EFFECTS OF CAPITAL GAINS TAX ON TOTAL TAX REVENUE AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

The Nigerian tax system is highly dependent on oil tax revenue, while non-oil tax revenue continues to make little contribution to national income. Capital gains tax has the potential to contribute more to total tax revenue and economic growth due to the huge capital assets disposal in Nigeria. Hence, this study examined the effect of capital gains tax on total tax revenue and economic growth in Nigeria. In achieving this objective, the ex-post facto research design was adopted and secondary data were collected from the Federal Inland Revenue Service annual reports, CBN statistical bulletins, and the National Bureau of Statistics. The simple regression technique was adopted and analyzed using Eviews to establish the effect of the independent variables (capital gains tax, interest rate, and inflation rate) on the dependent variables (Total Tax Revenue, Gross Domestic Product) from 2005-2018. Findings indicate an insignificant positive relationship between capital gains tax and total tax revenue/economic growth in Nigeria. The study concluded that capital gains tax has not significantly contributed to total tax revenue and economic growth in Nigeria. Therefore it is recommended that the administration and collection mechanisms of capital gains tax should be strengthened to ensure the tracking and collection of this form of tax in any part of the country where capital assets are disposed. Furthermore, there should be a comprehensive review of the Capital Gains Tax Act to ensure conformity with global best practices and to keep the Act in pace with current economic realities.

Keywords: Capital gains, tax, total tax revenue, economic growth

1.0 INTRODUCTION

Taxation has been and will continue to be a major source of revenue for governments all over the world. According to the Institute of Chartered Accountants of Nigeria (2014), taxation in Nigeria dates back to the pre-colonial era with different systems of taxation existing in the forms of compulsory services, the contribution of goods, money, and labor amongst the various kingdoms, ethnic groups, and tribes. The traditional rulers imposed taxes on their subjects to enhance revenue generation, which remains the main objective of the present Nigerian tax system.

It is indisputable that no government can succeed or achieve its objectives without sufficient revenue required for the smooth running of its activities. According to Edame and Okoi (2014), the socio-economic and political advancement of any country depends largely on the revenue generated by the government for the provision of infrastructure and other social amenities. A tax system ensures the effective mobilization of a country's internal resources and creating a conducive environment for the promotion of economic growth. Tax provides the government the opportunity to collect additional revenue needed in the discharge of its duties and obligations, including maintaining law and order and the provision of basic social amenities.

Tax is a compulsory levy imposed on the citizens by the government to provide basic social amenities and to ensure the overall economic well-being of the citizenry. Ogbonna and Appah (2012) describe tax as a compulsory levy imposed on citizens or their properties by the government for the security of the state, provision of basic amenities, and ensuring the economic well-being of the society. The major objective of taxation is to reduce the purchasing power of taxpayers to cede control over economic resources and make them available to the government.

Taxation is however not only a revenue source to the government but a tool for economic stabilization and growth. According to Obaje (2012), taxation being a fiscal tool can be used to stimulate the economy to achieve a particular micro and macro-economic objective. The objective could be an expansionary one or a contractionary one. The expansionary policy reduces the tax rates to increase the purchasing power of citizens during a recession and thus stimulate economic growth. Conversely, during times of economic expansion, the government may increase taxes to reduce the purchasing power of the citizens to control inflation and ensure economic stability. Besides its major role in revenue generation to the government, it is also a potent instrument of public policy that has diverse roles in modern society.

The basic types and nature of taxes levied and collected by governments in the course of history have been greatly influenced by the changes experienced by such countries politically, economically, and socially, as well as the need to increase government revenue. Though some types of taxes are given more attention than others, if well exploited and administered, some of these neglected or less exploited taxes can contribute immensely to the total tax revenue and indeed the economic growth of Nigeria. One of such less exploited taxes is the capital gains tax. Osundina and Olanrewaju (2013) opine that over the past two decades, tax revenue in Nigeria has always been heavily skewed and concentrated on petroleum profit tax, company income tax,

and value added tax. The Nigerian tax system is highly dependent on oil tax revenue, while the non-oil tax revenue continues to make little contribution to national income. Over the years, oil revenue (petroleum profit tax) has been a major contributor to the total tax revenue collection by the Federal Inland Revenue Service. Given the dwindling oil revenues globally, the Federal Inland Revenue Service has noted the need to diversify sources of tax collection in favor of non-oil taxes (Tunde, 2016). Capital gains tax is one of the non-oil tax revenue that has not been fully tapped in Nigeria despite the huge revenue potentials in it. Capital gains tax is a tax charged on income derived from the sale of a capital asset. Gain here, refers to the increase in the market value of assets belonging to either an individual or corporation which are not regularly offered for sale and which does not constitute stock in trade.

According to Obaje (2012), capital gains may arise in two instances. First, where the asset appreciates while still in the owner's hands, or maybe he realized gains on the asset when it is sold or disposed of. Capital gains tax accrues on an actual year basis. It pertains to all gains accruing to a taxpayer, either individual or corporate from the sale, lease, or other transfer of proprietary rights in a chargeable interest that is subject to capital gains tax. Capital gains tax has the potential for optimum revenue yield in Nigeria, which can also lead to economic growth and development. Therefore, the main thrust of this research work is to determine the effect of capital gains tax on economic growth in Nigeria.

Statement of the Problem

Tax revenue in Nigeria has been heavily skewed and concentrated on petroleum profit tax, company income tax, and value added tax. The Nigerian tax system is highly dependent on oil tax revenue, while the non-oil tax revenue continues to make little contribution to national income. Over the years, oil revenue (petroleum profit tax) has been the major contributor to the total tax revenue collection by the Federal Inland Revenue Service, contributing over 60% of the total tax revenue. Given the dwindling oil revenues globally, the Federal Inland Revenue Service has noted the need to diversify sources of tax collection in favor of non-oil taxes, especially those taxes that have not been effectively harnessed. According to Kabir (2012), Capital gains tax has continued to make little contribution to the overall tax yield in Nigeria, despite the huge capital assets disposals especially in major cities like Abuja, Port Harcourt, and Lagos. It is imperative to explore capital gains tax and other non-oil taxes that are not yielding much revenue, to ensure the maximization of revenue from various sources that have remained untapped. These untapped sources should be able to contribute more to total tax revenue accruable to the government. Therefore, the following research questions will guide this study:

I. Does capital gains tax have any significant positive effect on total tax revenue in Nigeria?
II. Does capital gains tax have any significant positive effect on economic growth in Nigeria?

Objectives of the Study

The specific objectives of this study are as follows:

I. To examine the effect of capital gains tax on total tax revenue in Nigeria.
II. To ascertain the effect of capital gains tax on the economic growth in Nigeria.

Research Hypotheses

The following null hypotheses are formulated in line with the objectives of this study:

Ho1: Capital gains tax has no significant positive effect on total tax revenue in Nigeria.

Ho2: Capital gains tax has no significant positive effect on economic growth in Nigeria.

2.0 LITERATURE REVIEW

The Concept of Taxation

The word 'tax' derived its origin from the Latin 'taxo', meaning 'I estimate'. Tax can be defined as a compulsory financial charge or other levy imposed on a taxpayer's income, profit or gain by the government of a country to generate revenue for the provision of basic social amenities and to achieve specific economic objectives. The process of charging and collecting tax is referred to as taxation. Echekoba and Ezu (2012) defined tax as a monetary charge by the government on individuals, corporate entities, properties, or transactions to generate revenue. Payment of tax is necessary to raise sufficient revenue to fund government activities and programmes.

Musgrave (2004) identified three attributes of taxation. Firstly, tax is a compulsory contribution by the citizens of a country to the government. Since tax is a compulsory contribution, failure to fulfil tax obligations by the citizens attracts punishment. Therefore, everyone under the jurisdiction of a particular government must pay tax. Secondly, the revenue generated from taxpayers is used by the government to provide basic social amenities and infrastructure for the benefit of all the citizens. Finally, a tax is not charged or paid in return for any specific service rendered by the government to the taxpayer. Therefore, an individual or organization cannot ask for a specific benefit from the government in return for the tax paid.

Taxes may be direct or indirect. Direct taxes are imposed on the income, profit, and gain of individuals or corporate entities. Examples of direct taxes in Nigeria include company income tax, petroleum profit tax, personal income tax, capital gains tax, and withholding tax. Indirect taxes are imposed on transactions. Examples include value added tax, excise duty, and custom duties.

Capital Gains Tax in Nigeria

Capital gains tax is one of the sources of tax revenue in Nigeria. It was introduced in Nigeria in 1967 just before the Nigerian civil war as another source of government revenue.

Capital gains tax is a charge on the gains realized as a result of a capital asset disposal. According to Oserogho (2014), capital gains tax is a tax payable by the owner of a capital asset on the profit he derived from selling the asset over and above the original cost of purchasing and maintaining the asset and the cost incurred in the disposal of the asset. That means capital gains tax is only charged on capital assets as spelt out by the Capital Gains Tax Act of 2004. Capital asset here is defined to include property of any kind, whether fixed, circulating, movable, immovable, tangible or intangible and whether or not they are used for business or profession.

Ojo (2015) asserts that when a capital asset is sold, the difference between the cost price of the capital asset (purchase price including the cost of acquisition) and the price of selling the asset represents a capital gain or a capital loss. A capital gain arises when the sales price is higher than the cost of sales. However, when the cost of disposal is higher than the selling price, a capital loss is said to have occurred. It is therefore clear that capital gains tax is only applicable when there is a gain or profit from the disposal of a capital asset. Capital gain presupposes that an asset is sold at a price higher than the price it was originally acquired. However, if there are expenses incurred in the disposal of the asset, they are to be deducted before arriving at the capital gain.

The capital assets chargeable to capital gains tax may be corporeal or incorporeal, and it does not matter whether such assets are situated in Nigeria or not. Where however the taxpayer whether the company or individual is not residing in Nigeria, the tax will only be charged on the amount received or brought into Nigeria (Nwaeze, 2009). Corporeal property according to Business Dictionary refers to real estate or personal property having a tangible form and structure such as building, equipment, vehicle as opposed to intellectual property such as copyrighted works of authorship. Incorporeal assets, on the other hand, are tangible personal property having value but lacking physical substance such as leases, mortgages, copyrights, patent rights, and stocks.

Capital gains are taxed on an actual year basis as against preceding year basis, that is, the year the asset was disposed and the gain realized. This means that the tax is imposed only when a chargeable person or investor decides to sell the asset and realize a gain. Hence, a taxpayer can decide to retain his asset or investment until when he or she feels like selling.

Capital Gains Tax Administration and Laws in Nigeria

In Nigeria, capital gains tax is under the management of the Federal Board of Inland Revenue Service (FBIRS) and administered by the Federal Inland Revenue Service (FIRS) in respect of corporate organisations throughout the country, and individuals resident in the Federal Capital Territory (FCT) Abuja including members of the armed forces, police, and foreign affairs officers. The States Internal Revenue Service also administers capital gains tax in respect of individuals resident in the various states. The Tax Appeal Tribunal (TAT) is vested with the

responsibility of resolving conflicts between aggrieved taxpayers and tax authorities through the interpretation of the tax laws.

According to Ojo (2015), capital gains tax was first enacted in Nigeria in 1967 via Decree No. 44 of 1967. It was initially applied to only the Federal Capital Territory of Lagos which was latterly applicable to the whole of Nigeria through subsequent amendments. The Capital Gains Tax Act was consolidated in 1990, resulting in the Capital Gains Tax Act Cap 42 LFN, 1990. However, many tax reforms were carried out in 2004 which also included the Capital Gains Tax Act, in a drive by the government to make capital gains tax more effective and efficient. Hence, the Capital Gains Tax Act Cap C1 LFN, 2004 came to be. The Act provides for the taxation of capital gains accruing on the disposal of capital assets in Nigeria.

The Capital Gains Tax Act provides that capital gains tax should be charged at a flat rate of 10% on gains arising from assets disposal. It must be noted that Nigeria is one of the countries with the lowest capital gains tax rate in the world. For instance, in the African continent, only Kenya charges lower than Nigeria at the rate of 5%, with South Africa having the highest rate of 40%.

Capital Gains Tax and Economic Growth

Capital gains tax has generated a lot of controversies, arguments, and views by different scholars and governments over the years. While some argue in support of capital gains taxation, others are against the taxation of capital gains with different reasons to justify their arguments. According to Obaje (2012), capital gains tax has been justified on the premise that gains on capital assets increase the taxable capacity of an individual by increasing his/her power to spend or save. Gains on capital assets are not distributed among the different members of the taxpaying community in fair proportion to their taxable incomes but are concentrated in the hands of property owners. Hence, their exclusion from the scope of taxation entails discrimination in tax payment in favour of a particular class of taxpayers. Despite the arguments in favour of capital gains taxation, it has been criticized by different scholars for having a negative effect on investments and businesses. For instance, Clemens, Lammam, and Lo (2014) opine that though capital gains tax raises revenue for the government, it has considerable economic costs. Capital gains tax imposes costs on the economy because charging tax on gains reduce the return on investment and thereby affecting decision making by both individuals and corporate organisations. This can harm the reallocation of capital, the available stock of capital, and the level of entrepreneurship.

According to Gentry (2016), capital gains tax does not only create disincentive effects on investors in large corporations but may even be more for entrepreneurs. First, capital gains tax may create an additional tax on entrepreneurs. Second, it may discourage entrepreneurs from taking risks due to the asymmetries in the tax system. Third, capital gains tax can affect the cost of capital for entrepreneurs. Since capital gains are only taxed upon realization (actual year basis), capital gains tax can create an incentive for investors and property owners to retain or defer their investments even with the presence of profitable and productive opportunities. This

can lead to delays in investor redeployment of capital, inefficient capital allocation, and distortions in the capital markets all of which slow down economic growth, by limiting the capital that businesses can access. Hence, the need for a capital gains tax reform that would reduce the lock-in effect of capital gains taxation.

However, other scholars are more interested in the capital gains tax rates. Noting that a reduction in the rates of capital gains tax or a capital gains tax reform will be favourable to both the governments and the taxpayers. According to the Institute for Research on the Economics of Taxation (2009), taxpayers react to higher tax rates by reporting less income or gains. Higher taxes on capital assets may retard capital formation and reduce wages across the board.

THEORETICAL REVIEW

The theoretical underpinning of this study is the socio-political theory of taxation and the endogenous theory of economic growth.

The Socio-Political Theory: The socio-political theory states that social and political objectives should be the major factors in selecting taxes. The theory suggests that a tax system should be designed not to serve individuals, but should be used to cure the ills of the society (Ogbonna and Appah, 2012). The socio-political theory of taxation is more relevant to this research work because of the imperative to explore capital gains tax as an alternative source of government revenue towards curing the ills of the society as a whole and enhancement of economic growth.

The Endogenous Growth Theory: The use of the endogenous growth model has dominated development economics despite the peculiarities in various tax-related studies. The endogenous growth theory advocates the stimulation of the growth rate in per capita output within the system through economic policies such as tax policies (Ugwunta and Ugwuanyi, 2015). The theory explains that economic growth is achieved from within the system as a result of the internal workings of the system. Hence, the need for policies like taxation, which will enhance revenue generation and promote economic growth. Therefore, the endogenous growth theory is relevant to this study because a well harnessed and administered capital gains tax has the potential of not only increasing revenue generation but to stimulate economic growth and development.

EMPIRICAL REVIEWS

Several studies have been conducted in an attempt to examine the relationship of taxation with economic growth and development. For instance, Confidence and Ebipanipre (2014) researched taxation as an instrument of economic growth covering the period 1980 through 2013 using a linear model of corporate income tax, value added tax, and economic growth (GDP) which was estimated using the ordinary least square technique. The empirical result showed a positive relationship between corporate income tax, value added tax, and economic growth in Nigeria.

However, it was recommended that additional measures should be put in place by the government to ensure that taxpayers do not avoid and evade tax so that there will be a proper redistribution of income in the economy.

Chigbu, Akujuobi, and Appah (2011) conducted an empirical study on the causality between economic growth and taxation in Nigeria for the period of 1970 to 2009 using Augmented Dickey-Fuller, Diagnostic tests, Granger causality, and Johansen co-integration econometric models. The econometric analysis reveals that taxation as an instrument of fiscal policy affects economic growth and that taxation granger causes economic growth in Nigeria. It was recommended that government should restructure the tax system to meet the demands of the 21st century and that the economy of Nigeria should be restructured for tax to serve as a major source of non-oil revenue.

Onaolapo, Fasina, and Adegbite (2013) analyzed the effect of petroleum profit tax on the Nigerian economy covering the period of 1970 to 2010 using multiple regression. It was discovered that petroleum profit tax, inflation, and exchange rate have a significant effect on economic growth with an adjusted R2 of 86.3%. It was recommended that the government should transparently and judiciously invest the revenue generated through petroleum profit tax in the provision of infrastructure and other basic social amenities.

Izedonmi and Okunbor (2014) discovered a positive and insignificant correlation between VAT revenue and GDP, in their study on the roles of value added tax on the economic growth of Nigeria for the period 1994 to 2010. Both economic variables fluctuated greatly over the period, though VAT revenue was more stable. It was recommended that administrative loopholes should be identified and blocked for VAT revenue to contribute more to economic growth. However, Onoja and Audu (2014) in their study on tax revenue and national income, using the Nigerian experience discovered a significant relationship between tax revenue and national income. The results also showed that value added tax contributed significantly to the Nigerian national income.

Obaje (2012) conducted a theoretical study on capital gains tax in Nigeria. He discovered that capital gains tax is yet to yield the desired revenue for the government and the desired economic development. He recommended an aggressive awareness campaign on capital gains tax, reduction of the tax rate, and a merger of capital gains tax with income tax to reduce the cost of collection. Findings from El-Maude, Mohammed, and Pate (2018) revealed that capital gains tax has an insignificant contribution to total revenue in North-east Nigeria. They, however, recommended that there should be an improvement in the procedures for capital gains tax collection. Taiwo and Adejare (2016) in their research on the impact of capital gains tax on economic growth in Nigeria, using Pearson product moment correlation and multiple regressions to analyze the relationship between the dependent variable and independent variables, discovered that capital gain tax has a positive impact on economic growth but the level of significance is very low in Nigeria. It was recommended that the government should increase the rate of capital

gain tax in Nigeria so that the revenue generated from this medium will be elevated to cater for the wellbeing of the citizenry.

3.0 RESEARCH METHODOLOGY

The ex-post facto research design was adopted in this study. Time series secondary data for the period 2005-2018 was employed and sourced from CBN statistical bulletins, the National Bureau of Statistics, and the Federal Inland Revenue Service annual reports. Since the data used for the study is for the whole nation, the population of the study and sample size is the tax revenue and GDP of the whole of Nigeria. The multiple linear regression technique is employed to analyze the data collected using Eviews. Total tax revenue and gross domestic product (GDP) are the dependent variables while capital gains tax revenue is the independent variable. However, other controlled independent variables such as inflation rate and interest rate were also used, to ascertain their effects on the dependent variables.

3.1 Model Specification

The model used in this research work is a modified form of the model specified by Adereti, Sanni and Adesina (2011) to show the relationship between capital gains tax and total tax revenue; capital gains tax and economic growth.

$$TTRi = \beta o + \beta 1CGTì + \beta 2\ INFRì + \beta 3INTRì + \varepsilon i \quad \ldots (1)$$

$$GDPi = \beta o + \beta 1CGTì + \beta 2\ INFRì + \beta 3INTRì + \varepsilon i \quad \ldots (2)$$

Where

TTR= Total tax revenue; GDP= gross domestic product; CGT= Capital gains tax; INFR= Inflation rate, and INTR= Interest Rate. βo= The intercept term; $\beta 1$- $\beta 3$=The regression coefficient; εi= Error term; ì= Time dimension

4.0 RESULTS AND DISCUSSION

Data used for the study are Total Tax Revenue, Capital Gains Tax, Gross Domestic Product, Inflation Rate, and Interest Rate from 2005 to 2018. The data was analyzed using Descriptive statistics and regression analysis for the dependent and explanatory variables. A unit root test was also conducted to ensure that the data used for analysis are stationary to avoid spurious results.

4.1 Unit Root Test

The unit root test result is presented below:

Table 1. Results of the Unit Root Test on the Variables: TTR, GDP, CGT, INTR and INFR

Variable	ADF-Stat	5% Critical Value	P-Value
DTTR (-1)	-2.423618	-1.974028	0.0204
DGDP (-1)	-0.956653	-1.974028	0.0283
DCGT (-1)	-2.860378	-1.982344	0.0995
DINTR (-1)	-3.815553	-1.974028	0.0012
DINFR (-1)	-4.110282	-1.974028	0.0007

Source: Author's computation using E-view version 10.

The result of the unit root test presented in Table 1 shows the Augmented Dickey-Fuller (ADF) statistics with their corresponding p-values. Results indicate that total tax revenue, gross domestic product, capital gains tax, interest rate, and inflation rate have ADF statistics of -2.423618, -0.956653, -2.860378, -3.815553, and -4.110282 respectively at first difference, while their associated P-Values are 0.0204, 0.0283, 0.0995, 0.0012, and 0.0007 respectively. This implies that the variables are 1(1) variables. Therefore, since the p-values of the specified variables are significant at 5% and 10%, the null hypothesis that the variables have unit root is rejected, hence, the variables are stationary.

4.2 Descriptive Statistics

These statistics describe the properties of the data used in the study. The result of the descriptive statistics is shown in table 2.

Table 2: Descriptive statistics

	TTR	GDP	CGT	INFR	INTR
Mean	3501.321	56709.44	11.47857	11.34357	10.96429
Median	3524.650	58720.44	1.985000	11.52000	11.50000
Maximum	5320.900	69799.94	99.40000	18.55000	14.00000
Minimum	1741.800	37474.95	1.010000	6.600000	6.000000
Std. Dev.	1280.656	11620.22	25.97081	3.289294	2.592254
Skewness	-0.074850	-0.374094	3.057062	0.632128	-0.633045
Kurtosis	1.547618	1.670384	10.89910	2.825410	2.541169
Jarque-Bera	1.243564	1.357804	58.20396	0.950149	1.057882
Probability	0.536987	0.507174	0.000000	0.621839	0.589229
Sum	49018.50	793932.2	160.7000	158.8100	153.5000
Sum Sq. Dev.	21321023	1.76E+09	8768.280	140.6529	87.35714
Observations	14	14	14	14	14

Source: Author's computation using Eviews version 10

The result of the descriptive statistics presented in Table 2 reveals the mean, minimum, maximum, and standard deviation of the data used for the study. The result shows that the average value of Total Tax Revenue for the period under review amount to ₦3501.321 billion. The minimum value of ₦1741.800billion was realized in the year 2005, while the maximum value of ₦5320.900 billion was realized in the year 2018. The average value of Capital Gains Tax in the years under review amounted to ₦11.47857 billion. The minimum amount of ₦1.010000 billion was realized in the year 2005, while the maximum value of N99.40000 billion was realized in 2016. Similarly, the average GDP value realized within the period was ₦56709.44 trillion. The minimum amount of ₦37474.95 trillion was realized in 2005, while the maximum amount of ₦69799.94 trillion was realized in 2018. Furthermore, the average inflation rate for the period was11.34357. The minimum inflation rate of 6.60 was realized in 2007, while the maximum rate of 18.55 was realized in 2016. The Average Interest Rate within the period was 10.96429. The minimum rate of interest within the period was 6.00 which was realized in the year 2009, while the maximum rate of 14.00 was realized in the years 2016 to 2018.
The above statistics summarise the contribution of the specified independent variables to the dependent variables.

4.3 Regression Result

The regression results for the two models are presented in table 3 and table 4 below:

Table 3: Regression result on the relationship between TTR and CGT, INFR and INTR

Dependent Variable: TTR
Method: Least Squares
Date: 04/23/20 Time: 21:49
Sample: 2005 2018
Included observations: 14

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-422.2817	1716.952	-0.245948	0.8107
CGT	-11.06953	14.16841	-0.781282	0.4527
INFR	-7.198907	105.5412	-0.068209	0.9470
INTR	376.8897	119.7966	3.146082	0.0104

R-squared	0.499475	Mean dependent var	3501.321
Adjusted R-squared	0.349317	S.D. dependent var	1280.656
S.E. of regression	1033.040	Akaike info criterion	16.95335
Sum squared resid	10671708	Schwarz criterion	17.13594
Log likelihood	-114.6735	Hannan-Quinn criter.	16.93645
F-statistic	3.326339	Durbin-Watson stat	0.439288
Prob(F-statistic)	0.064814		

Source: Author’s computation using Eviews version 10

The result reported in table 3 shows that the coefficient of capital gains tax, inflation rate, and interest rates are -11.070, -7.199, and 376.890 respectively. This indicates a negative relationship with total tax revenue except for the interest rate that has a positive relationship. Their corresponding p-values are 0.453, 0.947, and 0.010 respectively, thus indicates that the independent variables are not statistically significant at 5% level of significance except interest rate that is significant at 5%. The R square (coefficient of determination) at 0.499 shows that the independent variables jointly explain variations in total tax revenue to the tune of 49.9%, thus indicates a weak relationship. The coefficient of the F statistics at 3.326 and its corresponding p-value at 0.065 shows that the model is positive but not statistically significant at 5% level of significance. Therefore the null hypothesis is not rejected which states that capital gains tax has no significant positive effect on total tax revenue in Nigeria.

Table 4: Regression result on the relationship between GDP and CGT, INFR and INTR

Dependent Variable: GDP
Method: Least Squares
Date: 04/23/20 Time: 21:51
Sample: 2005 2018
Included observations: 14

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25401.77	16494.24	1.540038	0.1546
CGT	-54.56236	136.1116	0.400865	0.6970
INFR	-132.8569	1013.903	0.131035	0.8983
INTR	-2660.849	1150.849	2.312074	0.4034

R-squared	0.438939	Mean dependent var	56709.44
Adjusted R-squared	0.270620	S.D. dependent var	11620.22
S.E. of regression	9924.100	Akaike info criterion	21.47828
Sum squared resid	9.85E+08	Schwarz criterion	21.66086
Log likelihood	-146.3479	Hannan-Quinn criter.	21.46137
F-statistic	2.607786	Durbin-Watson stat	0.736054
Prob(F-statistic)	0.109538		

Source: Author's computation using Eviews version 10.

The regressed result in table 4 above shows the relationship between Gross Domestic Product (dependent variable) and capital gains tax, inflation rate, and interest rate (independent variables). From the results presented above, the coefficient of capital gains tax, inflation rate, and interest rate are -54.562, -132.857, and -2660.849 respectively. This indicates a negative relationship with gross domestic product. Their corresponding p-values are 0.697,0.898, and

0.403 respectively, thus, indicate an insignificant negative relationship with gross domestic product. The R square (coefficient of determination) at 0.439 shows that the independent variables jointly explain variations in GDP to the tune of 43.9%; thus, indicates a weak relationship. The coefficient of the F statistics at 2.608 and its corresponding p-value at 0.110 shows that the model is positive but not significant at 5%. The researcher, therefore, does not reject the null hypothesis and concludes that capital gains tax has no significant positive effect on economic growth (GDP) in Nigeria.

Findings from the analysis support the findings of Obaje (2012), Kabir (2016) and El-Maude, Mohammed and Pate (2018) who assert that capital gains tax has insignificantly contributed to tax revenue and economic growth, but has the potential to enhance revenue generation in Nigeria due to the huge capital assets disposal in the country. Hence, the need for a more robust and effective tax administration that will ensure that capital gains tax contribute significantly to the economic growth of Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

This research examined the effect of capital gains tax on total tax revenue and economic growth in Nigeria for the period 2005-2018. Based on the findings of the study, the researcher, therefore, concludes that capital gains tax has an insignificant positive effect on total tax revenue and economic growth in Nigeria. Based on the findings of this study, three recommendations are made; Firstly, The administration and collection mechanisms of capital gains tax should be strengthened to ensure the tracking and collection of this form of tax in any part of the country where capital assets are disposed. This could include piggy-backing the collection of capital gains tax on stamp duties or making the payment of stamp duties precedent on pre-payment of capital gains tax such that a purchaser of a chargeable asset would be identified at the point of getting stamp duties. Secondly, an effective and reliable database should be created by the Federal Inland Revenue Service to record chargeable assets and chargeable persons to capital gains tax across the country to minimize or eliminate capital gains tax avoidance and evasion. There should be a robust engagement of professionals like estate managers, lawyers, accountants, and other relevant stakeholders. Finally, there should be a comprehensive review of the Capital Gains Tax Act to ensure conformity with global best practices and to keep the Act in pace with economic realities. The capital gains tax law should ensure stringent penalty for defaulters and any form of malpractice in capital gains tax administration.

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