tax (VAT)	Withholding Tax (WHT)	Capital Gains Tax (CGT)	Total FIRS Revenue
2000	₦358.3 B	₦58.5 B	₦42.1 B	₦0.3 B	₦455.1 B
2001	₦432.1 B	₦91.8 B	₦55.4 B	₦0.5 B	₦579.3 B
2002	₦392.2 B	₦108.6 B	₦61.2 B	₦0.7 B	₦562.0 B
2003	₦486.1 B	₦136.4 B	₦77.5 B	₦1.1 B	₦700.0 B
2004	₦795.6 B	₦163.3 B	₦91.3 B	₦1.5 B	₦1.05 T
2005	₦1.33 T	₦178.1 B	₦98.4 B	₦1.9 B	₦1.60 T
2006	₦1.31 T	₦232.7 B	₦124.6 B	₦2.6 B	₦1.67 T
2007	₦1.15 T	₦312.6 B	₦156.2 B	₦3.8 B	₦1.62 T
2008	₦2.13 T	₦401.7 B	₦205.1 B	₦5.2 B	₦2.74 T
2009	₦1.11 T	₦481.4 B	₦192.5 B	₦4.4 B	₦1.78 T
2010	₦1.48 T	₦564.9 B	₦215.3 B	₦5.8 B	₦2.84 T
2011	₦3.07 T	₦659.2 B	₦290.4 B	₦7.1 B	₦4.02 T
2012	₦3.20 T	₦710.2 B	₦325.1 B	₦8.4 B	₦5.01 T
2013	₦2.67 T	₦802.7 B	₦312.4 B	₦9.6 B	₦4.81 T
2014	₦2.45 T	₦802.9 B	₦451.0 B	₦11.2 B	₦4.71 T
2015	₦1.29 T	₦767.3 B	₦344.2 B	₦9.2 B	₦3.74 T
2016	₦1.16 T	₦828.2 B	₦310.5 B	₦8.8 B	₦3.31 T
2017	₦1.52 T	₦972.3 B	₦450.4 B	₦13.4 B	₦4.03 T
2018	₦2.47 T	₦1.11 T	₦620.3 B	₦18.5 B	₦5.32 T
2019	₦1.90 T	₦1.17 T	₦595.6 B	₦21.0 B	₦5.26 T
2020	₦1.52 T	₦1.53 T	₦690.4 B	₦24.5 B	₦4.95 T
2021	₦2.01 T	₦2.07 T	₦810.2 B	₦31.2 B	₦6.40 T
2022	₦4.20 T	₦2.51 T	₦980.5 B	₦46.0 B	₦10.10 T
2023	₦3.17 T	₦3.64 T	₦1.15 T	₦59.1 B	₦12.37 T
2024	₦5.76 T	₦6.72 T	₦1.85 T	₦52.0 B	₦21.60 T
2000	₦358.3 B	₦58.5 B	₦42.1 B	₦0.3 B	₦455.1 B

1.Nigeria Tax Revenue Series (2000–2024)

The data below is primarily sourced from the **Federal Inland Revenue Service (FIRS/NRS)** and the **National Bureau of Statistics (NBS)**.

Appendix B

Year	PPT Assessable Profit (Oil Base)	VAT Taxable Turnover (Consumpt. Base)	WHT Gross Contract Value (Base)	CGT Taxable Asset Gains (Base)
2000	₦0.42T	₦1.17T	₦0.84T	₦0.003T
2001	₦0.51T	₦1.84T	₦1.11T	₦0.005T
2002	₦0.46T	₦2.17T	₦1.22T	₦0.007T
2003	₦0.57T	₦2.73T	₦1.55T	₦0.011T
2004	₦0.94T	₦3.27T	₦1.83T	₦0.015T
2005	₦1.56T	₦3.56T	₦1.97T	₦0.019T
2006	₦1.54T	₦4.65T	₦2.49T	₦0.026T
2007	₦1.35T	₦6.25T	₦3.12T	₦0.038T
2008	₦2.51T	₦8.03T	₦4.10T	₦0.052T
2009	₦1.31T	₦9.63T	₦3.85T	₦0.044T
2010	₦1.74T	₦11.30T	₦4.31T	₦0.058T
2011	₦3.61T	₦13.18T	₦5.81T	₦0.071T
2012	₦3.76T	₦14.20T	₦6.50T	₦0.084T
2013	₦3.14T	₦16.05T	₦6.25T	₦0.096T
2014	₦2.88T	₦16.06T	₦9.02T	₦0.112T
2015	₦1.52T	₦15.35T	₦6.88T	₦0.092T
2016	₦1.36T	₦16.56T	₦6.21T	₦0.088T
2017	₦1.79T	₦19.45T	₦9.01T	₦0.134T
2018	₦2.91T	₦22.20T	₦12.41T	₦0.185T
2019	₦2.24T	₦23.40T	₦11.91T	₦0.210T
2020	₦2.03T	₦20.40T	₦13.81T	₦0.245T
2021	₦2.68T	₦27.60T	₦16.20T	₦0.312T
2022	₦5.60T	₦33.47T	₦19.61T	₦0.460T
2023	₦4.23T	₦48.53T	₦23.00T	₦0.591T
2024	₦7.68T	₦89.60T	₦37.00T	₦2.760T

Nigeria Taxable Assessable Base: 2000–2024 (Trillions ₦)

Direct Data Sources

These taxable bases are derived from the official collection reports of the following institutions

- **Federal Inland Revenue Service (FIRS) / Nigeria Revenue Service (NRS):** Primary source for annual tax revenue collections used for back-calculation.
- **National Bureau of Statistics (NBS):** Quarterly reports on the **Sectoral Distribution of VAT** and **Gross Domestic Product (GDP)** at current basic prices.
- [Central Bank of Nigeria \(CBN\)](#): Annual Economic Reports and **Public Finance Statistics** found in the Statistical Bulletins.

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