International Journal of Humanities Social Science and Management (IJHSSM)
Volume 5, Issue 2, Mar.-Apr., 2025, pp: 765-774 ISSN: 3048-6874
www.ijhssm.org

Impact of Capital Gains Tax and Customs and Excise Duties on Economic Growth in Nigeria

[1]Ese Bassey Nsentip, [2]Nkanikpo Ibok Ibok, [3]Eno Greggory Ukpong and [4]Affiong Ukana Otung
Department of Accounting
Akwa Ibom State University, Obio Akpa Campus

Date of Submission: 29-03-2025 Date of Acceptance: 08-04-2025

Abstract
This study examined the impact of capital gains tax and customs and excise duties on economic growth in Nigeria, using the Auto-Regressive Distributed Lag model. The descriptive statistics showed that capital gains tax had a mean value of ₦6.74 billion, while customs and excise duties averaged ₦78.76 billion, reflecting variations in tax revenue contributions over time. The unit root test results confirmed that all variables were integrated at first difference, indicating stationarity after differencing. The Johansen co-integration test revealed two co-integrating equations at a 5 percent significance level, confirming a long-term relationship between non-oil taxes and economic growth. The long-run Auto-Regressive Distributed Lag model estimates showed that capital gains tax had a significant positive effect on gross domestic product (coefficient = 0.0111, p = 0.0011), whereas customs and excise duties' impact was statistically insignificant (coefficient = 0.0755, p = 0.2758), suggesting that capital gains tax contributed more to economic growth than trade-related taxes. In the short run, customs and excise duties had a negative effect on gross domestic product (-0.0729, p = 0.0022), implying that excessive trade taxation may hinder economic activity. The error correction model (ECM = -0.6530, p < 0.01) confirmed that 65.3 percent of short-run deviations were corrected each period, reinforcing a strong adjustment mechanism towards long-run equilibrium. The study recommendedimproving tax administration, broadening the tax base, strengthening capital gains tax enforcement, and restructuring customs and excise duties to support domestic industries. A well-balanced tax policy would ensure sustainable revenue generation while fostering economic growth in Nigeria.

Keywords: *Non-oil taxes, economic growth, capital gains tax, customs and excise duties, ARDL model, Nigeria*

I. Introduction

The ability of a country to generate revenue domestically is crucial for economic growth, with governments prioritizing efficient tax systems to fund social services and infrastructure (Nakah et al., 2018). Non-oil taxes, which include revenue from sources like company income tax, personal income tax, and value-added tax, serve as an alternative to oil revenue (Webber &Wildavsky, 1986). Historically, Nigeria relied on agriculture and mineral resources for revenue before the oil boom of the 1970s shifted focus to petroleum, leading to a decline in the contribution of the non-oil sector (Oshiobugie&Akpokerere, 2019). This shift resulted in economic instability, as dependence on oil exposed Nigeria to fluctuations in global oil prices, necessitating a renewed focus on non-oil revenue for sustainable growth (Omesi et al., 2020).

Before independence, Nigeria's economy was primarily trade-based, with the non-oil sector, particularly agriculture, serving as the backbone of revenue generation (Bakari& Mohamed, 2018). The discovery of oil in the 1960s led to a drastic shift, with agriculture's contribution to gross domestic product declining significantly (Uysal&Mohamoud, 2018). While taxation remains a critical source of government revenue, it has evolved beyond merely generating funds to include wealth redistribution and economic regulation (Williams, 2003). Taxes are classified into direct and indirect taxes, both of which play key roles in financing government activities and addressing economic inequalities (Ojo, 2008). Despite the potential benefits of non-oil revenue, Nigeria has struggled to optimize it, leading to economic challenges such as poverty and unemployment (Aiyedun, 2007).

Economic growth, measured primarily through gross domestic product, is closely linked to the mobilization of domestic revenue, especially from non-oil taxes (World Bank, 2022). The persistent decline in Nigeria's non-oil sector and over-reliance on oil revenue have impeded sustainable economic growth (Aiyedun, 2007). Non-oil taxes contribute to economic diversification by increasing government revenue and fostering investment in other sectors (Okoye&Ezejiofor, 2014). However, factors like inflation, government expenditure, interest rates, and foreign direct investment influence the effectiveness of non-oil taxation (Adeoye, 2017; Mbanefo, 2018; Nwafor, 2019). High inflation, in particular, erodes purchasing power and weakens the impact of tax revenue on economic growth (Egwaikhide, 2012). Understanding these dynamics is crucial for policymakers seeking to promote sustainable economic expansion (Central Bank of Nigeria, 2020).

The study aimed to examine the impact of capital gains tax and customs and excise duties on the economic growth of Nigeria, using inflation as a control variable. Despite Nigeria's abundant non-oil resources, the country has a lower non-oil tax-to-gross domestic product ratio than many developed nations, limiting economic growth (Etim et al., 2015; Etim et al., 2020). Developed countries with no oil revenues, such as Germany and Ireland, effectively utilize non-oil taxes to achieve economic stability (Khatiwada, 2017; Khlif& Ben-Salha, 2021). However, Nigeria's failure to optimize non-oil revenue has resulted in weak economic indicators, including high poverty and unemployment rates (Aiyedun, 2007). To address these issues, the study sets out to investigate the impact of custom, excise duty and capital gain tax on Nigeria's gross domestic product, providing insights into how non-oil taxes can enhance economic growth

II. Literature Review

Economic Growth

Economic growth refers to the sustained increase in a country's real gross domestic product and productivity. It reflects improvements in trade, labor force expansion, and technological advancements (Ochejele, 2007). Growth is driven by capital investment, innovation, and resource efficiency (Haller, 2012). Nigeria's growth has historically been fueled by non-oil sectors, highlighting the importance of a diversified tax system

Capital Gains Tax: Capital gains taxis levied on the profit from selling chargeable assets such as land, buildings, machinery, and foreign currency. It is governed by the Capital Gains Tax Act (Cap. C1, LFN 2004) and is charged at 10 percent of chargeable gains. Taxable assets include physical and intangible properties, excluding stocks and shares since 1998. Capital gains taxapplies to individuals and corporations under the Personal Income Tax Act and Companies Income Tax Act. The tax is assessed annually, based on actual-year transactions. Revenue from capital gains tax contributes to Nigeria's fiscal system, but its impact on gross domestic productremains debated. While lower capital gains tax rates can stimulate investment and economic growth (Gentry, 2007; Hassett& Hubbard, 2002), high rates may deter investment (Feldstein, 1996).

Customs and Excise Duties

Customs duties are imposed on imported goods, while excise duties apply to certain domestically produced goods like tobacco and alcohol. These duties generate significant revenue and protect domestic industries (Abomaye-Nimenibo et al., 2018). The Nigeria Customs Service oversee the administration, with rates varying from 5 percent to 35 percent, depending on the Harmonized Commodity and Coding System (HS Code). Excise duties have been expanded to cover non-alcoholic beverages and telecommunications services.

Impact on gross domestic product

Customs and excise duties can have positive or negative effects on GDP. They provide government revenue for public goods (Singh, 2013) and regulate harmful goods consumption (Ndubuisi et al., 2015). However, high duties can increase business costs, discourage foreign investment, and slow economic growth (Baunsgaard& Keen, 2010). The economic impact depends on factors such as industry structure, taxation policies, and trade infrastructure (Bird et al., 2016).

Theoretical Framework

This study utilized three major theories to examine the relationship between capital gain tax, customs and excise duties and economic growth in Nigeria: The ability to pay theory, benefit theory and resource dependence theory were used in this research. However, the study primarily relied on the resource dependence theory as the most relevant theory for this study.

Ability to Pay Theory (Adams Smith, 1776)

The Ability to Pay Theory argued that taxation should be based on individuals' financial capacity, meaning higher-income earners should contribute more taxes than those with lower incomes. This theory supports progressive taxation as a means to address income inequality and promote economic growth (Otu&Theophilus, 2012). However, critics argue that it lacks a concrete approach to measure

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fairness in taxation (Komal, 2013). In the context of Nigeria, this theory suggests that non-oil taxes can be structured to redistribute wealth and finance public goods, thereby fostering economic development.

Benefit Theory (Wicksell, 1896)

The Benefit Theory of taxation posited that individuals should pay taxes in proportion to the benefits they receive from public services (Akwe, 2014). It highlights the mutual relationship between taxpayers and the government, emphasizing that those who benefit more from state services should bear a greater tax burden. Applied to Nigeria, this theory implies that non-oil taxes can be tailored to reflect the benefits received, thereby promoting efficiency and fairness in tax collection while encouraging investment and economic growth.

Resource Dependence Theory (Pfeffer&Salancik, 1978)

Resource dependence theoryfocused on how organizations and governments depend on external resources for survival and strategic decision-making. It emphasizes that Nigeria's over-reliance on oil revenue has stifled the development of a diversified tax base and made the economy vulnerable to external shocks (Greening & Gray, 1994). This theory underscores the need for Nigeria to shift towards non-oil taxation to ensure sustainable economic growth. Resource dependence theory serves as the anchor theory for this study, as it provides a comprehensive framework to examine how Nigeria can reduce its dependence on oil and foster economic diversification through non-oil taxes.

Empirical Review

Nnah (2024) examined the relationship between non-oil tax revenue and Nigeria's economic development from 1989 to 2021. Using an ex-post facto research design, secondary data from the Central Bank of Nigeria were analyzed through simple linear regression. The results revealed that non-oil tax revenue had a significant impact on economic development, proxied by the Human Development Index . However, the study's main limitation was its aggregated approach to non-oil tax revenue, which did not account for the individual impact of different tax components. Additionally, the use of simple regression instead of multiple regression was a methodological shortcoming.

Similarly, Oziegbe and Itua (2024) assessed the effect of non-oil tax revenue on infrastructural development in Nigeria from 1981 to 2021. They employed the Autoregressive Distributed Lag model to examine both short and long-term relationships. Their findings confirmed that non-oil tax components – value added tax, customs and excise duties and company income tax positively influenced infrastructure, measured by electricity production. However, the study was limited by its narrow selection of tax variables and its choice of electricity production as a proxy for infrastructure, which does not fully represent infrastructural development.

Adegboyo et al. (2023) investigated the impact of non-oil revenue on Nigeria's economic growth from 1981 to 2021 using the endogenous growth model. Their results showed that mining, agriculture, manufacturing, and value added tax revenues significantly contributed to economic growth. Given the mixed stationarity levels of variables, the Autoregressive Distributed Lag estimation technique was used. They recommended that the government should further develop the non-oil sector and diversify revenue sources.

Hassan and Rashid (2023) conducted a comparative study on corporate tax rates in ten developed and ten developing countries from 2015 to 2022. Their findings showed that corporate tax had a more significant impact on economic growth in developing countries. They recommended country-specific corporate tax policies to attract foreign investment.

Hassan et al. (2023) analyzed capital gains tax rates across developed and developing nations. Their results indicated a significant impact on economic growth in developing countries, suggesting that capital gains tax policies should be adapted to national economic contexts. Similarly, another study by Hassan et al. (2023) examined the effects of value added tax rates and found that value added tax significantly influenced economic growth in developing countries. Their recommendations emphasized modifying value added tax policies to support economic growth.

Alvarez et al. (2023) studied the impact of customs and excise duties on economic growth in Organization of Economic Co-operation Development countries. Their findings revealed significant variations across different countries, highlighting the need for tailored tax policies.

Ali (2023) conducted a panel data analysis of 25 developing countries from 2015 to 2022, exploring the relationship between non-oil taxation and economic growth. The study found a positive correlation but did not disaggregate non-oil tax components. It recommended improved tax administration and policy reforms.

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Kwode and Dania (2023) examined the role of tax revenue in Nigeria's economic growth from 1990 to 2019. Their study analyzed the impact of petroleum profit tax, company income tax, customs and excise duties and value added tax on gross domestic product using multiple regression. Results showed that company income tax and petroleum profit tax positively affected economic growth, whereas customs and excise duties and value added tax had negative effects. The study recommended expanding the tax base and reducing corruption in tax administration.

Adeyemi (2023) analyzed the relationship amongcompany income tax, customs and excise duties and value added tax on economic growth in Nigeria from 1980 to 2020 using Autoregressive Distributed Lag models. The findings showed a long-run relationship between tax revenues and economic growth. Company income tax had an insignificant positive effect, while value added tax had a significant positive effect on real gross domestic product. Customs and excise duties, however, negatively affected economic growth. The study recommended strengthening Nigeria's tax system to boost economic development.

Otekunrin et al. (2023) studied oil and non-oil tax revenues' impact on Nigeria's economic growth. Using an error correction model, they found that petroleum profit tax and customs and excise duties positively influenced economic growth, while company income tax and value added tax had a negative impact. They recommended that tax revenues be properly managed to promote economic growth and infrastructure development.

Obisesan et al. (2023) examined the impact of company income tax on dividend policies in Nigeria's banking sector. The findings indicated that company income tax and education tax negatively affected dividend per share, while profit after tax had a positive effect. The study recommended tax relief measures and better tax administration to improve bank profitability.

Eze (2023) investigated the effects of non-oil tax revenue in Anglophone and Francophone countries, analyzing capital gains tax, customs/excise duties, and property tax revenue from 1991 to 2021. Their results showed that capital gains and property tax revenue positively impacted economic growth, while customs/excise duties had an insignificant effect. The study recommended tax policy reforms and public awareness programs to improve tax compliance

III. Methodology

The research methodology for this study adopts an ex-post facto research design, utilizing secondary data from reliable sources such as the Central Bank of Nigeria, the Federal Inland Revenue Service and the National Bureau of Statistic. The study covers a time frame from 1990 to 2023, allowing for a comprehensive analysis of the impact of non-oil tax revenue on economic growth in Nigeria. The key independent variables include company income tax, value-added tax, education tax, stamp duty, and capital gains tax, while the dependent variable is Nigeria's real gross domestic product. The study employs econometric techniques such as unit root tests (Augmented Dickey-Fuller) to check for stationarity, the Johansen co-integration test to determine long-run relationships, and the Autoregressive Distributed Lag model to analyze short-run and long-run effects. Diagnostic tests, including normality, serial correlation, and heteroscedasticity tests, will also be conducted to ensure model reliability and robustness.

To ensure accurate data interpretation, multiple regression analysis was employed to quantify the impact of each tax component on economic growth. The Autoregressive Distributed Lag Error Correction Model was used to assess both short-run and long-run dynamics between tax revenue and economic growth. Additionally, Granger causality tests was performed to determine the direction of causality between tax revenue and gross domestic product. The study's methodological approach ensured that findings were statistically thorough, minimizing errors associated with omitted variables and multicollinearity. By incorporating a broader range of non-oil tax revenue components compared to previous studies, this research aims to provide a more detailed understanding of tax revenue's role in economic development, contributing to policy recommendations for tax reforms and revenue optimization in Nigeria.

Econometric Model Specification

To analyze the effect of non-oil tax revenue components (company income tax, value added tax, and stamp duty) on Nigeria's gross domestic product, the study adopts an econometric model based on the endogenous growth theory. The model follows a log-linear functional form to capture the relationship between the variables effectively. The general regression equation is specified as follows:

$$RGDP_t = \beta_0 + \beta_1 CGT_t + \beta_2 CED_t + \beta_3 IFR_t + \varepsilon_t$$

Where:

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$RGDP_t$= Real Gross Domestic Product at time t(Dependent Variable)
CGT_t = Capital Gains Taxesat time t
CED_t = Custom and Excise Duties at time t
IFR_t = Inflation rate at time t
β_0 = Intercept
β_1 ,β_2,β_3 = Coefficients of the independent variables
ε_t = Error term, capturing other factors affecting gross domestic product not included in the model
To minimize the variance and inconsistencies in the data set being of time series nature, the data values were subjected to log form as follows:

$$LogGDP = \alpha_0 + Log\beta_1 CGT_1 + Log\beta_2 CED_2 + Log\beta_3 IFR_3 + \varepsilon$$

The model will be estimated using both short-run and long-run relationships through the Autoregressive Distributed Lag Model, given that the study covers time-series data from 1980 to 2023. To examine the relationship between non-oil tax revenue components and economic growth in Nigeria, the study employs various econometric techniques, includingUnit Root Tests, Johansen Co-integration Test, Autoregressive Distributed Lag Model, and Error Correction Model.

1. Unit Root Test: Augmented Dickey-Fuller Test. The Augmented Dickey-Fuller Testtestis conducted to determine the stationary of each time-series variable and avoid spurious regression results. The general form of the Augmented Dickey-Fuller test model is given as:

$$\boldsymbol{\Delta Y_t = \alpha + \beta t + \delta Y_{t-1} + \sum_{i=1}^{p} \gamma_i \Delta Y_{t-1} + \varepsilon_t}$$

ΔY_t= First difference of the variable Y, α = Constant term, βt = Trend component (if applicable), δ= Coefficient to determine stationarity, Y_{t-1}= Lagged value of Y, γ_i = Coefficients of lagged first-differenced terms and ε_t= Error term.
The null hypothesis (H0H_0H0) states that the variable has a unit root (i.e., it is non-stationary). If the Augmented Dickey-Fullertest statistic is more negative than the critical values, the null hypothesis is rejected, implying stationarity at level I(0) or first difference 1(1)

2. Johansen Co-integration Test
If the variables are found to be non-stationary at level but stationary at first difference, the Johansen co-integration test is used to examine the long-run equilibrium relationship. The test is based on the Vector Auto-Regressive framework:

$$\Delta Y_t = \Pi Y_{t-1} + \sum_{i=1}^{k-1} \Gamma_i \Delta Y_{t-i} + \varepsilon_t$$

Where: Π = Coefficient matrix that determines the number of co-integrating relationships, Γ_i= Short-run dynamic coefficients, Y_t = Vector of endogenous variables (e.g., gross domestic product, company income tax, value added tax, stamp duty), ε_t= Error term. Thetrace testandmaximum eigenvalue test are used to determine the number of co-integrating equations. If a long-run relationship exists, the study proceeds with the Autoregressive Distributed Lag Model.

Error Correction Model (ECM)
If co-integration is established, the Error Correction Model is used to measure the speed at which the system returns to equilibrium after short-term shocks. The ECM is specified as:

$$\Delta RGDP_t = \alpha_0 + \sum_{i=1}^{p} \alpha_1 \Delta RGDP_{t-i} + \sum_{i=0}^{q} \beta_1 \Delta CGT_{t-1} + \sum_{i=0}^{q} \beta_2 \Delta CED_{t-i} + \sum_{i=0}^{q} \beta_3 \Delta IFR_{t-i} + \lambda ECT_{t-1} + \epsilon_t$$

Where: ECT_{t-1} = Error correction term, derived from the long-run equilibrium equation, λ = Speed of adjustment coefficient (should be negative and significant). A significant and negative λ value confirms the presence of a long-run relationship, indicating that deviations from equilibrium correct over time.

IV. Discussions

Descriptive statistics
The data set were subjected into descriptive statistical analyses and the result of the analyses are presented thus:The descriptive statistics in Table 1 provide insights into the characteristics of the variables under consideration: Custom and excise duties, capital gains tax, gross domestic product and inflation rate. The mean gross domestic value of 22,535,370 billion Naira indicates the scale of economic activity in Nigeria, with a median value of 5,818,734 billion Naira, highlighting a skewed distribution due to some extreme values. This is further supported by the positive skewness (0.9796) and kurtosis (2.2910), suggesting a moderately skewed and less peaked distribution.The customs and excise duties and capital gains tax also exhibited significant variation, with customs and excise duties

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having a mean of 78,763.14 billion Naira and capital gains tax at 6.74 billion Naira. However, capital gains tax shows a high degree of skewness (2.61) and kurtosis (9.80), indicating the presence of extreme values in its distribution. This could be due to fluctuating enforcement and collection of capital gains tax over the years. The Jarque-Bera test values ($p < 0.05$ for most variables) confirm the non-normality of the distributions, suggesting the need for appropriate econometric modeling techniques to address potential heteroskedasticity or non-stationarity. These findings align with Ogundipe and Akinyemi (2022), who observed substantial variations in Nigeria's tax revenue sources and their implications for economic growth

Table 1 Descriptive statistics

Statistics	CED (N'Billion)	CGT (N'Billion)	GDP (N'Billion)	IFR (0/0)
Mean	78763.14	6.742273	22535370	11.60449
Median	54944.00	0.000000	5818734.	11.59900
Maximum	284162.0	66.13000	77936100	72.8400
Minimum	1616.000	0.000000	47619.66	5.7200
Std. Dev.	82305.75	14.18717	28582466	4.76052
Skewness	1.060088	2.613658	0.979591	0.031911
Kurtosis	2.966144	9.807039	2.291031	2.747324
Jarque-Bera	8.243210	135.0445	7.958557	4.31402
Probability	0.016218	0.000000	0.018699	0.061282
Sum	3465578.	296.6600	9.92E+08	824.690
Sum Sq. Dev.	2.91E+11	8654.859	3.51E+16	645388.75
Observations	44	44	44	44

Note: CGT = Capital Gains Taxes,CED = Custom and Excise Duties, IFR = Inflation rate (control variable)**Source: Researcher's computation (2024).**

Stationarity and Unit Root Test (ADF Test)
The Augmented Dickey-Fuller test results in Table 2 reveal that all variables (gross domestic product, capital gains tax, customs and excise duties, and inflation rate) are non-stationary at levels, as indicated by their high p-values. However, after first differencing, all variables become stationary at a 1 percent significance level, confirming their integration of order one, I(1). This result supports the need for co-integration analysis to determine the long-run relationships among variables, as suggested by Johansen (1995).

Table 2: Unit Root Test using Augmented Dickey-Fuller (ADF)

Variable	Levels (Constant and Trend) (t-Statistic, Prob.)	1st Difference (Constant and Trend) (t-Statistic, Prob.)	Decision
GDP	-1.6437 (0.7586)	-6.7240 (0.0000)***	I(1)
CGT	-2.6704 (0.2544)	-1.7394 (0.0029)**	I(1)
CED	-2.0715 (0.5465)	-6.7090 (0.0000)***	I(1)
IFR	1.7076 (1.0000)	-5.5024 (0.0045)***	I(1)

Source: Author's computation from E-Views 12.Note: ***, **, * denotes rejection of the null hypothesis at 1%, 5% and 10% levels respectively. The ADF tested the series that they contain a unit for the null hypothesis against the alternative that they do not.

Johansen Co-Integration Test
Table 3 presents the Johansen Co-Integration Test, which examined the long-run equilibrium relationship between non-oil taxes (capital gains tax and customs and excise duties) and economic growth (gross domestic product). The trace test results indicate the presence of two co-integrating equations, implying that despite short-term fluctuations, a long-run equilibrium relationship exists between non-oil taxes and economic growth in Nigeria. This aligned with Uchenna and Oluwasegun (2023), who found that non-oil revenue sources, including capital gains tax and customs and excise duties, contribute significantly to economic stability when sustained over time. However, the max-eigen test statistics fail

to reject the null hypothesis of no co-integration, suggesting that the co-integration results should be interpreted with caution.

Table 3: Johansen co-integration trace test for Impact of Non-Oil Taxes and Economic Growth In Nigeria

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None	0.436001	45.22754	47.85613	0.0865
At most 1	0.326323	21.17404	29.79707	0.3469
At most 2	0.095218	4.583870	15.49471	0.8513
At most 3	0.009038	0.381316	3.841466	0.5369

Trace test indicates 2 cointegratingeqn(s) at the 0.05 level
**** denotes rejection of the hypothesis at the 0.05 level***
*****MacKinnon-Haug-Michelis (1999) p-values***

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None	0.436001	24.05350	27.58434	0.1329
At most 1	0.326323	16.59017	21.13162	0.1922
At most 2	0.095218	4.202554	14.26460	0.8374
At most 3	0.009038	0.381316	3.841466	0.5369

Trace test indicates 2 cointegratingeqn(s) at the 0.05 level
**** denotes rejection of the hypothesis at the 0.05 level***
*****MacKinnon-Haug-Michelis (1999) p-values***

Long-Run Impact of Non-Oil Taxes on Economic Growth

The Auto-Regressive Distributed Lag model estimates in Table 4 provide insights into the long-run and short-run impacts of non-oil taxes on economic growth. The Auto-Regressive Distributed Lag model long-run estimates reveal that capital gains tax has a positive and statistically significant impact on gross domestic product (coefficient = 0.0111, p = 0.0011). This implies that an increase in capital gains tax led to higher economic growth in the long run. This supports findings by Adegbite and Fakile (2021), who emphasized the role of capital gains taxation in enhancing fiscal revenue and economic stability. Similarly, Ogundipe and Akinyemi (2022) found that efficient taxation of capital gains improves government revenue without distorting investment incentives, thereby promoting economic growth. Conversely, customs and excise duties are positive but not statistically significant (coefficient = 0.0755, p = 0.2758), suggesting that while trade-related taxes contribute to economic activity, their impact in the long run is uncertain. This supports the findings of Okoli and Agu (2020), who noted that excessive reliance on import duties could distort trade patterns and limit gross domestic product growth.

Short-Run Impact and Adjustment to Equilibrium

In the short run, the results indicate that customs and excise duties have a significant negative effect on gross domestic product (-0.0729, p = 0.0022), suggesting that high customs duties may hinder economic growth by increasing the cost of imports and production inputs. This corroborates the findings of Eze and Uzochukwu (2022), who observed that excessive taxation on imported goods often discourages investment and economic activity. However, the error correction term (ECM = -0.6530, $p < 0.01$) is negative and statistically significant, indicating that about 65.3 percent of short-run disequilibrium is corrected each period. This suggests a strong long-run relationship, meaning that deviations from the equilibrium due to tax fluctuations are quickly adjusted. Johansen (1995) emphasized that a significant Error Correction Model coefficient indicates a stable economic system where shocks to taxation policies do not permanently distort economic growth.

Table 4: Long and short Run Auto-regressive Distributed Lag Model (ARDL) Estimate for Impact of Non-Oil Taxes and Economic Growth In Nigeria

Variable	Coefficient	Std. Error	t-statistics	Prob.
Long Run				
C	-0.06957	0.19066	-0.3649	0.7176
CGT	0.011174	0.003102	3.602104	0.0011***
CED	0.075495	0.068091	1.108736	0.2758
IFR	0.000436	0.000177	2.459609	0.0195**
Short-Run				
GDP(-1)	0.946509	0.033832	27.97647	0.0000***
C	0.029126	0.024801	1.174413	0.2489
CGT(-1)	-1.912231	7.921895	-0.241386	0.8117
CED(-1)	-0.072953	0.020806	-3.506354	0.0022***
IFR(-1)	0.269921	0.126505	2.133684	0.0454**
ECM(-1)	-0.6530	0.202	3.231***	
R-squared = 0.621, Adj. R-squared = 0.591, S.E. of regression = 0.0814, D.W = 1.231475				

Source: Computation Using E-views 12

V. Conclusion and Recommendations

The study confirms that non-oil taxes significantly influence Nigeria's economic growth, with capital gains tax having a positive long-run effect on gross domestic product, while customs and excise duties exhibit mixed short-run impacts. The error correction model indicated a strong long-term equilibrium, suggesting that fluctuations in tax revenue do not permanently distort economic growth. However, the negative short-run effect of customs duties highlights the need for careful policy adjustments to prevent adverse economic consequences. These findings emphasized the importance of efficient tax administration, a diversified revenue base, and a balanced approach to taxation policies that support sustainable growth.

To enhance the effectiveness of non-oil tax policies, the government should focus on improving tax collection efficiency, expanding the tax base, and reducing tax evasion through digitalization and automation. Capital gains tax enforcement should be strengthened, while customs duties should be structured to support domestic industries and trade competitiveness rather than burdening businesses. Additionally, ensuring macroeconomic stability, controlling inflation, and fostering a business-friendly environment will maximize the growth-enhancing effects of taxation. A well-designed tax reform strategy that prioritizes revenue efficiency while promoting economic activities is essential for long-term economic development

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