Fiscal Regime Performance: Role of Tax Administration in Nigeria

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Abstract

This study is a descriptive analysis that examined whether various tax systems and administration have stabilized the revenue pattern in the process of achieving stated tax policy objectives. It examines the trend and composition of tax policy in Nigeria. Using secondary data, the study discovered that Nigerian tax revenue sources are highly unstable and largely depends on oil sector. The revenue structure largely depends on the exportation of primary commodities which has only changed from agricultural commodities to crude oil which has made the economy unsustainable. On the basis of the above, the study recommended that revenue structure should be significantly based on diversified domestic production with considerable and sustainable value addition for global competitiveness and accelerated growth and also, the tax system should be aimed at having a marginally significant but cumulative effect on permanent growth rates. In other words, a broad base tax system with effective enforcement and management should be established to garner more revenue and engender faster economic growth.

Keywords: Fiscal Regime, Tax System; Tax administration; Nigeria

Introduction

Generally, the objectives of taxation in any developing economy like Nigeria are primarily to provide government with stable resources in order to carry out her functions to promoting fairness and distributive equity, stabilizing the economy, and serving the needs of the people; correct market failure or imperfection and thereby foster sustainable economic growth and development. The various tax policy reforms in Nigeria over the years which are either ad-hoc or otherwise have been based on a number of objectives. In the 1980s for instance, tax policies were developed to effectively protect indigenous industries, encourage greater use of indigenous raw materials, increase the value added of indigenous produced goods, encourage greater geographical distribution of local manufacturing activities, and increase government revenue. But in 1990s, these policies were focused on non-oil taxation purposely to improve taxation's transparency, predictability, and emphasis on spending rather than income in order to lessen the distortions it causes in private savings and investments. The tax policies provide flexibility to maintain development investment even with the changes in oil revenue by broadening the statutory base for taxation and its effective coverage. However, the tax system needs to be upgraded and integrated in order to more fairly distribute the cost of taxing across a variety of goods and services, since this would establish the foundation for sustainable growth of the revenue and flexible fiscal management. (Olopoenia and Aminu, 2006).

Given the recent political and structural changes that have occurred in the country, tax policy in Nigeria has been reviewed and revised continuously over the years. Sanni (2005) have categorized the tax policy reform attempts by the Nigerian government into four phases. The establishment of Federal Inland Revenue Services in 2007 is one of the achievements of the reform, dissected tax policy reform efforts into two time periods which are Pre-2002 Tax Policy Reforms Efforts and Post-2002 Tax Policy Reforms Efforts. The motive of this research work is to identify whether or not various tax systems and administrations cum tax reform efforts in Nigeria at one time or the other have stabilized the pattern of revenue in the process of achieving the stated objectives of tax policy in Nigeria. This is with a view to analyzing the tax compositions in Nigeria. Before the critical examination of this question, it is important to briefly describe various tax reforms that have implemented in Nigeria.

Overview of Tax Administration in Nigeria

Since the tax system in Nigerian is unbalanced and heavily dependent on oil tax revenue, creating an efficient and effective tax system will be extremely difficult. The oil boom that came into existence in 1970s resulted into a total shift from agrarian economy to over dependent on oil sector at the expense of non-oil sector which has resulted into limited supply of raw materials to manufacturing sector. Instead of diversifying the existing revenue base by developing manufacturing sector and others, fiscal arrangement has merely shifted from one primary product-base revenue to another.

Considering the country's most recent political and structure changes, tax policy in Nigeria has been reviewed and revised continuously over the years. Tax reform, is basically regarded as actions performed by the Nigerian government to advance the tax system. Therefore, tax reforms experience in Nigeria comprises series of tax policy actions carried out by the government from 1960 up to the recent tax reforms. The Task Force on Tax Administration of 1978 was the first, followed by the 1991 Study Group on the Nigerian Tax System and Administration. The 1992 Study Group on Indirect Taxation was the third, and the 2002 Study Groups on the Nigerian Tax System was the fourth. Moreover, four of its recommendations were approved and became law on 16th of April, 2007 by the then President O. Obasanjo after the critical examination of 2003 working group.

The emergence of different study groups represents the spinning point in the tax administration and policy in Nigeria. FIRS as the operational arm of Federal Board of Inland Revenue (FBIR) was recommended and established by the Study Group on Tax System and Administration and Study Groups on Indirect Taxation in 1991 and 1992 respectively as well as Setting up of Revenue Services at the other tiers of government (State and Local Governments) and a policy shift from direct to indirect/consumption tax which led to the introduction of Value Added Tax (VAT) on 1st of January 1994 under Decree 102 of 103 during the period of General Sanni Abacha as the Military Head of State to replace sales tax which had been in operation under the Federal Government Legislative Decree No 7 of 1986 but in operation on the basis of residence. VAT Decree which had been amended more than 12 times and the most recent was the act of 2007 on Value Added Tax Amendment which was imposed on virtually all goods and services. The main purpose of introducing VAT is not only to serve as a means of avoiding taking loans from international agencies but also to replace the Retail Sales Tax (RST) which had been grappling with series of problems notably a narrow base, low revenue yield, and collection difficulty. The seller pays the government the value of the VAT earned on sales less the VAT they have paid on input costs. In the same vein, the consumer pays VAT on purchases in addition to the regular prices. A sum of N8.194 million which was 36.5% higher than the projections made was generated from VAT in 1994 and as a result of this contribution; it made VAT to become a formidable revenue source to the government.

Since 1994, VAT proceeds have been on the increase and presently, the third generator of revenue for the government after Petroleum Profit Tax (PPT) and Company Income Tax (CIT). In 2005 and 2006 for example, a total of N1.7 trillion and N1.8 trillion were raised from different taxes including the Petroleum Profit Tax and Educational Tax with VAT contributing 11.10% and 12.53% respectively. In 2007, Federal Inland Revenue Services whose its establishment is one of the achievements of the reforms, dissected tax policy reform efforts into two time periods which are Pre 2002 Tax Policy Reforms Efforts and Post 2002 Tax Policy Reforms Efforts.

Pre 2002 Tax Policy Reforms Efforts

The first effort made by the government was the setting up of Task Force on Tax Administration and this was headed by Alhaji Shehu Musa in 1978 (as noted in Joint Tax Board meeting in 2005). This was with a view to proffer solution to the problems facing taxation in the country. This was with particular reference to low contribution of tax revenue (especially non oil tax) to both total revenue and GDP which has been resulted into fiscal deficit. This problem was then traced to high level of tax evasion/avoidance; weak or incapacitated tax administration among others. The successes mentioned by this task group included the establishment of the withholding tax regime, the enforcement of a 10% special charge on banks' surplus earnings, and the application of a 2.5% turnover tax to the building and construction industry (Sanni, 2005).

Two study groups were also established by the Central Government in 1991 and 1992 respectively. The goal of the 1991 study group on Nigerian tax administration was to examine the country’s tax system since its independence, the different changes that have occurred since then, and determine whether it has improved or not in light of the country’s political and economic progress. (Anyanwu, 2007). The 1992 Study Group in its own case was established to assess the current indirect taxation in Nigeria with a view to: shifting taxation towards consumption; reducing independence on oil and providing incentives for export production. These study groups were credited with major landmark achievements. Among major achievements during the period were the establishments of the Federal Inland Revenue Service (FIRS) as the operational arm of Federal Board of Inland Revenue (FBIR) at the three tiers of government and the introduction of indirect/consumption tax i.e. Value Added Tax (VAT) which encouraged a policy shift from direct taxation to indirect/consumption taxation. It was indeed a major achievement in the sense that it replaced retail sales tax which was narrow based and difficult to collect. Since then, VAT has become a major source of revenue for the government.

Post-2002 Tax Policy Reforms Efforts

This comprises of the 2002 and 2003 Study Groups and the 2004 working group on the Nigerian Tax System. These study groups were set up to achieve a number of goals. First, to proffer means whereby tax administration efficiency can be improved; Second, to stimulate the non-oil sector of the economy; third, to reduce tax rate and simplify tax regime; fourth, to reduce tax incentives that is eliminating those that are unnecessary; fifth, to have a more equitable tax system by redistributing income and lastly, to develop a tax policy for Nigeria. In addition to all these, the study groups were also set up to take a critical look at the existing tax laws, specifically the inherent lapses and proffer ways and means of enhancing the tax system through feasible recommendations. Their terms of reference were broader in scope than the earlier tax policy reforms in that it also covered the review of the whole gamut of taxes (both direct and indirect taxes) at Federal, State and Local Government levels respectively.

The 2004 working group was fundamentally set up to look into the issues covered by the Study Group's report of 2003 and to analyze the suggestions made by the previous study groups and propose prioritized set of strategies whose implementation would give significant effects and meaningful contribution to the operations of the Nigerian tax system. Among its recommendations is that Nigeria adopted a national tax code with 24 clauses, compile lists of taxpayers who are both persons and businesses, and provide smart tax identity cards to all taxpayers. The highest income rate should be 20%, the personal income tax threshold should be increased to N200 000, and the free personal income tax allowances should be combined into a single bulk of 40% of assessable income; restricting the use of special tax advantages, such as tax vacations and import duty reductions, to only rural-based businesses, export-only industries, firms engaged in the extraction of solid minerals, and oil and gas operations; a corporation must turn a profit before becoming subject to companies' income tax in any assessment year; a 20% rate instead of the existing 30% rate for companies' income tax; Companies with annual revenue of N50,000 or less must now effect the payment of corporate income tax to the state in which they do business; and prompt constitutional revisions to confirm the legitimacy of Value Added Tax (VAT), which must be distributed among states once 3% of its national administration costs have been subtracted.

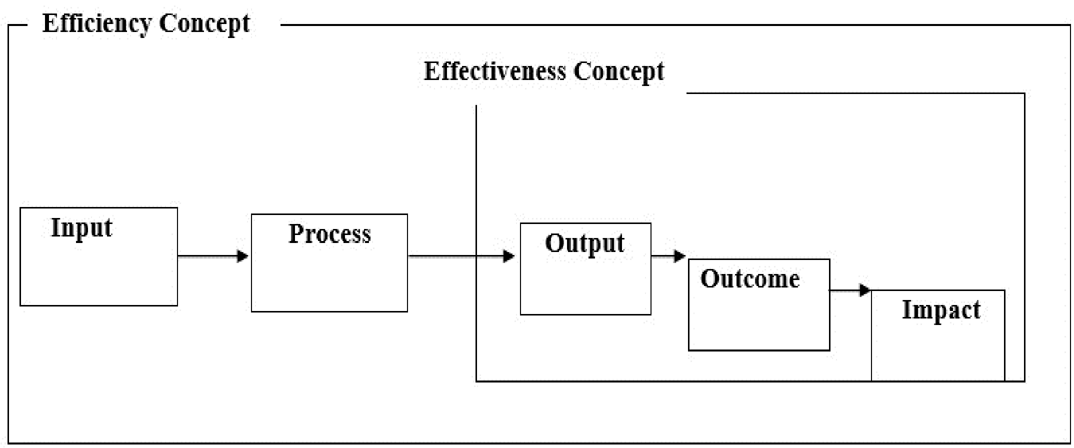
However, in 2005, four (4) Tax Bills were passed out of the eight (8) Tax Bills sent to the both houses of Senate and Representative, namely; The National Automotive Council Act, the Companies Income Tax Act, the Petroleum Profit Tax, and the Bill for an Act to Establish the FIRS as an Autonomous Service are all parts of the same bill. However, these were made laws on April 16, 2007. It is vital to take a quick look at the requirements for successful tax administration in order to evaluate the efficacy and efficiency of the tax system. This is so that taxation can function effectively and honestly, which depends on more than just having the right rules in place (Kaldor, 1970). Any tax must be appropriate to the economic, governmental, and cultural institutions of the jurisdiction where it is being levied in order to be efficiently administered.

The Concept of Performance, Effectiveness and Efficiency

According to Richard (2009), the concept of organisational performance embraces three areas of firm outcomes: (a) financial performance usually proxied by profits, return on assets, return on equity (b) product market performance represented by sales, market share and (c) shareholder return captured by total return of the shareholder, economic value added. Hence, performance relation with the firm seems to be operationalised, conceptualised and measured in different ways thus making cross-comparison difficult.

The most important proxies to measure performance in organisation are effectiveness and efficiency (Bound et. al. 2005; Robbins, 2000). Though the two terms look synonymous but according to

Mouzas (2006), each of these terms possesses their own unique meaning. Most of the organisation assessed their performance in terms of effectiveness. Two indicators to assess the performance as noted in the literature: the efficiency and effectiveness. The findings from literatures showed that data on efficiency is different compared to effectiveness. Effectiveness oriented firms lay emphasis on sales, output, cost reduction, creation of value added, quality cost reduction and innovation. Effectiveness measures the extent to which a company or firm realises its objective or the way outputs relates with the economic and social environment. Usually policy objectives are determined by effectiveness of the organization or the extent to which an organization realizes its own goals (Zheng, 2010).



Source: Frey and Widmer (2009) Modified

Figure 1: Effectiveness and Effective Concepts

Contrarily, efficiency measures the potency of input to output conversion or the relationship between them (Low, 2000). Less inputs are needed to create an output, which enhances efficiency. The management has to ensure enough success in both areas since effectiveness and efficiency are mutually exclusive and affect one another. It has been noted in the earlier studies that Return on Asset (ROA) is the greatest measure of a company's overall profitability since it reveals how effective an organization's or firm's assets are at generating income.

Total asset turnover ratio may be seen as a measure of efficiency since it shows how well a firm uses its assets to create revenue. Profit margin ratios can be used to evaluate a company's pricing strategy and its ability to control expenses. It may also be used as a tool for benchmarking. Total performance is estimated by adding efficiency and effectiveness together. Allocating resources to different uses is the key to efficiency (Kumar and Gulati, 2010) as shown in the Figure 2.1. Notably that efficiency does not mean that the firm is making extraordinary market performance, even if there is operational excellence in the source of utilization process.

Effective yet Inefficient organization

Organizations can be properly managed; nevertheless, if operational management is poor, the entity will work inefficiently (Karlaftis, 2004). An inefficient and unproductive company will fail at a high cost. There is no suitable resource allocation policy in place in such instances, and there is no company vision for the future. If the company manages its resources properly but fails to meet its long-term goals, it will go bankrupt eventually. This strategy is cheap, but it is unoriginal and offers little value. Management lacks a defined customer-oriented mindset, resulting into an overemphasis on efficiency. A corporation of this kind goes to great measures to implement a tight resource allocation policy, which translates into strict staff cost management, training cost reduction, and removal. These actions have a negative impact on organizational morale, a high percentage of worker turnover, and consumer satisfaction. An organization that is efficient yet ineffective cannot compete and will eventually go bankrupt. In both cases, inefficient-ineffective and efficient-ineffective, such an organization is doomed. As a result, without an effectiveness policy, an organization cannot survive.

Table 1: The Characteristics of effectiveness and efficiency

	Effective	**Ineffective**
Efficient	Succeeds at minimum cost. The company thrives.	Cost under control but fails to succeed. The company is bankrupting slowly.
Inefficient	Succeeds at a high cost. The company exists.	An expensive failure. The company is bankrupting fast.

Source: Zokaei (2006)

Even if a corporation is inefficient yet effective, the expense of operational management, processes, and input will be prohibitively expensive since inefficient companies lack adequate resource allocation management. They may break even or earn a small profit. As a result, inefficient-effective firms should revaluate how they distribute their resources. Morale is frequently high in such companies. Delicate changes introduced into processes in a discrete way should result in increased efficiency, allowing the business to get the required competitive edge. High performance entities are organizations that are extremely effective and efficient. They exhibit proficiency in both their operations and strategic planning. Their results are fruitful, cost management is under check, and jobs are allocated and finished on time. Such firms often have great personnel dedication and morale, which also produces the finest quality outputs. Employees are completely aware of the duties that have been assigned to them, as well as the metrics that are used to gauge their performance. Their actions and attitudes align with the long-term objectives and vision of the firm.

There have been many obstacles to the manufacturing firms' growth in Nigeria, including the problem of ineffective economic policies and corruption (Gbosi, 2007); inappropriate and ineffective policies (Anyanwu, 2007); gross mismanagement and misappropriations of public funds (Okemini and Uranta, 2008), and others.

Empirical Evidence

Existing studies have shown different means by which the taxation can affect generally economic growth rates generally and manufacturing sector in particular. This section summarizes these effects by focusing in turn on particular subsets of this literature. For example, the selected empirical studies from developing and developed countries are thus analysed as follows.

Empirical Evidence from Developed and Developing Countries

Kustepeli and Bilman (2008) investigated the long-term association between taxation and growth rate in Turkey from 1975 to 2004. Their empirical findings demonstrate that growth rate reduces over time when overall taxation/GDP and foreign trade tax/GDP increase. This link was tested using time series analysis and the Engle-Granger cointegration technique. While there is no evidence of a long-term link between the ratio of services tax to GDP and growth rate, there is an inverse association between non-distortionary taxes and growth. That is, the income taxes/GDP rises as the economy expands. Gemmell, Kneller and Sanz (2011) analyze the persistence and timing of fiscal policy effects on Growth in 17 OECDs from 1970 to 2004. They discovered that long-term economic development is most negatively impacted by income and profit taxes, followed by deficit taxes and then consumption taxes. Arnold (2011) examined the effects of tax policy on economic growth and recovery in 21 OECD nations between 1971 and 2004. According to the findings, taxes on corporate profits are the most detrimental, followed by taxes on individual income, consumption, and property. Personal income taxes impede growth. if income tax revenues were switched to consumption and property taxes, the GDP per capital would rise by 0.25 to 1 percent. Corporate taxes, including the statutory rate and the depreciation allowance, slow down the development of investment and productivity. In the study of Mertens and Ravn (2012) on the personal and corporate income tax changes in the United States, discovered that a 1% reduction in the average personal income tax rate increases real GDP per capital by 1.4% in the first quarter and by up to 1.8% after three quarters, while a 1% reduction in the average corporate income tax rate increases GDP per capital by 0.4% in the first quarter and 0.6% after a year.

Empirical Evidence from Nigeria

Abiola (2005) examines the long run relationships between tax management and revenue from tax as well as to determine whether the direct and indirect types of taxation are buoyant and elastic in Nigeria for the period of 1970 to 1998. He used descriptive and error correction model techniques and found that taxes in Nigeria were neither buoyant nor elastic. His result also showed that Total Tax Revenue, Direct Taxes, Indirect Taxes, GDP and public recurrent expenditure had long run relationship while the direct and indirect taxes lagged by one had short run relationship with the Total Revenue. In order to evaluate previous tax policy reforms on the basis of their welfare impact and to suggest tax policy reforms to address the fiscal problem (loss of import duties' revenue) that will result from trade liberalization carried out through the reduction in import tariffs, Olopoenia and Aminu (2006) explore a number of revenue-neutral tax policy reform options for Nigeria. The reported results somewhat imply that some tax policy changes made during the 1998–1999 era cannot be characterized as welfare-improving. Their research reveals that while value-added tax

(VAT) makes up the revenue gap, families and the economy as a whole benefit more from a single tariff decrease of no more than 10%. Adeoye (2006) analyses the impact of fiscal instrument in Nigeria. The study employed time series data from 1970 to 2002 and OLS method for model estimation. His findings reveal that fiscal deficit and custom and excise duties have negative growth impact while company income tax has positive effects on growth. In another study, he examines the effect of macroeconomic policies on tax in Nigeria using yearly data from 1970 to 2003. His methodology extends on the tax model developed by Heller (1975) and Ghura (2002) and also expands on Leuthold (1991) applied tax model. He shows in his findings that inflation, real effective exchange rate are statistically significant and negatively related to tax-GDP ratio while the effect of public spending on economic and social services is positive and significant.

Odusola (2006) looks at tax policy improvements in Nigeria and discovers that the country's tax system is characterized by too complicated, unfair, and distorting tax rules that only have a small impact on the non-formal sector, which accounts for the majority of the economy. The low revenue return, contempt for the real federalist concept, pervasive institutional and managerial issues at sub-national levels, poor tax assessment, corrupt procedures, and the proliferation of many taxes, according to him, are among the other issues with taxation. He stated that one of the biggest issues the tax system as it relates with Nigeria is the need for the tax authorities to not only construct but also make use of institutional and human capacity, money, and logistics as well as identify ways to combat tax evasion, increased voluntary compliance, rapid legal decision-making, and fraud revenue collection. He said that the tax system should create personnel who are highly compensated, well-motivated, appropriately organized, suitably equipped, well-disciplined, and professionally minded if it is to be efficient and successful. According to him, the system must follow plain, unambiguous tax regulations, and assessment and collection processes must be easy to understand, open to the public, and client friendly. According to him, Nigeria has to establish special tax tribunals and train specific tax judges. It also needs to make sure that paying taxes is as inexpensive as possible and embrace the mindset that the taxpayer is king.

Omitogun and Ayinla (2007) conducted an empirical analysis to determine if Nigeria's fiscal policy factors and economic growth are related. The OLS technique is used to estimate the Solow growth model in this work. It was found that Nigeria's fiscal strategy has not been successful in fostering long-term economic growth. This result contradicted Keynesian theory, which is based on the idea that active policy is required to maintain growth. There is a study vacuum about the elements that might undermine the fiscal policy efficacy.

Ogbola, Sonny, and Isaac (2011) compared the effects of fiscal instruments on the economic activity in Nigeria under regulatory and deregulatory periods. Cointegration approach was used in the study as econometric techniques. The research shows the that efficiency of fiscal instrument factors in elevating growth before and after regulation varies. They suggest that in order to boost the growth of GDP, fiscal policy should re-focused and directed towards spending on the creation of goods and services. In order to examine the fiscal policy effects on Nigerian economic development from 1970 to 2009, Peter and Simeon (2011) used VAR and ECM approaches. The study demonstrated a long-term association between fiscal policy factors and Nigerian growth. However, the analysis did not account for additional factors like interest rates and currency rates in defining fiscal policy and how it affects the expansion of the Nigerian economy.

Ogbonna and Ebimobowei (2012) investigate how tax revisions affected Nigeria's economic expansion from 1994 to 2009. Using pertinent descriptive statistics and econometric models including the Augmented Dickey Fuller test, Johansen test, and Granger Causality test, the data gathered were analyzed. According to the findings of these many tests, tax reforms both favorably and significantly affect and contribute to economic development. Based on these results, the research came to the conclusion that tax reform strengthens the government's revenue-generating apparatus to carry out socially desired expenditures that will result in economic growth in real output and per capital basis. However, the study concluded that tax reform processes would not result in sustainable economic growth unless outdated tax laws and rates were reviewed in light of macroeconomic goals, there was an effective tax administration system free from corruption and staffed by competent individuals, and government officials were held accountable and transparent in their handling of tax revenue.

Analysis of the Composition of Nigerian Tax Revenue

The composition of Nigerian tax revenue between 1970 and 2020, and when applicable, was examined in this study. According to the report, non-oil sources accounted for more than 60% of government revenue in the early 1970s. Further analysis of this non-oil revenue revealed that taxes on agricultural products including cocoa, palm oil, groundnuts, cotton, and rubber make up a larger share of overall government revenue than previously thought. This is explained by the ratio of excise and customs duties, which decreased from 58.4% to 30.4% from 1970 to 1973, respectively. However, the fall in indirect tax, which is explained by the decline in non-oil income, notably custom and excise taxes, has been caused by the elimination of export tax from the list of non-oil revenue as a result of a decline in the exportation of agricultural goods. From 11.0 percent of total income in 1974 to 4.2 percent in 2011, custom and excise taxes have decreased as a percentage of overall revenue.

The relative and cyclical drop in customs and excise duties, and thus indirect taxes, was offset by the growing importance of petroleum profit tax (PPT), which emerged as a dominant tax source in 1974. This is due to a rise in oil revenue from 26.3 percent in 1970 to 81.1 percent in 1980, reflecting the oil booms of 1973/74 and 1979/80. Following that, it ranged between 64.4 percent in 1981 and 89 percent in 2007, then dropped to 66 percent in 2010 before rising somewhat in 2011 until 2015, when it sank to its lowest level in history. PPT's proportionate contribution significantly increased from 15.4% in 1970 to 56.2% in 1980 before declining from 47.6% in 1981 to 28.0 in 2007. The changing worldwide oil price, Nigeria's weak tax administration, and the migration of royalties and other oil-related gains into non-tax income categories all contributed to PPT's steady decrease in the 1980s (Odusola, 2006). As a result, the oil industry accounted for nearly all of the money earned by non-tax businesses.

Due to the disproportionate amount of oil revenue, the implementation of Value Added Tax (VAT) in 1994 had little impact on the situation. In terms of tax revenue vs non-tax revenue, direct tax's percentage share increased from 22.63 to 51.26 percent between 1970 and 1985, respectively.

During the same time span, indirect tax decreased from 58.36 to 14.50 percent. The percentage of non-tax revenue in total revenue increased from 20% in 1970 to 73% in 1985, then again to 86% and 89.6% in 1992 and 2007, respectively, before declining to 66.6% in 2010 and then gradually increasing until 2020. However, from 1986 to 2011, the percentage shares of direct and indirect taxes decreased but varied.

According to estimates, the tax burden on the federal level is comparatively inconsistent and varied. After the oil boom of the late 1970s, it increased from 16.0 to 17.2 percent in 1970 to 1974 to 1975 to 1979. While in succeeding years, its percentage decreased to 15.9% and 11.2 percent, respectively, in 1980-84 and 1985-89. However, it marginally increased to 12.3% in 1990–1994 and then decreased to 9.2% in 1995–1999 before rising again to 13.1% and 14.7% in 2000–2004 and 2005–2011, respectively. The behavior of the tax mix is similar to that of the tax burden, which has changed through time.

Findings and Recommendation

After examining trend and composition of tax revenue and descriptive analysis of tax burden and tax mix which are the tax reform variables to show the pattern of tax policy implemented in Nigeria, the result showed that the sources of tax revenue in Nigeria are highly unstable and largely dependent on oil sector and foreign activity. It was evidenced that the revenue structure has come mainly from the export of primary commodities which has only changed from agricultural commodities to crude oil. Government and tax revenue in Nigeria are not sustainable because of heavy rely on the oil revenue thus subjecting the nation to a single product economy. The result revealed that since the early 1990s revenue pattern has been highly dominated by Petroleum Profit Tax followed by Custom and Excise Duty and then Company Income Tax. However, the study discovered that after 2006, the pattern revealed that Corporate Tax or Company Income Tax was generating more revenue followed by VAT and then Custom and Excise Duty in Nigeria. In addition, the study revealed that the imports of various tax reforms implemented have been far from being stable. The instability of the tax mix is a function of change in government policy in relation to tax composition which would have pervasive effects on the performance of the both private and public sectors in Nigeria. Likewise, the pattern of the tax burden exhibits relatively the same pattern with that of tax mix. It is unstable because the economy is highly depending on crude oil whose price is exogenously determined.

Based on these findings above, the following suggestions are made: the revenue structure should be significantly based on diversified domestic production with considerable and sustainable value addition for global competitiveness and accelerated economic growth; the tax system should be designed in such a way that it would be modest and cumulatively important in influencing long-term growth. In other words, a tax structure that has broad base with administrative efficient and enforcement should be established to garner more revenue and engender faster economic growth.

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