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The Effects of Tax Systems on Economic Growth of Nigeria and South Africa from (2001-2021)

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Abstract:- This study focused on the effects of tax systems on economic growth of Nigeria and South Africa SA, from (2001-2021). The study used Ex-Post Facto research design. The population of the study included all African countries; while the sampling methods embraced purposive sampling techniques that selected only Nigeria and South Africa because of the similarities in both countries tax systems and economic growth. Secondary data was used sourced from World Bank Data, CBN statistical bulletin, Federal Inland Revenue (FIRS) from Nigeria, and South African Revenue Services (SARS), from (2001-2021). The statistical tools applied was a cross-sectional multi-liner regression, which included pre-analyses tests such as: Descriptive Statistics, Pearson Correlation, Unit Root, Co-integration Test and Error Correction Model. After the analyses: the adjusted R-squared value for both countries respectively show that all the independent variables jointly have the power to explain about 78%, 58% of the systematic variation found in RGDP of Nigeria and South Africa, while the balance of 22%, 42%, are the stochastic elements in endogenous and exogenous variables affecting both tax system not captured in the study VAT is positive and non-statistically significant in Nigeria, while it is positive and statistically significant in South Africa; both Nigeria and South Africa. Stamp and excise duties are positive and non-statistically significant; again in Nigeria, CGT is negative and statistically significant, while in South Africa it is positive and non-statistically significant. Therefore, it is recommended that administrator of tax, can improved in tax collection and avoidance in both countries; the insignificant of VAT GDP can be avoided through transparency in administrations. Also, governments of both countries should encourage domestic and foreign operations to increase capital gain tax and ensure adherence on the withholding tax laws.

***Keyword:-** Tax system Value Added Tax(VAT),Economic Growth, Nigeria and South Africa.*

I. INTRODUCTION

Taxation endures as a pivotal tool, masterfully wielded to calibrate economic equilibrium and orchestrate an equitable dispersion of wealth. Within the contemporary landscape, taxes metamorphose into agents of purification, governing the production of goods and services, thus nurturing the comprehensive well-being of individuals woven intricately into the economic fabric. A notable facet of recent chronicles unveils the struggles of nations grappling with the imposition of weighty tax burdens, meticulously primed to bolster fiscal reservoirs while sating the surging hunger for publicly offered commodities and services. Yet, this imposition incites a palpable reluctance among tax contributors, spanning both households and commercial entities, who perceive their fiscal responsibilities as burdensome millstones.

This adversarial stance towards tax contributions gives birth to inclinations for tax evasion and avoidance, ultimately corroding the repository of tax-derived revenue—a truth cogently emphasized through scholarly analyses (Alm, 2018; Antinyan, Afuberoh & Okoye, 2020). In light of this trajectory, certain nations have embarked upon proactive strides, unfurling innovative tax incentive paradigms. These encompass enhancements in governmental service provisions, cultivation of trust, and endowment of authority—collectively choreographed to mitigate the predilection for tax circumvention while concurrently amplifying the yield of tax revenue (Gangl, Enahoro, & Olabisi, 2020).

Delving into the annals of history, the chronicle of taxation in Africa unfurls as an intricate, protracted saga. The contours of tax frameworks across the region are carved by a symphony of influences, encompassing the specters of colonial dominion, economic maturation, and the tempestuous winds of political echelons. The colonial epoch, discernibly, witnessed the construction of African tax systems meticulously fashioned to satiate the voracious appetites of imperial powers, sidelining the aspirations of the indigenous populace.

In this era, colonial overseers extracted exorbitant tributes from the African populace, occasionally coercing them into the cultivation of export-oriented wares. The aftermath birthed a landscape marred by meager economic progress and the trials of subsistence faced by countless Africans (Okanuru, 2012). With the advent of independence, the trend persisted as African governments clung tenaciously to extracting substantial taxes to lubricate the wheels of state machinery. Yet, the consequences often crystallized as stagnation, stunting economic growth and unsettling political foundations.

Subsequently, the 1990s witnessed the emergence of a transformative era as multiple African nations embraced the tide of economic liberalization, steering away from their hitherto heavy dependence on tax inflows. The outcome was a rejuvenation of economic impetus across the region. However, Africa's tax paradigms remain ensnared in a labyrinth of challenges. The specters of rampant corruption and the fragility of governance frameworks loom as insurmountable obstacles, casting a pervasive shadow over the efficacy of tax collection and dimming the prospects of development and progress across African states.

In Nigeria specifically, the history of tax in Nigeria can be traced back to the pre-colonial era, to 1914 when the British colonial government created the Native Revenue Ordinance. This ordinance imposed a hut tax on the indigenous people living in the colonies. In 1936, the colonial government introduced a sales tax that was levied on goods and services. The Income Tax Act was introduced in 1952 to tax income from wages and businesses. In 1960, following independence from Britain, the Nigerian parliament passed the first constitution which established the federal structure of government. This document also vested exclusive power to levy taxes in the federal government(Gardner,2010). The first national income tax was introduced in 1962. However, it was during the colonial period that a more formal system of taxation was introduced, with the British authorities introducing various taxes to raise revenue for the running of the colony.

In the era post-independence, the Nigerian administration has sustained its imposition of taxes upon its populace, with the principal objective of generating revenue to underwrite public expenditure. Nonetheless, the Nigerian tax architecture has undergone a series of overhauls over time, aimed at imbuing it with enhanced efficiency and equitability.

The present tax regime in Nigeria finds its compass guided by the Tax Laws (Amendment) Act of 2007, a legislative milestone that ushered in a raft of transformative modifications to the antecedent structure. Central among these revisions was the induction of the Value Added Tax (VAT), accompanied by the broadening of the tax foundation and the ushering in of novel levies upon earnings and gains. The bedrock of corporate functioning resides in agency affiliations interlinking shareholders, management, and executives. Management is thereby duty-bound to comport itself with utmost integrity, aligning the execution of responsibilities with the manner shareholders themselves would, all with the end goal of heightening the aggregate market valuation of the corporation (Bariyima & Cletus, 2014). Predicated upon the aforementioned, in the context of the corporate sphere, particularly concerning business performance, taxation could wield considerable influence, and if this influence is tinged negatively, it might cascade into fiscal reverberations, consequently impacting shareholder investments.

Notwithstanding the pivotal role that taxation can play in augmenting a country's Gross Domestic Product (GDP), it becomes imperative to direct attention toward the ancillary repercussions of taxation upon the trajectory of expansive enterprises and the pantheon of Small and Medium Enterprises (SMEs). The raison d'être for this focus resides in the pivotal role SMEs perform in propelling economic progress across both developing and developed realms. As has been illuminated, SMEs stand not only as generators of employment surpassing the tallies attributed to both conglomerates and micro-enterprises but also as purveyors of innovative concepts, products, and commercial methodologies (Baurer, 2015). It's within this context that the present study embarks on an investigative odyssey, with its crosshairs aimed squarely at delineating the ramifications of the extant tax framework upon the performance of enterprises in select African nations.

➢ *Statement of the Problem*

Taxation as a levy placed by the government on his citizen, is as old as man and has being faced with a lot of problems. From time in immemorial, the problem of taxation has caused tax evasion, avoidance and affected the growth of the economy which is a challenge. However, Scholars and other researcher have been researching and writing about the problems faced by taxation from time immemorial. According to Qayyum, Bashir, Maqbool, Ali, Bashir, & Abbas 2019 (Sahban & Abbas, 2018), every economic policy has some short- and long-term effects, such as how tax revenue and tax rates change during these times. either expansionary or contracionary policy, fiscal policy plays a crucial role in determining the tax rate (Anser, Mohsin, Abbas, & Chaudhry, 2020).In the field of tax research, the exogenous growth theory sevplays an important role. It suggests that taxes and economic growth do not have a long-term relationship, and this effect is only temporary (Lee & Gordon, 2005).Endogenous growth theory is the second economic model. It holds that tax policy always has some long-run effects and affects the economy over time.

Additionally, direct and indirect taxes also fluctuate the tax revenue, so it is essential to give weightage to both types of taxes. Some countries have more direct taxes in their tax revenue, and many more rely on indirect taxes. However, an efficient and developed tax system always give importance to more direct taxes. Here, there is a controversy that different results or outcomes from the taxes impact growth.

Prior literature revealed the effectiveness of tax system on performance of various sector in the economy, Onoja and Ibrahim (2020); Olaoye and Ayeni (2019); Oraka, Okegbe and Ezejiofor (2017); Usman and Adegbite (2015); revealed that Petroleum Profit Tax has a positive but no significant relationship with Nigeria Economic Growth, while Value Added Tax and Companies Income Tax have significant relationship with Nigeria Economic Growth.

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Contrarily, others documented a significant positive relationship between tax revenue and economic development, such as Nweze Ogbodo, and Ezejiofor (2021) from 2000 to 2019, found that tax revenue has a significant positive effect on per capita income of Nigeria. Joseph and Omodero (2020) showed that federally received revenue and Value Added Tax (VAT) have a moderate positive relationship with the economic growth.Alexander, Keyi and Alfa, 2019; Olaoye, Ogundipe and Oluwadare, 2019; Ideh (2019); Yahaya and Bakare (2018); Arowoshegbe Uniamikogbo and Aigienohuwa (2017) up to 2017, 2018, revealed that in Nigeria, the various categories of taxation such as Petroleum Profit Tax, Personal Income Tax and Value Added Tax selected for their study have significant effects on economic growth process

The issues on the effectiveness of taxes as a tool for promoting growth and development remains inconclusive, as several studies have indicated mixed reaction on contributions of tax, thereby creating a gap in knowledge, This could be as a result of variation in geographical location, variables, methodology, scope and statistical tools.

Secondly, none of the empirical literature has vividly looked at the various tax system variables across African and how this affect country's economic growth as these laws, rules, regulation and competitive climate may affect the economy within a particular country,

Finally, there is a periodic gap as prior studies ended in 2020, to bridge the gap, this study will be conducted up to 2021. This loophole in knowledge create a setback and this gap in knowledge is what this study intends to cover. This study is therefore set to determine the effect of tax system on economic growth in Nigeria and South Africa.

➢ *Objective of the Study*

The major objective of the study is to ascertain how tax system affects the economic growth of Nigeria economy and South Africa. The specific objectives of the study is to;

- Determine the extent value-added tax affects the real gross domestic product of Nigeria and South Africa.
- Asses how custom and excise duties tax affects the real gross domestic product of Nigeria and South Africa.
- Evaluate how capital gain tax affects the real gross domestic product of Nigeria and South Africa.

➢ *Research Questions*

In other to give direction and guide the conduct of the study, the following research questions are raised;

- To what extent does value-added tax affect the real gross domestic product of Nigeria and South Africa?
- To what extent does custom and excise duties tax affect the real gross domestic product of Nigeria and South Africa?
- How does capital gain tax affect the real gross domestic product of Nigeria and South Africa?

➢ *Research Hypotheses*

The following null research hypotheses are posed to be tested for the study as follows;

- *$H0_2$:* Value-added tax has no significant effects on the real gross domestic product of Nigeria and South Africa
- *$H0_3$:* Custom and excise duties tax has no significant effects on the real gross domestic product of Nigeria and South Africa
- *$H0_4$:* Capital gain tax does not significantly effects the real gross domestic product of Nigeria and South Africa

➢ *Significance of the Study*

The study will be of theoretical benefit and as well as practical benefit to policy makers, fellow researcher/ academia's

Theoretically, the study will help policymakers; fellow researcher/academia's to see that the tax system has several potential benefits for an economy. It will expose them to the fact that tax system can help to raise revenue for the government, which can be use to finance public goods and services, such as education and infrastructure. The tax system can also help to redistribute income and wealth, which can reduce inequality in society. Additionally, the tax system can create incentives for individuals and businesses to engage in certain economic activities, such as saving and investment.

Finally, the study will help users to see that a tax system of a country can help to stabilize the economy by providing monetary relief during times of economic recession.

However, in practical terms, the study will be of benefit to tax policymakers, fellow researchers/academia.

Tax policymakers will benefit from the study as the study helps them see practical ways that will make it easier to collect taxes from people and businesses to fund the government. It will also helps them see the need to make adequate policies that will make it easy for taxpayers to pay their taxes and as well helps them equalize the distribution of wealth by taxing people who have more money at a higher rate than those who have less. Additionally, the study will helps tax policymakers see how the tax system can help to incentivize certain behaviors, such as saving money or investing in the economy.

For fellow researchers/ academia's, the study will serves as a source of material and reference for related studies.

II. REVIEW OF RELATED LITERATURE

➢ *Conceptual Framework*

In essence, a concept is a vague idea that serves as a starting point for learning or discussion. It plays a role in research by examining thoughts related to a particular topic. A conceptual framework, on the other hand, is a useful tool that comes in different forms and situations. It's handy when

you need to see the bigger picture. It helps to sort out and organize ideas. In research papers, a conceptual framework is used to explain the important concepts, variables, and how they're connected for study. Think of it as a researcher's way of arranging and explaining things for readers.

Think of the conceptual framework as a structure. Researchers use this structure to describe how something develops over time. Boujelbene and Affes (2013) described a conceptual framework as a basic structure made up of different parts that represent the observational, experimental, and analytical sides of a process or system. It includes both dependent and independent variables. The independent variables are various tax systems like value-added tax, company income tax, withholding tax, capital gain tax, and customs and excise duty tax. The dependent variable is economic growth – showing how these tax systems affect the overall economy.

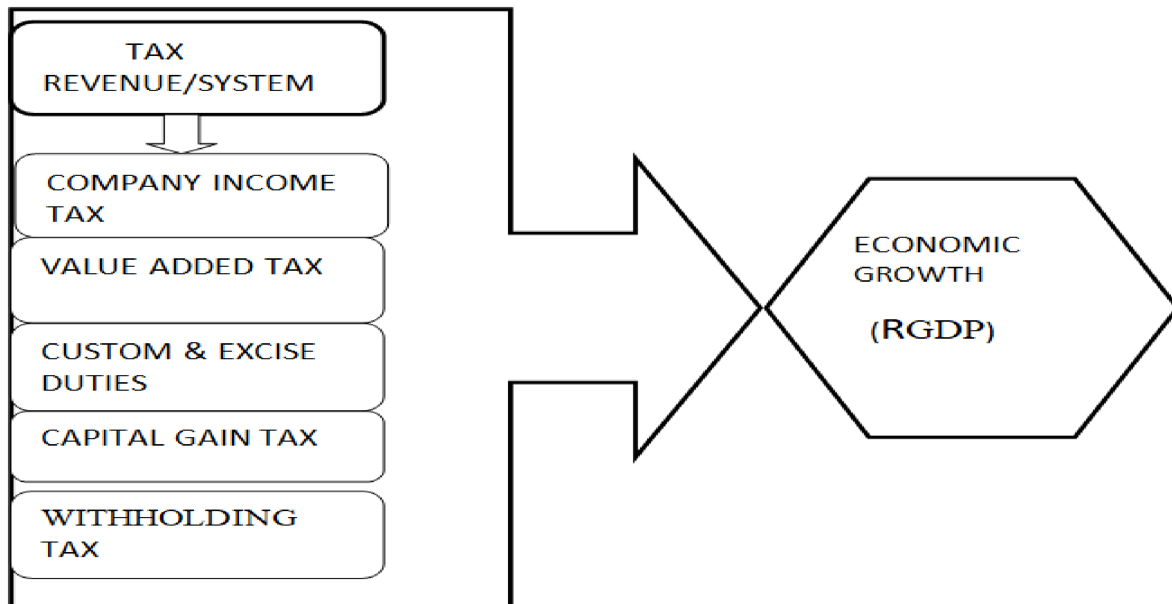

Fig 1 Proposed Conceptual Framework

- *Economic Growth*

Economic growth means making more stuff and services over time. People look at it using numbers, like real money or the regular kind, and it helps to know how the economy is doing. They usually use big numbers like gross national product or real gross domestic product. Some folks also use other numbers, but those two are common (Potters, 2021).

Talking about economic stuff, there are some ideas that help explain how things grow and get better. One of these ideas is called the Harrod-Domar model. A while ago, in 1939 and 1946, Sir Roy Harrod and Evsey Domar came up with this idea. It helps to show how fast an economy can grow. And if we look way back, the start of thinking about growth and development came from Adam Smith's "Wealth of Nations." He said that a country's money comes from how well people work together. But later on, others like Ricardo, Malthus, and Mill thought more and made Adam Smith's idea better. They talked about how work can change and make more wealth.

Now, let's talk about taxes. People see taxes in different ways, but they all point in one direction. Some experts, like Wambai and Hanga (2013), say taxes are like the government's way of taking money from people or businesses. It's like a rule that they have to follow. People and businesses have to give a part of their money to the government to help with things like roads and schools (Dandago and Alabede, 2001).

Taxes are super important for a country that's growing. Right now, Nigeria really needs a good system to collect taxes and make money. This money can help the country grow and do better economically (Oji, 2000). But sometimes, taxes can seem scary because they take away some money that you could use. Even though it might not be great for individuals or businesses, it's really important for the government and the things it needs to do. Taxes help move money around and make it work for the country.In a big picture, taxes help make sure money is shared fairly, and that's a good thing (Olusanya *et al*., 2012).

Economic growth means the economy makes more valuable stuff and services over time. Experts who count things often use a percentage number to show how much the economy has grown. This number is usually about the gross domestic product (GDP), which is like the total value of everything the country makes.When we talk about the speed of economic growth, we're looking at how the GDP grows from one year to another. It's like checking how much bigger the economy gets each year. This growth number shows the general direction the GDP is moving in, and it doesn't worry about the ups and downs along the way (IMF, 2012).Economists wield a distinct vernacular when delving into discussions about growth. They posit that growth unfolds along two primary pathways. The first is intensive growth, an evolution where the economy refines its

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adeptness in utilizing resources such as labor, machinery, energy, and materials. This translates to an astute modus operandi aimed at heightening production without magnifying the resource input. In essence, it's akin to an artful orchestration of processes to yield greater output while economizing on input (Gordon, 2017).

On the converse trajectory resides extensive growth. This manifestation transpires when the economy experiences an influx of fresh resources, akin to the infusion of a greater workforce or uncharted territories. This metamorphosis echoes the augmentation of ingredients, amplifying the capacity to manufacture more commodities (Gordon, 2017).

Turning the gaze to the realm of real gross domestic product (GDP), a distinct panorama emerges. This metric, while swathed in the mantle of inflation-adjustment, emerges as a yardstick quantifying the summation of all goods and services crafted within a nation's confines during a designated interval. This measure, underscored by prices from a selected base year, often resonates under the epithets of constant-price GDP or inflation-corrected GDP. The potency of real GDP is unleashed in its capacity to infuse significance into year-to-year and cross-temporal comparisons. It unfurls a canvas that not only embraces the qualitative and quantitative dimension of goods and services but also navigates the delicate interplay of their value (Gordon, 2017).Real GDP as a tool is calculated by dividing nominal GDP by a GDP deflator.

Real GDP as a macroeconomic statistic tool measures the value of the goods and services produced by a given economy in a specific period, adjusted for inflation. Governments use both nominal and real GDP as metrics for analyzing economic growth and purchasing power over time. This is done using the GDP price deflator (also called the implicit price deflator), which measures the changes in prices for all of the goods and services produced in an economy.

Real GDP takes into consideration adjustments for changes in inflation. This means that if inflation is positive, real GDP will be lower than nominal, and vice versa. Without a real GDP adjustment, positive inflation greatly inflates GDP in nominal terms.

Calculating real GDP is a complex process typically best provided by the BEA. In general, calculating real GDP is done by dividing nominal GDP by the GDP deflator (R).

$$R = \frac{N}{D}$$

Where

R = real GDP

N = nominal GDP

D = GDP deflator

- *Tax System*

It's a well-known fact that governments, no matter the level, need money to help their country grow. And one of the ways governments get money is by using taxes. The word 'tax' has different meanings based on who you ask. Like Kagan (2019) said, taxes are payments that people or businesses have to give to the government. It doesn't matter if the government is local, regional, or national.

Taxation is when the government makes its citizens pay money as a requirement. This money helps the government run things smoothly (Anyanwu, 1997). Tax, in simple terms, means giving money to the government because the law says so. You don't get something directly in return, like a service or value, whether it's called a tax or not (National tax policy, 2012). Tax is like a must-pay fee set by the government. Everyone, both regular people and companies, have to pay it, no matter if they get something back from the government or not. As Appah (2014) and Oyandonghan (2011) explain, tax is money that you have to give to the government, and the government uses it to keep people safe, provide social benefits, and help the economy.

You can also think of tax as a way to control things. It can help manage the making of certain goods and services, help new businesses, control companies, and manage how prices go up (Anyanwu, 1997).

According to Kiabel (2017), tax is a kind of payment that the government makes people or businesses give. This money comes from their income, profit, or wealth. And guess what? It doesn't come with a guaranteed benefit in return. The government decides on rules to decide who or what should pay taxes. When you think about it, taxes help the country get money for running things smoothly. The cool thing is that not everyone who pays tax gets something back immediately or in a way that matches what they paid. It's like a benefit that all citizens enjoy, but not in a direct "you paid this much tax, so you get this much stuff" way. A person who gives tax money is called a taxpayer. But here's the thing, a taxpayer can't sue the government for not spending money in line with how much tax they paid. Taxes and penalties/fines are quite different. They might both bring money to the government, but they're not the same.

The Nigerian government has different ways to get money, as mentioned in the 1999 constitution. Every government's job is to keep people and their things safe and give them basic things they need. Despite these many ways of making money in Nigeria, the country still heavily relies on oil sales, which give them a big chunk of their money every year. This has made Nigeria's economy pretty focused on oil. In fact, more than 80% of their money comes from oil (Khadijat and Kabi, 2019).

Talking about taxes, it's important to remember that tax isn't the same as other things you're made to give. Akanbi (2015) says that we shouldn't mix up tax with other payments that might seem similar. And ICAN (2009) tells us that taxation is like a kind of fee that everyone who lives or does business in a place has to give. It's a way to help the

government get money to provide things that help society, like schools and roads. Paying taxes is something citizens should do because it helps the country become better. But there's a difference between taxes and paying for a specific service, like when you use a bridge and pay a toll.

Tax revenues finance government activities, including public works and services such as roads and schools, or programs such as Social Security and Medicare. Okpe (2008) documented that tax is the transfer of resources and income from the private sector to the public sector to achieve some of the nation's economic and social goals. These economic goals maybe in the form of provision of additional government basic services in education, public health, transportation, capital formation and in the provision of facilities. Okwo (2011) stated that tax is a compulsory payment made by individuals and corporate bodies to the government towards financing of government expenditure aimed at improving the taxpayer's welfare and in which both the taxpayer and the public at large benefit.

In the insights of Taiwo, Illori, and Emenike (2019), the fundamental tenets of taxation encompass several pivotal facets. Firstly, there's the compulsion factor enshrined in Section 24 of Nigeria's 1999 constitution. This mandates every Nigerian citizen to honestly declare their income to lawful entities and dutifully settle their taxes. Taxes, in their essence, are levied on individuals, their incomes, properties, and transactions. These components serve as the bedrock upon which taxation is built.

Moreover, the imposition of taxes is contingent upon the robust foundation of legal enactments, including constitutional provisions, state laws, and other legislative instruments governing taxation and rates. A core principle of taxation demands equitable and just treatment for all taxpayers. It translates into a system where higher earnings translate to higher tax payments, and the inverse holds true.

Simplicity stands as a vital criterion in tax design, rendering it user-friendly and straightforward for taxpayers. Payment convenience and efficiency factor in as well, alongside the mandate for cost-effectiveness. In essence, the administrative expenses incurred shouldn't overshadow the revenue garnered – a balance of economic viability.

A pivotal aspect remains the certainty attached to taxation. Taxpayers should be able to determine their tax liabilities, and a sense of neutrality should underscore the tax charged. The essence is to create a framework that is clear, fair, and financially palatable for all involved parties.

- *Value Added Tax and Economic Growth*

Value added tax (VAT) was adopted in January through the vat act no. 102 of1993 but it began implementation in January 1994. And since its introduction, 15 of its sections out of 42 have undergone amendment. Replacing sales tax, vat was originally imposed on 17 categories of goods and 24 service categories. Items as basic foods, medical and pharmaceutical products, books, newspapers and magazines, house rent, commercial vehicles and spare parts and services rendered by community and peoples banks, were free from vat. Revenue generated was shared 20:80 between the federal and state government, but currently, it is shared between 15:50:35 among federal, state and local government. To ensure that vat is affected, certain amendments were made.

- Reduction of the personal income tax burden through increased tax allowances.
- Tax rate reduction.
- Monetization and taxation of fringe benefits.
- Deduction of R&D expenditure from gross earnings of companies.
- Extension of tax-free status to companies in rural areas and granting of incentives based on the infrastructure available in the areas.
- Reduction of company tax rate from 40% to 35%, and subsequently to 30%,
- And payment of petroleum profit tax in dollars.

Furthermore, according to Odiambo and Olushola (2018), the realm of Value Added Tax (VAT) operates under the purview of the Value Added Tax Act Cap V1, LFN 2004, with subsequent amendments. This tax comes into play when goods are bought or services are provided. It's a kind of consumption tax that's ultimately carried by the end consumer. Almost everything - goods and services produced domestically or imported - falls under its taxable umbrella, except for those items specifically exempted by the VAT Act. The levy stands at a rate of 7.5%. Interestingly, certain items like non-oil exports are tagged with a zero rate, meaning they're still subject to VAT, but at a nil value.

When it comes to keeping things in order, all those who come under the VAT umbrella need to submit monthly returns no later than the 21st day after the month of the transaction (Edewusi & Ajayi, 2019). Now, in the world of Nigerian VAT, three different groups of folks have the task of deducting VAT at the source and passing it directly to the tax authority. These groups are: Nigerian companies that are involved in transactions subject to VAT with non-resident companies within the country, government ministries, statutory bodies, and other government agencies, and companies that do business in the oil and gas sector (Joseph & Omodero 2020; Odiambo & Olushola, 2018).

A value-added tax (VAT) is a consumption tax placed on a product whenever value is added at each stage of the supply chain, from production to the point of sale. The amount of VAT that the user pays is on the cost of the product, less any of the costs of materials used in the product that have already been taxed. VAT is essentially a regressive tax that places an increased economic strain on lower-income taxpayers, and also adds bureaucratic burdens for businesses. Value-added taxation is based on a taxpayer's consumption rather than their income. In contrast to a progressive income tax, which levies greater taxes on higher-level earners, VAT applies equally to every purchase (Kagan, 2019). A value-added tax (VAT) is a consumption tax levied on products at every point of sale where value has

been added, starting from raw materials and going all the way to final retail purchase. Ultimately, the consumer pays the VAT; buyers at earlier stages of production receive reimbursements for the previous VAT they've paid. Value Added Tax (VAT) in Nigeria is a consumption tax that was instated by the Value Added Tax Act of 1993. It is a Federal Tax which is managed by the Federal Inland Revenue Service (FIRS). VAT is charged on most goods and services provides in Nigeria and also on goods imported into Nigeria. Businesses add VAT to the sales price of the goods or services they offer in Nigeria. They also pay VAT, just like consumers, on goods and services that they consume. Some VAT paid by businesses can be used to offset VAT collected before remittance to the FIRS (Deloitte, 2019). Examples of VATable goods include jewelries, shoes, bags, television etc. VATable Services are all services rendered by any person in Nigeria except those specifically exempted under the law. Examples of VATable services are, services rendered by Lawyers, Engineers, Accountants, Contractors and Consultants etc (Asquith, 2019).

➢ *Highlight of Value Added Tax Act of 2007*

The aim begins with having a burning desire to build a viable Country at the national and sub-national levels. This aims must be supported with plans which are cost-oriented to ensure that the expenditure to support the plan is well articulated and to avoid wrong strategies at implementation. These are monies collected by a government through imposition of levies and taxes on facilities, incomes, sale of goods and services, transfers of properties, and other domestic transactions, as opposed to monies collected from duties imposed on imports and other international transactions. Also known as Inland Revenue Internally generated revenues (IGR) are revenues generated by States within the Nigerian federation, independent of their share of revenue from the federation account.

Various authors have tackled the concept of revenue in different ways. According to Adam (2006), revenue signifies the funds needed by the government to support its operations. These funds come from diverse channels like taxes, loans, fines, fees, and such. Another view, shared by Hamid (2008), defines revenue as the complete amount of money an organization, be it public or private, collects within a specific time frame. It's worth noting that state revenue comprises income from taxation, as well as non-tax sources such as the proceeds from selling government assets or other interests, plus earnings from investments and loans. Bhatia (2001) further breaks down revenue receipts into "routine" and "earned" income, encompassing tax receipts, donations, grants, fees, fines, and more, but excluding borrowings and loan recoveries from other parties.

Pearce (1986) adds that government revenue encompasses all monetary inflows apart from issuing debt or cashing in investments. This includes tax collections, charges, miscellaneous revenues, utility and insurance trust revenue, covering all funds and agencies of a government. Public revenue, as described by Stephen and Osagie (1985), delves into the ways through which a government accumulates funds. Summing up these definitions, revenue can be seen as the total income a state rakes in from different avenues during a specific timeframe. State governments, like the other levels of government, have distinct sources and uses for their revenue. Osisami (1994) identifies two main categories of revenue for state governments: internally generated revenue and revenue allocated from the Federation Account. The former includes income garnered within the state, like taxes (such as pay as you earn, direct assessment, and capital gain taxes) and motor vehicle licenses, whereas the latter involves the Federation Account share and Value Added Tax.

In the scenario of the Federation Account share, states' portion constituted 57.97% in 2002 and surged to 65.82% in 2006, whereas internally generated revenue dwindled from 13.38% in 2002 to 8.11% in 2006 (CBN, 2006). For most non-oil producing states, the average percentages of internally generated revenue in relation to federal allocation ranged from 5% to 9% in recent times. Kano, with vigorous revenue generation strategies, slightly exceeded 10% in 2004 and continues to do so, with Lagos state standing as the unique outlier.

With the lingering economic struggles, there have been renewed calls for the Nigerian government to diversify the economy away from the oil and gas sector. Unfortunately, Nigeria’s dependence on the oil sector is too critical and the effect of Nigeria’s dwindling oil revenue is damaging with reverberations beyond the Federal Government. State Governments who depend primarily on statutory allocations from the federation account have found their ability to deliver the most basic public services (education, health, and others)

➢ *Custom and Excise Duty Tax and Economic Growth*

Customs duties in Nigeria are imposed solely on imports. Rates fluctuate for various items, generally ranging from 5% to 35%, and are determined using the prevailing Harmonized Commodity and Coding System (HS code).

Nigerian-registered airlines engaged in commercial air transport enjoy the privilege of duty-free importation for their aircraft, engines, spare parts, and components, whether bought or leased.Regarding excise duty, it applies to beer, stout, wines, spirits, cigarettes, and homogenized tobacco produced within Nigeria or imported, pegged at 20%.

Effective from 1st June 2022, there have been hikes in excise duties for tobacco and alcoholic beverages, while new excise duties have been introduced for non-alcoholic beverages and telecommunication services. This new structure exclusively concerns tobacco and its derivatives (such as cigarettes), alcoholic drinks (including beers and stouts, spirits, and wines), non-alcoholic beverages, and telecommunication services, as detailed below:

Excise duty stands as a tax imposed during the manufacturing process, targeting certain goods. It also serves as an indirect tax on the sale or use of specific goods, products, services, or activities like tobacco, alcohol, narcotics, gambling, primarily aimed at discouraging their

consumption. Excise duty has been lifted for many manufactured items, except for those that carry harmful effects, like bleaching creams, alcohol, tobacco, cigarettes, etc. Since its inception in 1962, there have been numerous adjustments to the administration, rates, and the roster of goods subject to excise duties.In historical context, excise duty has earned the moniker of a "sin tax" due to its application to certain categories of goods. Initially, it wasn't a primary revenue driver for the government. However, given the recent drop in crude oil prices, the government has increasingly turned its attention towards non-oil revenue streams to bolster the budget and foster economic growth and progress.

➢ *Highlights of Amendments to the Customs and Excise Tariff, Etc. (Consolidation) Act*

Before the amendments brought about by the Finance Act of 2019, Section 21 of the Customs and Excise Tariff, Etc. (Consolidation) Act (CETA) outlined the imposition of excise duty only on specific goods manufactured within Nigeria. The particular locally produced goods subject to excise duty were specified in the Fifth schedule of CETA. To establish fairness between locally produced and imported goods, the CETA underwent changes through the Finance Act of 2019 to extend the scope of excise duties to imported goods mentioned in the Fifth schedule of CETA. However, an inclusion was introduced as part of these changes, suggesting that goods not produced within Nigeria and raw materials not locally available would be excise duty exempt. This inclusion, unfortunately, contradicted the intended purpose of applying excise duty to imported goods.

Hence, the necessity for the most recent amendment in the Finance Act of 2020. This contentious inclusion has now been removed. Consequently, all imported goods listed in the Fifth schedule of CETA will now incur excise duty. Moreover, the adjustments made in the Finance Act of 2020 also encompass telecommunication services as services liable to excise duty.

It's crucial to understand that prior to the Finance Act of 2019, the government had previously issued a Circular with reference number 17642/II/172, dated 6 March 2018. This circular announced an increase in excise duty rates for tobacco and alcoholic beverages, effective from 4 June 2018. The latest alteration to the excise duty framework is the introduction of excise duty on telecommunication services rendered within Nigeria. This move has sparked considerable criticism from pertinent stakeholders within the telecommunications sector, as it imposes an additional tax burden on telecommunication service providers.

➢ *Likely Impact of Imposition of Excise Duty on Telecommunication Services*

The telecommunications services sector stands as a significant contributor to government tax revenue. Yet, the taxes and charges imposed on these companies have a profound impact on their service provision, influencing aspects like adoption, pricing, investment choices, service quality, and affordability. The connection between high taxes and investments by operators or investors in infrastructure and equipment, along with service quality and affordability for subscribers, is quite direct.

Currently, telecommunications service providers face various levies and taxes such as Right of Way Charges, National Information Technology Development Fund Levy, National Cybersecurity Fund, and Annual Operating Levy, in addition to established statutory taxes including Companies Income Tax, Tertiary Education Tax, and Value Added Tax. The inclusion of excise duty will only add to the existing issue of multiple taxes experienced in the industry. Ideally, one would expect the government to streamline these taxes and levies, aligning with their ease-of-doing-business initiatives.

Nigeria boasts one of Africa's largest telecommunications markets, thus the introduction of excise duty on these services could naturally boost government revenue. However, it's equally crucial to evaluate the potential adverse impacts on subscribers and the economy. This could mean that subscribers would likely have to pay more for these services, as these costs will be passed down to them. Consequently, reduced usage may occur, leading to lower earnings for the operators and, in turn, affecting productivity and the overall economic output of the public.

Currently, only a handful of countries such as the United States of America, Tanzania, Zanzibar, Uganda, and Malawi impose excise duty on telecommunications services. Typically, excise duty is levied on goods to deter their demand and consumption. One might question the government's motive in light of the telecommunications industry's contribution to Nigeria's gross domestic product. While the government rightly seeks alternative non-oil revenue sources to fund the national budget, it's essential to exercise caution, considering the potential negative impact of additional taxes or levies on both businesses and individuals.

➢ *Capital Gains Tax and Economic Growth*

Capital Gains Tax Is A Levy Imposed On The Profit Realized From An Investment When It's Sold (Investopedia, 2022). When Investment Assets Like Stock Shares Are Sold, The Profits Earned Are Considered Realized Capital Gains. This Tax Doesn't Apply To Investments That Haven't Been Sold Or To Unrealized Gains. Stocks, For Instance, Only Become Subject To Taxes When They're Sold, Regardless Of How Long They've Been Held Or Their Increased Value.

The Concept Of Capital Gains Tax Started In The USA, Where Individuals And Corporations Pay U.S. Federal Income Tax On Their Net Capital Gains, Much Like Other Forms Of Income (Wikipedia, 2014). However, Long-Term Capital Gains Usually Enjoy A More Favorable Tax Rate Compared To Regular Income. The Taxation Rate An Investor Faces Depends On Their Tax Bracket And The Duration The Investment Was Held Before Being Sold. Short-Term Capital Gains, Defined As Assets Sold Within A Year Or Less, Are Taxed At The Investor's Regular Income Tax Rate.

The Administration Of The Capital Gains Tax Falls Under The Capital Gains Tax (CGT) Act, Cap C1 LFN 2004 (As Amended). According To Karumba (2016), The Tax Is Set At A Fixed Rate Of 10% Of Chargeable Gains. This Implies That All Chargeable Assets Are Subject To The Tax When They're Sold At A Gain, Except For Those Specifically Exempted By The Act. This Encompasses All Forms Of Property, Regardless Of Their Location. The Deadline For Filing Returns And Paying The Tax Mirrors That Of Companies Income Tax (Edewusi & Ajayi, 2019).

Lyndon And Paymaster (2016) Outlined That Allowable Expenditure For CGT Includes Fees Paid For Professional Services, Commissions, And The Cost Of Transfers. Exemptions From CGT Include Gains From The Sale Of Awards For Bravery, Life Insurance Policies, Nigerian Government Securities, Stocks, And Shares, Among Others. Certain Organizations Are Exempt From CGT On Gains, As Long As Those Gains Don't Arise From The Disposal Of Assets Linked To Their Trade Activities. This Includes Entities Like Ecclesiastical, Charitable, Or Educational Institutions Of Public Character, Registered Friendly Societies, And Trade Unions (Akhor & Ekundayo, 2016).

In Africa, Capital Gains Tax Has Not Been The Only Major Source Of Income For The Government In African Counties Like South Africa, Nigeria And Ghana But Has Been A Source Of Motivation For A Number Of Companies To Invest Higher And Smartly For Improved Profits (OECD, 2013). Ghana & Gatsi (2013) Writes That, The Flat Corporate Tax Rate Does Not Favour Small Companies Listed In The Stock Market Today. In Buttressing This Argument, The Manufacturing Companies For Example Compare The Flat Corporate Tax Rate With The Progressive Personal Income Tax Rates. The Companies Listed In The Corporate Stock Market In Ghana For Example Are Taxed Up To 25% Of Their Gains Just Like It Is In The Case In SA And Probably Nigeria That Deviate To 45% And 23% Respectively.

As Noted By Okoth (2015), The Bill Was Mainly Centered On The Taxation Of Petroleum Operations, Except For A Significant Alteration In The Tax Regulations Regarding Capital Gains. This Change Pertained To The Taxation Of Capital Gains Gained By Individuals Through The Sale Of Shares In A Private Limited Liability Company. Okoth Further Contends That The Most Prevalent Form Of Capital Gains Realized By Individuals In Uganda Arises From The Sale Of Shares, Bonds, And Property Like Land And Buildings. Under Uganda's Income Tax Law, If An Individual Sells Shares They Hold In A Private Limited Liability Company, The Profit Obtained From This Sale Is Usually Not Subject To Taxation, Unless The Individual Is Actively Engaged In The Business Of Buying And Selling Shares.

Nevertheless, Klemm & Van Parys (2012), In Their Study On The Effects Of Tax Incentives In Uganda, Ghana, Ethiopia, And South Africa, Argue That Smaller Companies Without Substantial Political Influence In Uganda Have Faced Adverse Financial Consequences Due To Income Tax Gains. Citing Evidence From Five Companies, They Suggest That These Companies Suffered Financially For Almost A Year, With Outcomes Such As An Average Loss Of Up To Five Employees Due To Unaffordable Wages, Increased Expenses Related To Financial Management Structures, Diminished Capital Bases, Reduced Borrowing Capacities, Heightened Speculation, And Incurred Losses.

A Study Conducted By The GOK (2013), Titled "Economic Management For Renewed Growth," Focused On Capital Gains Tax For Companies Listed On The Nairobi Stock Exchange And Its Potential Future Implications On Business. This Study Highlighted That Companies Would Be Required To Pay Capital Gains Tax On Profits Gained From Transferring Property Located Within Kenya. The Definition Of Property Encompasses Assets Acquired Or Held For Investment Purposes, Excluding Road Vehicles, As Derived From The Interpretation And General Provisions Act. This Comprehensive Definition Brings Numerous Investments Held By Companies Under The Scope Of Capital Gains Tax.

However, Companies Faced Challenges After Realizing Gains From Transferring Assets That Had Qualified For Wear & Tear Deductions, Or From Exchanging Property As Part Of A Business Restructuring Or Reorganization. Once Taxed, Some Companies Experienced Financial Setbacks, And Others Were Compelled To Lower Employee Wages To Accommodate The Tax Burden (GOK, 2013). The Phenomenon Of Reduced Financial Realization Is Further Elucidated By KIPPRA (2015). In A Study Involving Five Real Estate Companies Listed On The NSE, It Was Discovered That Companies Could Potentially Pay Up To Ksh. 30 Million Annually As Capital Gains Tax. The Cumulative Impact Of Such Payments On A Company's Overall Performance Includes A Reduction In Its Financial Foundation, Decreased Availability Of Funds For Wages And Ongoing Expenses, Decreased Motivation For Future Investment, Associations Of Future Losses With Decisions Like Withholding Property Due To Speculation, Destabilized Leverage, And Even The Closure Of Young Companies With Unstable Liquidity Ratios.

Similar To Other Countries, KIPPRA (2014) Contends That The Introduction Of Such A Tax Is Advantageous To The Government But Places A Substantial Burden On The Financial Foundation Of Companies Subject To It. Various Studies Conducted In South Africa And Ghana By Kovanen (2011) And Gatsi (2013) Respectively Have Demonstrated That, During The Initial Years Of Taxation, Companies Encountered Financial Downturns. Some Faced Challenges In Managing Their Financial Structures, Insuring Against Associated Risks, Meeting Expected Targets Due To Poor Speculation, And More. This Pattern Can Be Observed In The Kenyan Context As Well, Given The Historical Issues Companies Faced With Taxation And Financial Performance Before The Abolishment Of Capital Gains Tax (Global Tax Alert, 2015).

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Hungerford's Research In 2010 On The Economic Effects Of Capital Gains Taxation In The USA Revealed Tangible Impacts Such As Financial Restructuring, Declines In Financial Stability, Reductions In Wages, And Financial Struggles Faced By Small Companies. Mark Larochelle's Study In 2012 Titled "Raising The Capital Gains Tax Will Not Lead To Fairness, But Only Slam U.S. Job Creation" Further Supports These Observations.

According To Investopedia (2015), Profits Constitute The Difference Between Revenues And Costs. In A Trade Transaction, Profit Is The Contrast Between The Selling Price Of A Good And Its Buying Price. For Businesses, Net Profit Represents What Remains From Turnover After Settling Obligations To Suppliers, Workers, Financing Entities, And The Government. The Objective Of All Firms Is Believed To Be Profit Maximization. Yet, It's Not Always Straightforward For Management To Ascertain The Decisions That Would Genuinely Optimize Profits. For Instance, Short-Term Profits Can Be Superficially Boosted By Cutting Back On Maintenance, Discretionary Costs, And Necessary Investments That Contribute To Ongoing Competitiveness. This Challenge Of Making Decisions That Align With Long-Term Financial Success Can Be Explored Through The Lens Of A Business Simulation.

Furthermore, What Maximizes Overall Profits May Not Necessarily Align With Achieving The Utmost Level Of Profitability, Which Pertains To The Proportion Of Profits Relative To Turnover. This Concept Becomes Clearer When Considering A Monopoly Model And Contrasting Two Strategies: (I) Adopting Exceedingly High Prices (Resulting In High Profitability) And (Ii) Setting A Price Derived From A 15% Mark-Up On Costs. In Practice, Companies Do Establish Profit Targets, At Times Even Incentivizing Managers To Achieve Them. However, It's Essential To Recognize That A Firm's Objectives Encompass More Than Mere Profits (Marthin, 2015).

According To Burman, Leonard & William (2013), As Proposals For Increased Capital Gains Tax Are Raised In The UK As A Short-Term Revenue Generation Measure, Policymakers Need A Comprehensive Grasp Of The Potential Repercussions. This Includes Understanding The Probable Impacts On Government Revenues, Companies Listed In The Stock Market, And The Earnings Of Individuals Employed By Companies Subject To The Capital Gains Tax. For Instance, In 2007, Over 28% Of Employees Working In Small Firms Listed On The SE Market Experienced Potential Reductions In Salary, Delayed Payments, Loss Of Medical Coverage, And Other Benefits Like Family Assistance.

Greeley (2012) Highlighted That Heightened Taxation On Profits And Capital Gains Is A Strategy Adopted Across Both Developed And Developing Nations To Bolster Government Funds And Achieve Budget Equilibrium. However, This Approach Can Be Dual-Edged. He Goes On To Point Out That Affluent Individuals And Corporations, Particularly In Regions Like India, South Africa, Latin America, And Impoverished African Countries, Utilize Sophisticated Methods To Exploit Tax Code Loopholes, Minimizing Their Tax Responsibilities. In Certain Places Like Mexico, Their Interests Are So Well Safeguarded By Lobbying Groups And Political Factions That Tax Codes Are Written In Ways That Facilitate Such Loopholes. This Situation Leaves Smaller, Less Influential Companies Bearing A Heavier Tax Burden, Ultimately Leading To Insufficient And Uneven Compensation For Their Workforce In Relation To Their Profits. Okoth (2015) Posits That Heightened Capital Gains Tax Has Significant Ramifications For Both Small And Large Companies In The East African Region. He Outlines Three Primary Effects Observed Across These Countries. Firstly, The Increased Taxation On Companies Listed In Stock Markets Results In A Reduction Of Their Profit Margins, Subsequently Leading To Diminished Available Wages For Their Employees And Closely Associated Individuals. Secondly, Companies Aiming To Remain Competitive In The Market Are Compelled To Allocate More Resources Towards Wages. This Often Prompts Them To Seek Out Strategic Employees Who Can Enhance Revenue Through Customer-Oriented Tactics. Lastly, The Imposition Of Higher Capital Gains Tax Can Trigger Wage System Failures, Potentially Leading To Strikes And Unrest In Cases Where Companies Struggle To Balance Their Income, Expenses, And Government Deductions. This Is Particularly True For Companies That Have Either Evaded Tax Obligations In The Past Or Failed To Establish Financial Equilibrium.

The Governance Of Capital Gains Tax Falls Under The Purview Of The Capital Gains Tax (CGT) Act, Cap C1 LFN 2004 (As Amended). As Highlighted By Karumba (2016), The Capital Gains Tax Is Levied At A Fixed Rate Of 10% On Chargeable Gains. Accordingly, All Assets Subject To Capital Gains Are Liable To The Tax When They Are Sold At A Profit, Except Those Specifically Exempted By The Act. Notably, Chargeable Assets Encompass All Forms Of Property, Irrespective Of Their Location Within Nigeria. The Deadline For Filing Returns And Making Tax Payments Aligns With That Of The Companies Income Tax (Edewusi & Ajayi, 2019).

Lyndon And Paymaster (2016) Outline Various Expenses Allowable For The Purpose Of CGT. These Include Fees, Commissions, Or Remunerations Paid For Professional Services And The Costs Associated With Transfers. Certain Gains Are Exempted From CGT, Encompassing Disposals Of Decorations Awarded For Acts Of Valor And Gallant Conduct, Life Insurance Policies, Nigerian Government Securities, Stocks, And Shares, Among Others. Gains Are Not Subject To Charge If They Accrue To Certain Organizations, Provided That The Gain Does Not Stem From The Disposal Of An Asset Acquired In Connection With A Trade Conducted By The Organization. Such Entities Include Ecclesiastical, Charitable, Or Educational Institutions Of A Public Nature, Registered Friendly Societies, Cooperative Societies Governed By The Cooperative Societies Law Of Any State, And Trade Unions Registered Under The Trade Unions Act (Akhor & Ekundayo, 2016).

III. RESEARCH DESIGN

In other to guide the conduct of the study and give direction to it, so that a concise and reliable result can be achieved, *Ex-Post Facto* research design and Time series data were used. An *Ex-post facto* design is a quasi-experimental study examining how an independent variable, present in the study affects the dependent variable and in such a situation, all data will not be randomly assigned but was given equal chance. According to Mary (2009), to understand the relationship between a variable and another with the primary goal to investigate casual (cause/effect) relationships is what ex-post facto research design called for and this will help the researcher to fully understand the relationship and effect of one or more variables on other variables. This will be the reason for the adoption and use of the design in this study.

- *Area of the Study*

The area of the study covered two African countries namely, Nigeria and South Africa. These two countries were selected based on the availability of data.

- *Nature and Source of Data*

Data is the backbone of any research, especially when it comes to scientific research. It is the most important thing for any researcher to have a good understanding of data and its role in the research process. As a result of this, this study used already existing (published) available data on taxation within the two selected African countries (Nigeria and South Africa)

Secondary research data were sourced from the financial statistical bulletin, CBN statistical bulletin as well as the Federal Inland Revenue (FIRS) for Nigeria and South African Revenue Services (SARS) for South African statistical bulletin &World Bank Data (various issues) from 2001 to 2021 using time series data based on the availability of data among the two countries. The researcher codified the data into the following categories namely; economic growth (EG), Real gross domestic product(RGDP), withholding tax (WHT), Value added tax (VAT), Corporate income tax (CIT), capital gain tax(CGT) and custom and excise duties tax (CED).

- *Population and sample size*

The Population is made up of 54 African countries but our sample size is purposive sampling techniques that selected two among them which includes Nigeria and South Africa. this is because of some similarities and equal availability of data in the two countries tax systems and economic growth

IV. METHOD OF DATA ANALYSIS

A cross-sectional multi-liner regression (A cross-sectional, multi-liner regression is a regression analysis that takes into account the relationships between multiple predictor variables and a single outcome variable. This type of regression is used to identify potential predictors of a particular outcome and to quantify the strength of the relationship between each predictor and the outcome)will be used in the study to compare and contrast the effect of tax system on economic growth across the Africa countries used.

Unit trust test was employed to determine if the trending data should be first differenced or regressed on deterministic functions of time to render the data stationary and co-integration test to establish if there is a correlation between several time series in the long term.

- *Model Specification*

In this study, the dependent variable is economic growth while tax system in Africa (TAS) independent variable. The dependent variable which is economic growth will be proxied with Real Gross Domestic Product (RGDP), while the independent variable was proxied with VAT (Value added tax), capital gain tax(CGT) and customs & excise duties tax(CED).

This study will modify the functional relationship between tax revenue and the economic growth of Nigeria model by Ojong, Ogar and Arikpo (2016). The model is expressed thus:

$RGDP= \beta0+ \beta_1 VAT_{it} + \beta_3 CED_{it} + \beta_4 CGT_{itt}$ - - -

RGDP =Real Gross domestic product

VAT = Value added tax

CED = Customs and Excise duties tax

CGT = Capital gain tax

β0 = constant

- *Data Presentation*

- *Data Analysis*

Table 1 Regression analysis between VAT, CED, CGT and GDP for Nigeria and South Africa

Nigeria				***South Africa***			
Variables	***Coefficient***	***t-Statistic***	***Prob.***	***Variables***	***Coefficient***	***t-Statistic***	***Prob.***
C	*269770.5*	*2.959493*	*0.0103*	*C*	*258422.9*	*5.126241*	*0.0001*
VAT	0.083203	0.455395	0.6558	VAT	0.984587	2.332622	0.0340
CED	1.378786	0.526888	0.6065	SED	0.038628	0.026780	0.9790
CGT	-1.454733	-1.768773	0.0987	CGT	0.384615	1.044731	0.3127
R^2			0.8350	**R^2**			0.6869

AR^2	0.7760	**AR^2**			0.5826
F-stat(p-val)	0.0000	**F-s(p-val)**			0.0020
D W	0.9995	**D W**			0.7701

Source: Author's Computation, (2023)

The explanation of the regression model start with the Durbin-Watson (DW), which checks for the appropriateness of the model, applied for our analysis. From the models, these show to have the value of 0.9995, 0.7701 for both Nigeria and South Africa respectively, and this seems to be less than two, as an indication that it has non auto-correlation and thus it is appropriate but the model probability F-statistics has the value as 0.0000, 0.0020 for both Nigeria and South Africa respectively ,and they seems to be less than the normal decision value of 5% and 10% levels of significance decision of this study. Since their value is less that the significance value, we accept that the effect of tax system on economic growth of Nigeria and South Africa is generally significant on their GDP.

The valve of R-squared coefficient of determination stood at 0.8350, 0.6869 for both Nigeria and South Africa respectively which implies that 84%,69% respectively of the systematic variations in the dependent variables GDP were able to be predicted by the individual variables power of the independent variables of both countries; while about 16%, 31% respectively were unexplained, and possibly these were captured by the stochastic error term. On the other hand, the adjusted R-squared are 0.7760(78%), 0.5836(58%) for both countries respectively, these also show that all the independent variables jointly have the power to explain about 78%, 58% of the systematic variation in the change of GDP of Nigeria and South Africa economy for the period covered, while th balance of 22%, 42% of both countries respectively aare the stpchastic elements that represent all other endogenous and exogenous variables affecting Nigeria and South Africa GDP within tax system which were not captured in the study models of both countries.

- *Hypotheses Testing*

- *H_{01}:*Value-added tax VAT has no significant effect on real gross domestic products in both Nigeria (NG) and South Africa (SA)

From the abridged model values of both countries, there are positive coefficient values of VAT given as: 0.083203, 0.984587; and their probability values are as well: 0.6558, 0.0340 for both countries respectively. Applying the study decision point of 5% and 10% significance level, we reject the alternate hypothesis for NG and accept the null hypothesis that VAT is positive and non-statistically significant in Nigeria GDP; while the alternate hypothesis was accepted showing that it is positive and significant in South Africa GDP.

- *H_{02}:* custom and excise duties has no significant effect on real gross domestic products in both Nigeria (NG) and South Africa (SA)

The coefficient values of stamp and excise duties as an independent variable of tax system in both NG and SA have positive values: 1.378786, 0.038628 and their respective probability values are 0.6065, 0.9790. We apply the decision rule based on 5% and 105% significant level, and thus reject the alternative hypothesis and accept the stated null hypothesis that in both countries, stamp and excise duties are positive and non statistically significant on their real GDP.

- *H_{03}:* Capital gain tax CGT does not significantly affect the real GDP of both Nigeria and South Africa.

We find from the two abridged models that the values of CGT are -1.454733, 0.384615, respectively for Nigeria and SA; while their respective probabilities are: 0.0987 and 0.3127. Thus basing the decision on the stated values of 5% and 10% level of significance, we state that in Nigeria CGT is negative and statistically significant on GDP; while in SA, it is positive and non-significant on GDP.

- *Findings of the Study*

The findings are related to each of the variables findings. They are as follows:

VAT is positive and non-statistically significant in Nigeria real GDP; while it is positive and statistically significant in South Africa real GDP.

In both Nigeria and South Africa, custom and excise duties are positive and non- statistically significant on real GDP.

In Nigeria, CGT is negative and statistically significant on real GDP; while in SA, it is positive and non-statistically significant on GDP.

V. DISCUSSIONS OF MAJOR FINDINGS

The study discussions of the findings are based on the related empirical literatures applied throughout this study as it relates to each of the variables findings.

CIT is positive and non-statistically significant in Nigeria; while it is negative and non-statistically significant in SA. This finding that CIT is significant in Nigeria agrees with the prior researches of: (Labatu, 2014; kaka, 2014; Chibu & Njoku, 2015; Ejiofor, *et al*., 2021; Onoja & Ibrahim, 2020; Alexander, *et al*., 2019; Okoye, et, al., 2019; Ideh, 2019) ; while it did not agree with these authors who found negative: (Okasha & Iqbal, 2012; Nweze *et al*., 2021;)

In both Nigeria and South Africa, custom and excise duties are positive and non-statistically significant on real GDP. These authors found positive in agreement with our

study: (Oladipupo & Ibadin, 2015; Chibu & Njoku, 2015; Dritsaki & Katerina, 2015;); while the following researchers found negative; (Dejong & Ripoll, 2003;)

VAT is positive and non-statistically significant in Nigeria GDP; while it is positive and statistically significant in South Africa GDP. Vat being positive in both countries GDP agrees with the findings of the following prior literatures: (Madugba & Azubike, 2016; Apere & Durojaiye, 2016; Egolum & Celestine, 2021); while it did not agree with these authors who found negative: (Salti & Chabaan, 2010; Ugochukwu & Azubike, 2016; Madugba & Azubike, 2016; Njoku, 2015; Oraka, *et al*., 2017;)

Capital gains tax is negative and non-statistically significant in Nigeria and South Africa real GDP which agrees with the findings of; (Ngu, 2020; Obaje,*et el* 2012; Osho et el 2019; Kabir, 2016; El-Maude et el, 2018) while it did not agree with the finding of; (Offor, 2019)

In both Nigeria and South Africa, custom and excise duties are positive and non- statistically significant on real GDP and this agrees with the finging of ((Ideh, 2019: Oladipupo & Ibadin, 2015: Dejong & Ripoll, 2005) while (Dritsaki and Katerina, 2005) found it negative.

VI. SUMMARY OF FINDINGS

The following were the major findings of the study:

- There was a statistically significant effect between value added tax and gross domestic product in South Africa, while Nigerian value added tax shows no significant, and their effects were; positively and positively respectively.
- There was no statistically significant effect between custom and excise duties tax and gross domestic product in the two countries (Nigerian and South Africa), and their effects were positively and positively respectively.
- There was no statistically significant effect between capital gain tax and gross domestic product in the two countries (Nigeria and South Africa), and their effects were negatively and positively respectively.

VII. CONCLUSION

In a bid to contribute to the existing literature, the study embarked on a cross-country comparative analysis of the effect of tax systems on the real gross domestic product in Nigeria and South Africa. The study specifically examined how company income tax, value added tax, custom and excise duties, capital gain tax and withholding taxrelated with economic growth of Nigeria and South Africa.The study employed the real gross domestic product (RGDP) as a measure of economic growth which was used in related studies in this context. The time series was adopted in selecting the twenty one (21) years in Nigeria and South African due to equal availability data for these periods covered.

Based on the above findings, it could be summarized that within the context of this study, company income tax, value added tax, custom and excise duties, and capital gains tax were all statistically insignificant with gross domestic product in Nigeria. However, withholding tax and value added tax were significant, while company income tax, custom and excise duties and capital gain tax were insignificant in South Africa. Company income tax, and withholding tax characterized with negative effect on gross domestic product across in South Africa, while capital gain tax and withholding tax were negatively affect gross domestic product in Nigeria. Meanwhile the outcome from the study can be due to different in tax rates and administration; as well as tax avoidance and aggressiveness can also be a contributing factor to it. Nigerian government to generate adequate revenue from tax has become a matter of urgency in a bid to sustain economic growth. The results obtained from this study are a departure from mainstream traditional economic theory, which disseminate the theory of high-income tax rate as necessary conditions for sustained economic growth. This study portrays the view that lower taxes (w.r.t. to excise duty tax, value added tax, capital gain tax and company income tax) can influence economic growth that is consistent with endogenous growth models.

Conclusively, the outcome of the analysis indicates that while the increase in value added tax and withholding tax leads to increase in the economic growth, other tax systems (company income tax, custom and excise duties and capital gain tax) were in opposite direction. In the sense that economic growth decreases as a result of increase in the amount of tax paid. As Nigerian tax variables revealed insignificant, this however, create income effects that reduce the need to engage in productive economic activity in Nigeria, and they may subsidize old capital, which provides windfall gains to asset holders that undermine incentives for new activity.

RECOMMENDATIONS

The following recommendations were proffered based on the findings of the study:

- In order to reverse the insignificant effect of VAT, Nigerian government should see that the application of VAT ensures that international trade takes place on a transparent basis and avoids distortions like tax cascading associated with alternative commodity taxes.
- Since CED has insignificant effect on the productivity of Nigeria, Government should devise means of curbing corruption and leakages in the CED administration and continue in investing in infrastructure and public goods and services.
- The study recommends that the government should provide the necessary enabling environment that are needed to support both domestic and foreign investment so they can attract more capital gain that will boost taxable income thereby improve in the economic growth of these countries.

- There is need should be continuous review and reforms in the Nigeria withholding tax to reflect the current realities of the modern economy since this might have significant effect on revenue performance. Beside, government should ensure that the adherence on the withholding tax law basically to enable them minimize tax evasion and ensure that more taxpayers are captured into the tax net.

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