TAX AMNESTY AND ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract: *This study investigated the impact of the recent tax amnesty programme implemented by the Nigerian Government, on the country's economic development using quarterly data from Q1 of 1995 to Q4 of 2018 obtained from the Central Bank of Nigeria database and the World Bank development indicators. Autoregressive Distributive Lag (ARDL) framework was applied for the data analysis and the result showed that the Tax amnesty program which was implemented between July 2017 and June 2018 has no significant impact on nominal GDP per capita which served as proxy for economic development. However, while company income tax showed no significant impact on nominal GDP per capita, the effects of both custom and excise duties and value added tax extend beyond the current period because value added tax has a negative total effect on nominal GDP per capita whereas the total effect of custom and excise duties is positive. Based on these findings, this study concludes that custom and excise duties significantly influence Nigeria GDP per capita because of the strategy of their implementation and collection while company income tax and VAT do not. In view of the foregoing conclusion, this study recommends that a future tax amnesty program should not be undertaken by the government until it had addressed the critical issues of lack of sufficient data, capacity constraints, inadequate advocacy for tax payment consciousness, corrupt tax officials and lack of political will. The government is also advised not to effect any increase in VAT, but could increase the customs and excise duties because of their respective economic advantage and positive effects on per capita income.*

Keywords: Tax Amnesty and Economic Development.

INTRODUCTION:

The Nigerian government had over the years, depended heavily on oil revenues to fund infrastructures and other expenditures of government in order to engender economic development. While oil revenues had remained insufficient to fund the infrastructural needs, the government also falls back on non-oil revenues such as tax revenues as a way to augment the revenue from oil. Both sources had remained inadequate to fund the annual budgets in recent times, compelling the government to indulge in a continuous stream of deficit budgeting from year to year. It is believed that there are still untapped potentials to increase the tax revenue in Nigeria, but efforts to extend and expand the tax net in the past had not yielded the desired results because of the problem of tax evasion which according to Alm (1998) had compelled many governments across the world to resort to tax amnesties.

A tax amnesty is basically an opportunity given by a government to allow individuals and corporate bodies to make payment of previously unpaid taxes without being liable to payment of interests, penalties and even criminal prosecution, which normally come with a discovery of a tax evasion. Borgne and Baer (2008) defined tax amnesty as a limited-time offer by the government to a specified group of tax payers to pay a defined amount , in exchange for forgiveness of a tax liability (including interest and penalty), relating to a previous tax period (s), as well as freedom from legal prosecution. Mikesell and Ross (2012) opined that the major motive behind a tax amnesty is to generate more revenue for government, especially in periods of fiscal imbalance. Thus, in a determined attempt to improve the non-oil revenue, particularly the revenue from tax, the Nigerian government through an Executive order (Executive Order NO. 004 of 2007) in July 2017, rolled out a tax amnesty programme whose major aim was to increase the number of taxpayers in the tax net and raise more revenue for government. Specifically, it is expected to increase Nigeria's tax to GDP ratio from about 6% to between 10% and 15%, broaden the national tax base, curb tax evasion and discourage illicit financial flows. This measure was seen as a move in the right direction, especially when viewed against the backdrop of an IMF assertion that it will be difficult for any nation to achieve sustainable economic development with a tax to GDP ratio of less than 15% (PWC 2017). Therefore, the Voluntary Incomes and Assets Declaration Scheme (VAIDS) which was operationalized between July 2017 and June 2018 (Nangih et al 2018) was to encourage taxpayers who had evaded taxes in the past, to voluntarily come up with their taxable assets and income and thereby enjoy "forgiveness" of the applicable interests and penalties that may have accrued on such incomes and assets. Other attractive benefits to be derived by subscribers to the scheme according to Salami and Aruwa (2018) are:

- To be exempted from facing prosecution for tax offences committed in the last 6 years.
- To enjoy immunity from tax audit.
- To have the payment of outstanding liabilities spread over a period of 3 years, as may be agreed with the relevant tax authority.

Statement of the Problem:

The above enticing features of Voluntary Assets and Incomes Declaration Scheme (VAIDS) notwithstanding, the Nigerian government rolled out the tax amnesty because of the intractable problem of tax evasion and excessive tax avoidance, which had continued unabated over the years. Tax evasion is a major nightmare to many authorities around the world. While tax payers in other countries make efforts to pay their tax liabilities as at and when due as their legitimate civic responsibility, an average tax payer in Nigeria devises means on how to evade tax and makes every conscious effort to engage in excessive tax avoidance with the ill-conceived idea that "what is government doing for me". This problem is a food for thought for tax administrators in Nigeria.

Because of the problem of tax evasion, the government had not been able to meet its revenue targets thereby resorting to borrowing, both domestically and internationally. It is only when government is able to muster the needed funds that it can have funds to invest in infrastructures to bring about economic development. However, government inability to mobilize the needed funds through taxes is usually attributed to the problem of tax evasion. The refusal of citizens to pay these taxes appropriately by dodging and applying all illegal means and ways is what is referred to as tax evasion. Quite a number of reasons have been advanced as being accountable for tax evasion. According to Nwocha (2017), the disconnect between the government and the governed is one of the reasons why citizens evade tax. This is because there is a belief that the government does not border itself about the welfare of the citizens and does not invest in infrastructures that would be of benefit to the poor other than the rich. He argued also that the perceived inequality in the social system, especially in less developed countries like Nigeria can account for tax evasion cases. Other reasons why tax evasion had continued include lack of proper sensitization, poverty levels, poor tax administration etc. By granting the tax amnesty, the government hopes to proffer solution to the problem of tax evasion and improve the tax revenue, which can be used to fund more infrastructures. Before now, government had adopted the granting of tax incentives to help in shoring up its tax revenue. In a study by Uwaoma and Ordu (2016), it was reported that the granting of adequate tax incentives would enhance industrial growth and economic development.

This study has become expedient because studies on tax amnesty in Nigeria, particularly on VAIDS, had been quite limited. In a recent study on the implementation of VAIDS in Nigeria, Nangih, et al (2018) only examined the challenges faced by the implementation of VAIDS in Nigeria and identified issues such as insufficient data, corrupt tax officials, delays in the justice system etc as some of the challenges the implementation faced. They did not delve into the actual performance of the scheme; neither did they empirically test if the scheme made any contribution to the economic growth of Nigeria.

In this study, we examined: if the implementation of VAIDS actually accounted for an increase in the tax revenue of government as was envisaged and whether such an increase in tax revenue during the VAIDS period resulted in Nigeria economic growth. Specifically, this study has statistically determined whether an increase in the Company Income tax (CIT), Value Added Tax (VAT) and Customs and Excise Duties (CEDs) between the pre-VAIDS and VAIDS period reflected in the Economic development of the country. This is an area that had not been examined by any scholar because the adoption of VAIDS by the Nigerian Government was the first of its kind and only ended less than a year ago. The remaining parts of this article are structured as follows: The Literature review covers the theoretical framework, the conceptual framework and the empirical review; then we stated the methodology, the model and data analysis and interpretation, next are the findings, conclusion and then the recommendations of the study.

LITERATURE REVIEW

Theoretical Framework

The imposition of taxes by government is to enable her provide services that will benefit her citizens. However, realizing that some citizens make deliberate efforts to evade the payment of these taxes because of an alleged disproportionate balance between the taxes paid and the benefits received, most governments choose the granting of tax amnesty such as VAIDS to enforce compliance with the statutory obligations of individuals and corporate bodies in paying correct taxes, which had been dodged in the past. Therefore, there are many theories of taxation, which can be used to situate this study such as the equal sacrifice theory, benefit theory of taxation (Nangih et al 2018), theory of planned behavior and stakeholder theory of taxation (Nurwanah et al 2018), deterrence theory, cost of service theory, and responsive regulation theory of taxation (Igbasan 2017), but this study fits and hinges more appropriately into the Responsive Regulation Theory of Taxation and the Benefit Theory of Taxation.

The Responsive Regulation (RR) Theory

This was developed by Ayres and Braithwaite in 1992 and had been applied successfully in tax related issues in countries like Australia, Denmark and the Netherlands (Mascini and Wijk 2009). The theory of Responsive Regulation, which can also be referred to as “smart regulation” or “really responsive regulation”, had gained international recognition and adaptation. Responsive regulation when applied to taxation, helps to **explain voluntary compliance** by tax-payers to government regulations concerning taxation. It helps to identify the reasons for non-compliance and developing measures to reform the process where lapses exist (Igbasan 2017). Through responsive regulation, tax administrators are able to get responses or feedbacks from the tax community and then design specific regulations to address those concerns; thus, by granting tax amnesties, government is applying the theory of responsive regulation to address the issues of tax evasion and non-compliance with tax laws. Responsive regulation does not entail the application of force (Igbasan 2017) and is therefore a suitable theory to be applied by democratic governments. According to Braithwaite (2003), Responsive Regulation operates with five elements as follows:

4 Influencing the flow of events
5 Systematic, fairly directed and fully explained disapproval

6 Respectful treatment of regulations, assist in filling information gaps and attentive to dissenting opinions or arguments

7 Fair and firm implementation of sanctions as necessary

8 Strategies that will escalate in intensity proportionately to the absence of genuine efforts by regulators to comply with established rules and regulations. Responsive regulation in tax administration is purely a human friendly approach that strives to make taxpayers overcome the reasons for non-compliance and adopt a voluntary approach to tax payments, which is principally the modus operandi of the Voluntary Assets and Income Declaration Scheme (VAIDS).

The Benefit Theory of Taxation

This was developed by Eric Lindahl and entails a balance between the benefits received by citizens and the taxes they pay. Thus, by the declaration of a tax amnesty through VAIDS, government expects tax payers, whether corporate or individuals, to voluntarily declare their tax liabilities in relation to the benefits they derive from programmes and policies (Nangih et al 2018). According to Elmi et al (2015), by the benefit theory of taxation, citizens would voluntarily pay their taxes, but this will be in proportion to the benefits they derive from the services of government. Theoretically, this is reasonable, but practical application may have some issues.

CONCEPTUAL FRAMEWORK

The Concept of a Tax Amnesty:

Generally, a tax amnesty is not an entirely new concept as a government's tax revenue mobilization machinery; what is new however, is that the concept was only recently adopted and operationalized by the Nigerian government and called the Voluntary Assets and Income Declaration Scheme (VAIDS). Although the FIRS had in 2016 tested the implementation of a tax amnesty programme (KPMG 2017), the VAIDS launched in 2017 was indeed the first bold move by the government to give legal backing to the operations of a tax amnesty. The concept of tax amnesty had been applied by the World bank in 2006 under its Voluntary Disclosure Program (VDP) and by the United States Government in 2010 (Nangih et al 2018), under its Foreign Account Tax Compliance Act (FATCA).

Parle and Hirlinger (1986) opined that there are three basic goals why government embarks on tax amnesty programmes; the first goal being that government intends to collect outstanding tax revenues that had proved uncollectible owing to inadequacy of its tax administration infrastructure. The second reason according to them, is that government wants to improve future compliance of individuals and corporate bodies with the tax laws and the third reason being that government wants to develop a data bank of taxable citizen and expand the tax net to include those who are not easily detectable by the existing structures.

In this study, tax amnesty is conceptualized as the Independent Variable and represented by Company Income Tax (CIT), Value Added Tax (VAT) and Customs and Excise Duties (CED) as proxies.

Company Income Tax

The tax paid by corporate bodies in Nigeria, based on their income, is termed Company Income Tax (CIT). By way of a definition therefore, Company income tax (CIT) according to Ogbonna and Appah (2016) is an assessment levied by a government on the profits of all companies except those engaged in petroleum activities and is presently regulated by the Companies Income Tax Act (CITA) of 2004. CIT was introduced in Nigeria in 1961 and the Act had undergone various amendments and modifications which keep the tax rate at the rate of 30% after adjusting for non-taxable expenses as provided in the CITA.

Value Added Tax:
Value added tax, popularly called by its acronym, VAT, is a form of sales tax. It is a tax on consumption of goods and services, which is eventually borne by the final consumer (Ogbonna and Appah, 2016); this was why Omesi and Nzor (2015), called it the goods and services tax (GST). VAT in Nigeria is currently levied on a flat rate of 5% and according to Onoh (2013), it is a fair consumption tax that is levied at the point of each exchange for additional value added. In 2020, VAT rate was increased from 5% to 7.5% in order to shore up government revenue.

Customs and Excise duties;
Customs and excise duties are types of indirect taxes levied on goods. According to Manukaji (2018), customs and excise duties are two different types of taxes on goods and regulated by the Customs and Excise duties management Act (CEMA) of 1990. While custom duties are levied on goods imported into the country, excise duties are levied on goods produced in the country (Umoro and Anyiwe 2013) and the present rate of duties, which ranges between 2.5% and 100%, depends on the nature of the goods.

The Concept of Economic Development:
There appears to be no consensus on a single acceptable definition for economic development in the literature; in fact, if there is any consensus, it is that there is no one universally acceptable definition for the term: “Economic Development”. According to Amaefule (2018), economic development is a multivariate concept, which cannot be defined in a specific way. He thus defined economic development as a process whereby low-income economies are transformed into modern industrialized economies; which involves both quantitative and qualitative improvements in an economy. In defining Economic development, some scholars chose to distinguish it from economic growth. In this vein therefore, we can argue that economic development is a greater phase of economic growth. In other word, economic growth is a subset of economic development. In deed without economic development, economic growth is of little or no value. While economic growth reflects in mere increases in output in the production of goods and services and increase in population, economic development reflects in a more entrenched empowerment and freedom for the citizens of an economy. It is usually expressed by an improved quality of life for the people through the GDP, Per Capita Income, life expectancy, crime rate, inflation rate, human development index, environmental quality, etc. Thus, economic development results in increased capacities in an economy for people or organisations to realize their full potentials and contribute maximally to the advancement of society through the production of goods and services.
In this study, Economic Development is conceptualized as the Dependent or Criterion Variable and represented by Gross Domestic Product, per Capita (GDPPC) as proxy.

Gross Domestic Product.
The Gross Domestic Product (GDP) is a major indicator of economic development in an economy and had been used by many scholars (Pritzker et al 2015; Kromtit et al 2017; Ogbonna & Appah, 2017) as proxy for economic development or economic growth. GDP according to Kromtit et al (2017) is a reflection of the performance of the economy by measuring the market value of all goods and services produced in the economy over a period of time. According to them and CBN (2017), there are Nominal GDP and Real GDP; the former is GDP stated at current market prices while the latter is when the GDP is stated at the market prices of a certain base year other than the current year.

EMPIRICAL REVIEW
Being a relatively new area of study in Nigeria, it was not surprising to notice that there appears to be a paucity of literature directly related to the Nigerian experience. This is because tax amnesty as implemented through VAIDS, was introduced in 2017 through an Executive Order and lasted from July

1, 2017 to June 30, 2018. However, the review will extend beyond the Nigerian experience.

Nangih et all (2018) in their study on "Voluntary Assets and Income Declaration Scheme (VAIDS) Implementation in Nigeria: A case of an Executive Order with many faces", identified five factors which hindered the effective implementation of the scheme. In their study which made use of cross-sectional survey of 302 participants, they found out that although VAIDS is a laudable project, its implementation in Nigeria was hindered by insufficient data, capacity constraints, corrupt tax officials and the lack of political will to prosecute tax evaders.

Although tax amnesty is of recent origin in Nigeria, it is a well-established practice in other jurisdictions (Nangih et al 2018). In a study carried out in the United States of America by Parle and Hirlinger on "Evaluating the use of Tax Amnesty by States Governments", they examined the experiences of various states in the US that had implemented tax amnesty. They examined when and under what circumstances the application of tax amnesty would be most suitable (Parle & Hirlinger (1986). They adopted a survey methodology covering 13 amnesty states with their attention focused on planning, structure, performance and the politics of amnesty. In their findings and conclusion, they identified that not all the 13 states studied have fully integrated tax amnesty programmes as part of their revenue reform strategy and therefore recommended that to maximize the benefits of a tax amnesty project, it should be part of a comprehensive revenue reform strategy so that apart from the windfall that will come with the scheme, there will be an improvement in the tax compliance and collection machinery.

It was the view of Mikesell and Ross (2012) that tax amnesty had shifted its focus from its fundamental objective of improving the tax administration machinery to being more focused on mobilizing revenue for government. In their study on "Fast Money: The contribution of state tax amnesties to public revenue systems", they used regression analysis to analyse secondary data of 117 amnesty programs across states in the United States between 1981 to 2012. According to them, between 1980 and 2012, 45 states including the District of Columbia had conducted at least one tax amnesty program, with about 34 states running more than one tax amnesty programs which indeed negates the notion that a tax amnesty is a "one time opportunity" to regularize tax liabilities offered by the government (Mikesell & Rose 2012). In summarizing their study, they argued that the purpose of tax amnesties have undergone some evolutions over the years; as earlier amnesty programs were concerned with effecting administrative reforms to improve compliance and enforcement of the tax codes, while recent programs appear to lay emphasis on generating revenue for government. From the regression analysis they performed on the effects tax amnesty features such as recoveries from a tax amnesty showed that if the goal of states is to pursue revenue maximization from a tax amnesty project, then they will be compromising their existing tax administration infrastructures. Their study further established that it is preferable to implement a tax amnesty program in the third quarter of the year and keeping it open for not more than 60 days if account receivables are to be part of the amnesty relief package. However, the recoveries from a tax amnesty scheme for states with low federal audit rates and which do not operate a voluntary disclosure program. According to their (Mikesell & Rose 2012) findings, the inflow from a tax amnesty program declines as more schemes succeed one another; conversely, the evidence shows that with an extension of the period for an amnesty program, the inflow increases.

In a related study, Adekunle and Disu (2018) concluded that the adoption of the VAIDS by the Nigerian government in 2017, was to increase the tax base with an expected increase in the number of corporate tax payers that will embrace the scheme. Their findings confirm that there is a positive relationship between corporate income tax and the gross domestic product of a nation. They agreed with other scholars like (Sikka and Hampton 2005) that tax avoidance is a legitimate act but they argue that in the contemporary situation, tax avoidance appears to be a social evil and should be discontinued through appropriate legislation. Their study adopted a secondary data review methodology where they reviewed extant legislations on tax reliefs and incentives as they relate to corporate bodies to engender voluntary compliance to the tax laws.

Tax amnesty leads to a decline in the compliance rate to tax laws over time (Alm et al 1990); this was the findings in their study on “Amazing Grace: Tax Amnesties and Compliance”. In their study where they employed experimental methods in analyzing the long term impact of a tax amnesty, Alm et al (1990) argued that although the average rate of complying with payment of taxes declines over time, a well implemented tax amnesty project may be able to overcome this challenge. According to them, if after an amnesty program, there is an increased effort at enforcing the tax laws, then compliance with payment of taxes will actually increase. However, the mere fact that taxpayers are expecting a tax amnesty program, is enough to cause no compliance but this can also be overcome, if the government matches the amnesty with stricter enforcement machinery.

To Alm and Beck (1990), a tax amnesty has the propensity to make a positive impact on tax collections and compliance with tax laws especially if the government is able to convince the citizens that payment of taxes is legitimate and compulsory and that after the present amnesty, any future amnesty will come with tougher enforcement consequences. In their study on Tax amnesties and Tax revenues, where they applied the Prospects Theory of human behavior, they reported that if the taxpayer is allowed to choose the amount of tax evaded in the past to report, and if the expectation is that future amnesty will not come with tight enforcement, then there is the tendency that compliance with a current tax amnesty will be minimal.

Methodology

Data Description

Table 3.1 shows the variables and their sources. Here, nominal GDP per capital is used to We use quarterly data in logarithmic form on nominal gross domestic product per capita (GDPPC), company income tax (CIT), custom and excise duties (CED) and value added tax (VAT) from 1995 Q1 to 2018 Q4. The proxy for economic development consists of nominal GDP per capita. The empirical analysis is based on E-Views 9 software package. The time series plots of the data in logarithmic form are given in Figure 3.1. The Figure shows that all the study variables trended upward during the sampled period.

Table 3.1: Source of Data Collection

Variable	Source
Nominal GDP per capita	World development Indicators database
Company income tax	CBN database
Custom and Excise Duties	CBN database
Value added tax	CBN database

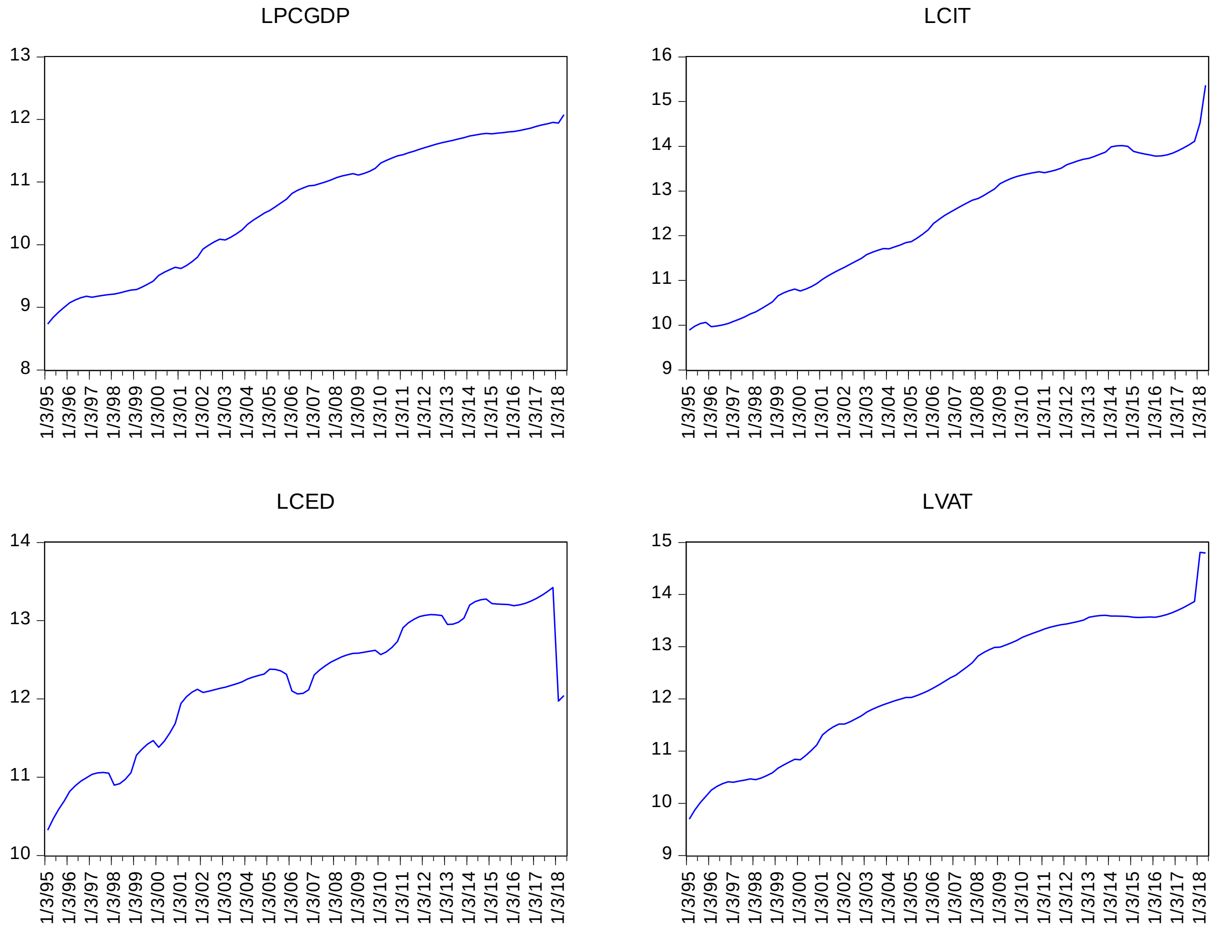

Figure 3.1: The time series plot of natural log of GDPPC, CIT, CED and VAT(where GDPPC = Gross Domestic Product Per Capita; CIT = Company Income Tax; CED = Custom and Excise Duty; and VAT = Value Added mTax),

Empirical Strategy

We employ the Autoregressive Distributive Lag (ARDL) framework for empirical analysis. The main advantage of the ARDL framework is that it helps to examine the relationships between time series variables irrespective of their order of integration. The ARDL framework is also consistent with the behavior of most macroeconomic variables in terms of their dynamic interactions. Hence, it can be used to investigate both causal and co-integrating relationships.

A simple ARDL model for the relationship between tax amnesty and economic development, incorporating the effects of CIT, CED and VAT in logarithmic form is given as follows:

$$LPCGDP_t = \alpha + \beta_1 LPCGDP_{t-1} + \beta_2 LCIT_t + \beta_3 LCIT_{t-1} + \beta_4 LCED_t + \beta_5 LCED_{t-1} + \beta_5 LVAT_t + \beta_6 LVAT_{t-1} + \beta_7 Amnesty + \epsilon_t$$

Where $Amnesty$ is a dummy variable, which takes the value of 1 during the period when tax amnesty policy was implemented (July 2017 to June 2018) and zero otherwise. Also, *LPCGDP* = logarithm of nominal gross domestic product per capita, *LCIT* = logarithm of company income tax, *LCED* = logarithm of custom and excise duties, and *LVAT* = logarithm of value added tax. Also, while t = current period, $t-1$ = previous period. Further, α is the regression constant, β_1 is the autoregressive slope coefficient, β_2 is the slope coefficient that captures the contemporaneous effect of company income tax, and β_3 is the slope coefficient that captures one period lagged effect of company income tax. Further, β_4 and β_5 respectively capture the contemporaneous and lagged effects of custom and excise duties while β_6 and β_7 respectively capture the contemporaneous and lagged effects of value added tax. The impact of tax amnesty is captured by β_6, which is the coefficient on tax amnesty dummy.

Empirical Results

Table 4.1 shows the empirical results for the relationship between non-oil tax revenue and nominal GDP per capita incorporating the effect of tax amnesty. The estimation is based on the popular Newey-West standard errors, which ensures that the estimated betas are consistent and robust even in the presence of both serial correlation and heteroskedasticity. The optimum ARDL model is selected using the popular schwarz information criterion (SIC), which prefers an ARDL (2,0,1,2) model for our empirical data, that is, a model that includes as additional explanatory variables two lags of nominal GDP per capita, one lag of custom and excise duties and two lags of value added tax (see Figure 4.1).

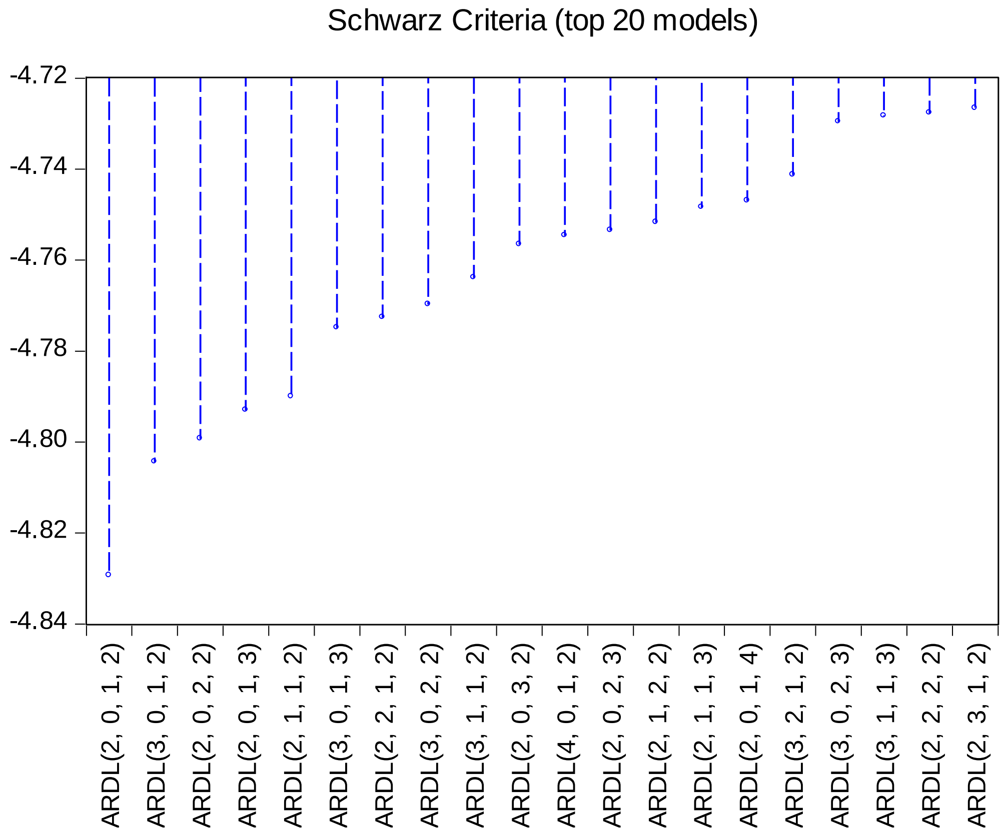

Figure 4.1: Summary of Model Selection by SIC

Table 4.1: Estimated ARDL Results; p-value in ( )

Variable	Coefficient	t-Statistic	p-value
LPCGDP(-1)	1.545718	27.50835	0.0000
LPCGDP(-2)	-0.585663	-10.46335	0.0000
LCIT	0.025335	1.307555	0.1947
LCED	-0.062757	-2.044842	0.0441
LCED(-1)	0.093300	2.610921	0.0107
LVAT	-0.146726	-2.771976	0.0069
LVAT(-1)	0.311714	5.399013	0.0000

LVAT(-2)	-0.182780	-5.241910	0.0000
AMNESTY	-0.006913	-0.996261	0.3221
Constant	-0.030256	-0.490816	0.6249
R-squared	0.999716	F-statistic	32028.90 (0.0000)
Adjusted R-squared	0.999684	Durbin-Watson	2.209592

The estimated ARDL (2, 0, 1, 2) results in Table 4.1 are significant in three ways. First, the two lagged dependent variables; LPCI(-1) (beta = 1.5457, p-value = 0.0000) and LPCI(-2) (beta = -0.5856, p-value = 0.0000) are highly statistically significant, although, they have mixed signs. Thus, nominal GDP per capita is autoregressive and can be significantly determined by its own two previous values. This justifies our choice of ARDL framework and implies that any empirical model that seeks to explain the variance of quarterly nominal GDP per capita must control for its two past values if reliable results are expected. This result is consistent with the previous findings of Nwude and Nnaji (2018) that most of the variations in Nigerian per capita income are due to own shock. This result is also consistent with the endogenous growth theory of Romer (1986) and Lucas (1988).

Another striking feature of the results in Table 4.1 is that the included Amnesty dummy (beta = -0.0069, p-value = 0.3221) has a small negative coefficient, with a p-value that is substantially higher than the conventional levels. This clearly shows that the tax amnesty that lasted only for four quarters from July 2017 to June 2018 in Nigeria has no real effect on her economic development. However, the negative sign of the dummy coefficient suggests that the tax amnesty policy potentially has a harmful effect on the economy; hence, its suspension by fiscal authorities is a good policy for achieving higher nominal GDP per capita towards economic development in Nigeria. One explanation of the potential negative effect of tax amnesty policy is the poor implementation of the voluntary assets and income declaration scheme which, according to Nangih et al (2018), is due to lack of sufficient data, capacity constraints, corrupt tax officials and lack of political.

Finally, the results show that non-oil tax revenue variables have differential impacts on nominal GDP per capita. Although, CIT (beta = 0.0253, p-value = 0.1947) has a positive and contemporaneous relationship with nominal GDP per capita, its effect is statistically insignificant. The small size of the contemporaneous coefficient suggests that the impact of company income tax is also economically insignificant. However, the positive CIT beta is consistent with the findings of Adekunle and Disu (2018) that company income tax and gross domestic product are positively related. On the contrary, however, both CED and VAT have a distributive effect on nominal GDP per capita. The coefficients of -0.0627 and 0.0933 indicate that, holding the effects of other explanatory factors constant, following a 1% increase in custom and excise duties, nominal GDP per capita would decrease by approximately -0.06% in the next quarter but would increase by approximately 0.09% two quarters after so that the total effect is about 0.03% (-0.0627 + 0.0933). Further, the coefficients of -0.1467, 0.3117 and -0.1827 indicate that, holding the effects of other explanatory factors constant, following a 1% increase in value added tax, nominal GDP per capita would decrease by approximately 0.15% in the next quarter, increase by approximately 0.31% in next two quarters and decrease by approximately 0.18% three quarters after. Thus, the total effect on nominal GDP per capita of a 1% increase in value added tax is approximately -0.018% (-0.1467 + 0.3117 – 0.1827).

On the overall model fit, the F-statistic (p-value = 0.0000) in the lower panel of Table 4.1 is associated with a zero probability, suggesting that collectively, all the explanatory variables have a highly significant effect on nominal GDP per capita. The adjusted R-square (0.9996) is very close to one, indicating that the estimated ARDL model for nominal GDP per capita has a near perfect fit. Thus, our model is very well explained.

Conclusions and Recommendation.

This study investigated the effect of tax amnesty on economic development in Nigeria within the

Autoregressive Distributive Lag (ARDL) framework using quarterly data from 1995 Q1 to 2018 Q4. While economic development is measured by nominal GDP per capita, tax amnesty is captured by a dummy variable, which takes the value of 1 during the period when the tax amnesty policy was implemented (July 2017 to June 2018) and zero otherwise. The study also considers the effects of non-oil tax revenues; CIT, CED and VAT, on nominal GDP per capita in Nigeria. The main conclusions are as follows:

There is evidence that the nominal GDP per capita at quarterly frequency is autoregressive and can be explained by its own two past values. Thus, any empirical model that seeks to explain the variance of quarterly nominal GDP per capita must account for the effect of its two previous values if meaningful and reliable results are expected.

There is evidence that the tax amnesty program that was implemented for only four quarters from July 2017 to June 2018 in Nigeria has no significant impact on nominal GDP per capita as its potential impact is negative. We link this potential negative effect to the poor implementation of the voluntary assets and income declaration scheme in Nigeria, which agrees with the findings of Nangih et al (2018) that is, due to lack of sufficient data, capacity constraints, corrupt tax officials and lack of political will.

There is also evidence that non-oil tax variables have differential impacts on nominal GDP per capita. While company income tax has no significant impact on nominal GDP per capita, the effects of both custom and excise duties and value added tax extend beyond the current period. However, value added tax has a negative total effect on nominal GDP per capita while the total effect of custom and excise duties is positive. Therefore, I conclude that while an increase in value added tax would be harmful to economic development, an increase in the custom and excise duties would lead to higher per capita income in Nigeria.

Following the empirical findings, I recommend that a future tax amnesty program should not be undertaken by the government until government had addressed the issues of lack of sufficient data, capacity constraints, corrupt tax officials, inadequate advocacy for tax payment consciousness and lack of political will. Furthermore, it is recommended that the Nigerian Government should not implement any increase in the VAT but may do so to the Customs and Excise Duties, as the latter would lead to an increase in the Per Capita Income better than VAT. The reason being that if 5% VAT could not have significant positive influence on the nominal GDP per capita, higher rate may not except the above issues, especially that of corrupt tax officials are addressed.

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