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Taxation and Investment: Evidence from Nigeria (1999-2024)

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ABSTRACT
The prevailing tax policy in a country is one critical issue that influences investment. This paper examined the effect of taxation on total investment dynamics in Nigeria, using data for the period 1999 to 2024. These data were sourced from the Central Bank of Nigeria Statistical Bulletin, Federal Inland Revenue and the National Bureau of Statistics. Ordinary Least Squares (OLS) technique, was used in data analysis and decisions taken thereof. Taxation was disaggregated into company income tax, value added tax, petroleum profit tax and education tax as the independent variables while total investments served as the dependent variable. Empirical results of the study revealed that company income tax, value added tax and petroleum profit tax had negative and significant effects on total investments in Nigeria while education tax had a positive and significant effect on total investments in Nigeria for the period studied. Thus, the study concluded that taxation had a significant effect on total investments in Nigeria and recommended amongst others that government should embark on comprehensive tax reform in order to increase the investment level in Nigeria.
Keywords: Government, Income, Investment, Taxation, Tax Reforms

INTRODUCTION

Scholars believe that a firm's financing choices may affect its investment decisions because taxes, issuance costs, agency conflicts, and information problems associated with debt and equity will affect the firm's cost of capital, drive a wedge between the cost of internal and external funds, and alter managers' incentives to take different types of projects. An issue that has received particular attention is the sensitivity of investment to internally generated cash flows (Chigbu, Eze & Appah, 2016). Taxes (such as company income tax) can affect capital formation and investment decisions of a company because it is the amount taken from the profit of the company.

Governments across the globe require huge financial resources to run their affairs. Tax revenues remain a major source of government revenue. There is hardly any government today that does not rely on taxation. Thus, the tax system is one of the most powerful levies available to any government to stimulate and guide its economic and social development (Anichebe, 2019). The FBIR (Federal Board of Inland Revenue) which is vested with the power to administer and carry out all the responsibilities which may be deemed necessary and expedient for the assessment and collection of tax, and shall for all amount so collected in a manner to be prescribed by the Federal Minister of Finance (Oyeabor, Azubuike & Ebieri, 2019). The Board has certain reserved power which shall not be delegated to another person to perform, e.g. power to acquire, hold and dispose properties of any company in satisfaction to tax or any judgment debt, and to specify the forms of return claim and notices.

Over the past decades, the relationship between investments and taxation has become increasingly central to economic and tax policy and therefore also a focus of empirical research. Against the backdrop of economic globalization and its associated increase in capital mobility, corporate taxation have become one way for governments to compete with one another to attract investments and thereby create jobs. As a result of this competition, most industrialized countries have cut corporate tax rates, in some cases by a large margin margins to enhance investments (Amalahu, Egolum & Obi, 2019). Taxation (such as information communication tax, education tax, company income tax, personal income tax, petroleum profit tax, custom duties, export duties, excise duties, value added tax etc.) is regarded as an indispensable measure towards any nation's development among the various sources of achieving economic goal of any nation precisely developing country like Nigeria. It is well understood that taxation can distort investment plans by reducing the after-tax returns to new investment, leading to low capital mobilization and foreign investment inflows.

It is a fact the problems faced by investors are in the area of negative relationship between taxes and investments. The ability to sustain and expand investments in Nigeria is faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues (Joseph, Omodero & Omeonu, 2019). The main objective of this study is to ascertain the effect of taxation on investment dynamics in Nigeria. The specific objectives are to determine the effect of company income tax, value added tax, petroleum profit tax and education tax on total investments in Nigeria. Based on the above background, this study is thus focused on examining the effect of various taxes collected by government on investment dynamics in Nigeria for the period 1999-2024. The study considered company income tax and value added while aggregate investment was used as the dependent variable. The year 1999 was chosen as the base year because it marked a new political dispensation of a democratic era in Nigeria while 2024 is chosen as the end year to capture series of economic vagaries such as the global financial crisis of 2008, economic recession of 2016 that had influenced tax collection in one way or the other.

Review of Related Literature

Conceptual Review

Taxation

Tax is a compulsory charge imposed by a public authority on the income and properties of individuals and companies as stipulated by the government Decree, Acts or Laws irrespective of the exact amount of service of the payer in return (Amahalu & Ezechukwu, 2017). Tax payment is not for the direct exchange of good and/or services but a transfer of resources and income from the private sector to the public sector in order to achieve some of the nation's economic and social goals. Such goals may be in for of high level of employment, stable prices, rapid growth of gross national product, favourable balance of payments position, promotion of a free market economy, satisfaction of collective demands, equitable income redistribution, promotion of infant industries, the encouragement of priority sector, encouragement of balance population development and promotion of labour and capital development.

In a definition of the modern taxes, tax is defined as a compulsory charge imposed by a public authority on the incomes of individuals and companies as stipulated by the government decrees, acts or cases laws irrespective of the exact amount of services rendered to the payer in return (Anichebe, 2019).

Company income tax:

Company Tax was established by the Companies Income Tax Act (CITA) CAP C21 2004 LFN for both resident and non-resident companies in Nigeria. A resident company is one whose operations are carried and managed and is liable to Nigerian tax law. On the other hand, a non-resident company is one whose portion of its income is obtainable in Nigeria and is liable to any such laws in force in any given country outside Nigeria. Company tax is controlled and managed by the Federal Inland Revenue Service (FIRS) through various large tax offices and incorporated tax offices. Companies are taxed on the basis on certain expenditure in determining whether they are incurred wholly, exclusively, necessarily or reasonably in

earning the income. Companies in Nigeria are required to pay Company Income Taxes on their global profits accruing in, brought into, derived from or received in Nigeria. The CITA however, exempts the profits of any company engaged in ecclesiastical, charitable or educational activities of a public character in so far as such profits are not derived from a trade or business carried on by such company. The tax rate applied to small companies is 20% on the taxable profit instead of the 30% of a normal trade or business.

Value added tax:

The theoretical tax incidence literature argues that if a tax affects the price of an accumulated factor of production (physical capital, human capital and technology) then this tax is distortionary. An increase in distortionary taxation discourages the economic activities and consequently lowers the growth rate of economic output (Edame & Okoi, 2024). At the same time, a high VAT rate limits the possibility of consumption and investment, and it generates negative effects on the supply and the demand of economic goods produced by economic agents. The increment of the value-added tax has negative effects on inflation by increasing it and it has a series of inconvenient consequences on the economy (Edame & Okoi, 2024). The income effect of VAT on aggregate consumption is clearly negative because a rise in the VAT rate will has the tendency of decreasing peoples' disposable income. It requires a taxable person upon registering with the Federal Board of Inland Revenue to charge and collect value added tax at a flat rate of 5% of all invoiced amounts of taxable goods and services.

Petroleum profit tax

As specified in the 1959 Petroleum Profit Tax Act, it is a liability that occurs when a corporation disposes of chargeable oil and gas. The levy is on the company's profit from oil activities under the Nigerian Petroleum Income Tax Act (Okoh, Onyekwelu & Iyidiobi, 2016)." Petroleum profit tax is levied, assessed and paid on the profits or income of any corporation engaged in petroleum operations during any such accounting period, usually one year (January to December)."

Education tax:

Tertiary Education Tax (formally Education Tax) is a tax imposed on the assessable profits of all companies registered in Nigeria (including companies subject to tax under Petroleum Profits Tax Act) for the enhancement of tertiary education in Nigeria. This tax is assessed alongside the PPT or income tax liability of a company. Education tax is assessed at 2% of the assessable profits of a company (though there are already plans to increase it to 4%). For a company subject to tax under the PPTA, the education tax paid is an allowable deduction under Section 10 of the PPTA in arriving at the adjusted profits of the company for tax purposes. The Federal Inland Revenue Service is charged with the responsibility for the assessment and collection of this tax. The Education Tax is primarily intended to achieve restoration, rehabilitation, consolidation and development of tertiary education in Nigeria.

Personal income tax:

The tax is on the Pay As you Earn (PAYE) basis that is the tax payable depend on how much is earned by the tax payer. The tax is easy to collect from civil servants as it is deducted from source by the appropriate authorities unlike the private sector who will have to file returns of each tax payer which is not done in most cases (Ayuba 2014).

Foreign direct investment (FDI)

Foreign direct investment is, according to the IMF guidelines, defined as foreign investments in which the investor owns more than 10% of the stock that is invested in. This generally refers to investments by multinationals in foreign controlled corporations such as affiliates or subsidiaries (Peters & Kiabel, 2015). FDI consist of two broad categories: direct net transfers from the parent company to a foreign affiliate, either through equity or debt; reinvested earnings by a foreign affiliate. Other ways to finance the investments of subsidiaries, such as local borrowing or local issuance of shares, are not registered as FDI. In that sense, FDI may underestimate the total investment of corporations that are controlled by the parent companies.

Decisions by multinationals to undertake FDI are usually complex since they involve strategic decisions. The most widely accepted theory of FDI is probably the eclectic approach developed by Dunning (1981).

For a multinational that seeks to maximize the value of the firm, FDI is attractive if the so-called OLI conditions are met, referring to Ownership, Location and Internalization (Boly *et al.,* 2019).

Domestic investment

Domestic investment is measured by total gross fixed capital formation. Capital formation is a term used to describe the net capital accumulation during an accounting period for a particular country. The term refers to additions of capital stock, such as equipment, tools, transportation assets and electricity. Gross fixed capital formation can be classified into gross private domestic investment and gross public domestic investment. The gross private domestic investment includes investment by private individuals and/or enterprises while gross public investment includes investment by government and/or public enterprises. Gross domestic investment is equivalent to gross fixed capital formation plus net changes in the level of inventories.

Theoretical Review

Some theories as it relates taxation and investment are revealed below:

Ability to Pay Theory

The most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government in accordance with their ability to pay (Uchime & Anichebe, 2019). It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. If the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter. It seems that if the taxes are levied on this principle as stated above, then justice can be achieved.

Free Cash Flow Theory (FCF)

Free Cash Flow theory was propounded by Jensen in 1976. Free cash flow (FCF) represents the cash that a company is able to generate after required investment to maintain or expand its asset base. It is a measurement of a company's financial performance and health. Free cash flow (FCF) is the cash flows available to all investors in a company, including common stockholders. FCF provides a useful valuation technique that can derive the value of a firm or the value of a firm's common equity. FCF measures the level of cash available to a company's investors net of all required investments in working capital and fixed capital, or capital expenditures (CAPEX), for a period. FCF is an important measure because it allows a company to pursue opportunities that enhance shareholder value (Amahalu and Ezechukwu, 2017). Excess cash can expand production, develop new products, make acquisitions, pay dividends and reduce debt. This study Is anchored on the theoretical postulation of the free cash flow.

Empirical Review

In the study by Yabo, Sani & Wasagu (2025), the effect of taxation on corporate investment of listed consumer goods firms was examined. The study adopted the *ex-post facto* design. Multiple regression was used for data analysis. The findings of the study revealed that effective tax rate and cash effective cash rate had a positive and insignificant influence on the corporate investment of listed consumer good firms in Nigeria. However, the study revealed that tax savings had a positive and significant influence on corporate investment decision of listed consumer goods firm in Nigeria. The study thus, recommended that the listed consumer good firms in Nigeria should focus mainly in the implementation of strategies to maximize their effective tax rate and cash effective tax rate as they already have a detrimental effect on their corporate investments.

Edame & Okoi (2024) examined the impact of taxation on investment and economic growth in Nigeria for the period 1980-2010. Corporate income tax (CIT) and personal income tax (PIT) proxies for taxation served as the independent variables while investment in Nigeria, Gross domestic product and government expenditure served as dependent variables. The annual time series data used in this study were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and the Nigeria Bureau of Statistics (NBS). The ordinary least squares (OLS) multiple regression technique was adopted in analyzing the data.

Findings of the study revealed that taxation statistically was a significant factor influencing investments, Gross domestic product and Government expenditure in Nigeria. The study thus recommended that government of Nigeria should use taxation to achieve its set target that will enhance economic growth and development.

Eneisik & Uwikor (2021) investigated the relationship between tax planning strategies and financial performance of quoted banks in Nigeria. The study adopted judgmental sampling techniques to select twelve banks as sample size for the study. Secondary data was obtained from audited annual financial reports of quoted banks in Nigeria from 2006-2019. The study adopted the use of descriptive statistics for univariate analysis while hypotheses were tested using ordinary least square regression statistical tool with the aid of E-view 10 econometric statistical software. The findings shows that effective tax rate, thin capitalization and capital intensity has negative and insignificant impact on return on equity of quoted banks in Nigeria. Evidence shows that effective tax rate, thin capitalization and capital intensity has negative and insignificant impact on earnings per share of quoted banks in Nigeria. Empirical evidence revealed that effective tax rate, thin capitalization and capital intensity has positive and significant impact on net interest margin of quoted banks in Nigeria.

Aruna, Oshiole & Amalahu (2020) determined the effect of taxes on net investment of listed communication firms in Nigeria for a period of ten years spanning from 2010 to 2019. Eight communication firms were purposively sampled from a population of eleven listed communication firms in Nigeria. The proxies for taxes include information communication tax, education tax and company income tax, while net investment served as the dependent variable. Pearson correlation coefficient and panel least squares (PLS) regression analysis. The result of this study showed that information communication tax, education tax and company income tax has a significant negative effect on net investment at 5% level of significance respectively. The study therefore recommended *inter alia* that Federal Government of Nigeria should reduce the amount of tax liability at the end of the year thus making funds available for further investment.

Correa & Parro (2020) used panel data from Chilean manufacturing plants to estimate the impact of a stamp tax, levied on loans by financial institutions, on capital stock. The results showed that tax has a statistically significant negative effect on the stock of capital. Specifically, it was found that a rise of one percentage point in the financial tax rate decreased the stock of capital by about 4%. It was also found that the impact on firms was heterogeneous, depending on the intensity of the different types of capital they hold. In particular, the demand for capital from firms with a higher percentage of structural assets, such as land and buildings, is relatively less affected by the tax.

Edo, Okafor & Justice (2020) investigated the effects of corporate taxes on the flow of foreign direct investments (FDI) in Nigeria between 1983 and 2017. Research data was analyzed using the Error Correction Model (ECM). The coefficient of determination showed that about 77 percent of the systematic changes in FDI are attributed to the combined effect of all the explanatory variables captured in the study. It was found that Company Income Tax, Value Added Tax, and Custom and Excise Duties have a significant but negative relationship with FDI. In contrast, Tertiary Education Tax has a positive association with FDI. Also, Exchange Rate had a negative but significant relationship with FDI; Inflation had an insignificant but positive association with FDI, while GDP growth rate and Trade Openness showed a positive and significant association with FDI.

Omodero (2020) tested the consequences of Nigeria's indirect taxes on consumption. The study assessed both Value Added Tax (VAT) and excise duties (CED) to determine their effects on consumption using various econometric tools, such as trend analysis, pairwise Granger causality tests, unrestricted co-integration rank test, least squares technique, and data that cover the period from 2005 to 2019. The results indicate that VAT insignificantly but positively influences consumption, while CED has a considerable auspicious influence on use. This result shows that VAT imposition on merchandises and services is discouraging the absorption of specific foodstuffs and services and allowing the operation of informal economic activities to thrive in Nigeria. However, CED charges do not reduce the use of certain

illegal products purposely taxed to discourage their consumption. This study recommended a reduction in the prices of food items and services to enable consumers to increase their patronage, while the products that attract CED but are harmful should be banned entirely.

Akinleye, Olarenwaju & Fajuyagbe (2019) assessed the effect of corporate taxation on the investment policy of quoted manufacturing firms in Nigeria. Secondary data sourced from annual reports of the selected firms were analyzed using descriptive and inferential statistics. Specifically, static panel least square regression techniques were used. The results of the study revealed that company income tax (CIT) is positively related to the investment decision of the quoted manufacturing firm (INV), and thus enhances the investment of the quoted manufacturing firm (INV) in Nigeria. The probability value revealed that company income tax (CIT) had a statistical significant correlation with the investment of the quoted manufacturing firm in Nigeria. This implies that higher corporate income taxes are associated with lower investment in manufacturing firms.

Gap in Empirical Study

The empirical studies reviewed mostly emphasized the impact of taxes on FDI and economic growth with little analysis of the impact of taxation on total investments in Nigeria. Also, the time period covered by the previous studies did not capture recent happenings on the subject matter. Hence, this study will extend the time period to 2022.

MATERIALS AND METHODS

The study adopted the *ex-post facto* method of research as data used in the study already exist. The data used for this study was annual time series secondary data sourced from Central Bank of Nigeria Statistical Bulletin and Federal Inland Revenue Services (FIRS) various issues.

Model Specification

Afolabi (2017) specified the model below:

$RGDP = \beta_0 + \beta_1 CIT + \beta_2 VAT + \varepsilon$ . . . . Eqn. 1

Where:

RGDP = Real gross domestic product

CIT = Company income tax

VAT = Value added tax

In this current study, Afolabi (2017) was adopted and modified by replacing RGDP with total investments while petroleum profit and education taxes was added to the model to capture the objectives of this study. The models is thus specified as:

$LOG(INV) = \beta_0 + \beta_1 LOG(CIT) + \beta_2 LOG(VAT) + \beta_3 LOG(PPT) + \beta_4 LOG(EDT) + \varepsilon$ Eqn. 2

Where:

INV = total investments

CIT = company income tax

VAT = value added tax

EDT = education tax

β_0 = constant

$\beta_{1,} - \beta_4$= coefficients

ε = Error term

Table 1: A priori Expectation

Independent Variable	Theoretical Intuition	Expected Sign
Company Income Tax (CIT)	CIT reduces the after-tax profit available for reinvestment and new projects. Higher CIT increases cost of capital, discouraging firms from expanding or investing in new assets. Based on neoclassical investment theory, taxes lower the marginal return on investment.	Negative (-)
Petroleum Profit Tax (PPT)	PPT is levied on profits of oil & gas companies. Since the oil sector accounts for a large share of FDI and capital expenditure in Nigeria, higher PPT reduces profitability and cash flow for exploration and production. This can crowd out domestic and foreign investment in the petroleum sector.	Negative (-)
Value Added Tax (VAT)	VAT increases the cost of capital goods, intermediate inputs, and consumption. Higher VAT raises production costs and reduces disposable income/demand, which can lower expected returns and discourage firms from investing in expansion. However, if VAT revenue is used for productive infrastructure, the effect could be mitigated.	Negative (-)
Education Tax (ET)	ET is 3% of assessable profit used to fund education infrastructure. It directly reduces firms' retained earnings available for investment. The theory of tax burden suggests any additional profit tax acts like a disincentive to invest, unless the resulting human capital improvement significantly raises productivity in the long run.	Negative (-)

Research Variables

The variables used in the model have been described as follows:

Total investments (INV): The total investment connotes the sum of foreign and domestic investments in Nigeria. Foreign direct investment (FDI) entails the act of foreign investors moving their assets into another country where they have control over the management of assets and profits. Domestic investment is measured by gross fixed capital formation (GFCF). This is the dependent variable.

Corporate Income Tax (CIT) also known as a business tax, is a tax imposed on businesses incorporated under the laws of Nigeria and which derive income from within Nigeria or through a branch or permanent establishment within Nigeria.

Value-added tax (VAT) is an indirect tax on the consumption of goods and services. A value-added tax, known in some countries as a goods and services tax, is a type of tax that is assessed incrementally. It is levied on the price of a product or service at each stage of production, distribution, or sale to the end consumer.

Petroleum profit tax (PPT): The petroleum profit tax is charged, assessed and payable upon the profits of each accounting period of any company engaged in petroleum operations during any such accounting period, usually one.

Education tax (EDT): Education Tax is a tax chargeable on all companies registered in Nigeria at chargeable profits as a contribution to the Education Tax Fund. This means that all registered companies in Nigeria are required to pay a percentage of their assessable profit into an Education Tax Fund. The tax is charged at 2%.

The above four (4) are the independent variables.

Technique of Analysis

The statistical technique adopted for this study is the ordinary least squares (OLS) multiple regression analysis. The t-test employed to ascertain the significance of each of the parameters, while the diagnostic test based on the coefficient of determination (R^2) was used to check for the goodness of fit of the model. The Durbin-Watson statistic was employed also to measure the serial correlation in the residuals. If the Durbin-Watson (DW) was less than 2, there is evidence of positive serial correlation. A DW statistic output that is very close to one indicates the presence of serial correlation in the residuals.

DATA ANALYSIS

Analysis of Data (Regression Analysis)

The results of the multiple regression analysis carried out to establish the effect of taxation on investments in Nigeria have been presented in Table 1 below:

Table 2: Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(CIT)	-0.190498	0.053692	-3.547979	0.0036
LOG(VAT)	-0.302179	0.023358	-12.93661	0.0000
LOG(PPT)	-0.143868	0.049110	-2.929512	0.0117
LOG(EDT)	0.158864	0.071967	2.207449	0.0405
C	-3.451278	1.095671	-3.149922	0.0055
R-squared	0.959385	Mean dependent var		9.133931
Adjusted R-squared	0.950359	S.D. dependent var		0.903495
S.E. of regression	0.201300	Akaike info criterion		-0.178376
Sum squared resid	0.729394	Schwarz criterion		0.068471
Log likelihood	7.051323	Hannan-Quinn criter.		-0.116295
F-statistic	106.2961	Durbin-Watson stat		1.802498
Prob(F-statistic)	0.000000			

Source: Author's computations using EViews 10.0

From the result, the Adjusted R-squared (0.950359) indicates that approximately 95% of the total investments was as a result of variations in CIT, VAT, PPT and EDT in Nigeria within the period covered in the study while 5% was due to other factors not captured in our model. This implies that there is goodness of fit and the model is well specified. This was well-supported by the high and significant F-statistics value which shows that the collective effect of the explanatory variables (CIT, VAT, PPT and EDT) on the dependent variable (INV) was significant which implies that the model was well-specified and stable. The F-statistic had a probability value of 0.000000 which is less than 0.05, indicating that the overall regression model was significant and well specified. The Durbin-Watson statistics of 1.802498 is approximately 2, implying that the regression model is free from autocorrelation problems.

The coefficient of LOG(CIT) appeared negative (-0.190498), implying that an increase in company income tax caused approximately 1.9% decrease in total investments. Also, the coefficient of LOG(VAT) turned out negative (-0.302179), meaning that a percentage increase in value added tax resulted in approximately 3.0% decrease in total investments. Similarly, LOG(PPT) had a coefficient (-0.143868), indicating that investments declined by approximately 1.4% following an increase in petroleum profit tax. On the other hand, the estimated coefficient of LOG(EDT) was positive (0.158864), showing that a percentage increase in education tax triggered approximately 1.6% increase in total investments. The constant parameter (C) of -3.451278 indicates that *ceteris paribus,* that is, holding the independent variables constant, total investments will be increasing.

DISCUSSION OF FINDINGS

The study found that CIT, VAT and PPT has negative and significant effect on total investments in Nigeria. This implies that increase in company's income tax, petroleum profit tax and value added tax discouraged investors in Nigeria because higher taxes would reduce investment returns. This finding was in consonance with those of Edo, Okafor & Justice (2020) but contradicts the findings of Oyeabo, Azubuike & Ebieri (2019), Boly, Coulibaly & Kere (2019) probably due to time period geography covered by their respective studies.

Finally, it was found that education tax (EDT) had a positive and significant effect on total investments in Nigeria. This implies that a possible increase in EDT did discourage investments in Nigeria. This could be linked to the postulations of Joseph, Omodero & Omeonu (2019) that Nigeria often grant tax relief to certain investors, especially foreign investors so as to retain them within the country. There are exemptions to those foreign companies that EDT is chargeable and as a result if the objective of the tax incentive is to drive in foreign investments, EDT incentive policy may not yield an expected result because the study finds the effect of EDT on INV to be positive. This finding is in tandem with Anichebe (2019) but against the findings of Edo, Okafor & Justice (2020) probably due to differences in time period covered and methodology applied.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

Based on the data analysis, the following findings were made:

1. Company income tax exerted a negative and significant effect on total investments in Nigeria. This means that an increase in company income tax caused a decline in total investments in Nigeria.
2. Value added tax had a negative and significant effect on total investments in Nigeria. This implies that the higher the value added tax, the lower is total investments in Nigeria.
3. Petroleum profit tax had a negative and significant effect on total investments in Nigeria. This indicates that increase in the petroleum profit tax led to a decrease in total investments in Nigeria.
4. Education tax had a positive and significant effect on total investments in Nigeria. This suggests that education tax increased alongside total investments in Nigeria.

CONCLUSION

This study which investigated the effect of taxation on total investments in Nigeria covering the period 1999 to 2024, established that company income tax, value added tax, petroleum profit tax and education tax significantly affected total investments in Nigeria.

RECOMMENDATIONS

Based on the findings and conclusion of this study, the following policy recommendations were made.

1. There is the need for Policy makers on corporate tax laws should articulate ways to provide incentives to attract more investments. Critical infrastructure specifically in the productive sectors should be created for investors to have reduction in overhead costs.
2. It is recommended that the current VAT rate of 7.5% should be reduced to encourage investments in order to attract more investments from both domestic and foreign investors. Again, the VAT net can also be enlarged to contain more items from where revenues could be generated for investment purposes.
3. Revenues from petroleum profit tax should be used to provide basic infrastructure such as power supply, good road networks etc. This would lower the cost of doing business in the country thereby positively impact on business investment.
4. Education tax payers require incentives and sensitization. This will enable them appreciate the position of government and at the same time pay their taxes as at when due to enable government generate more revenues for investment in the education sector.

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APPENDIX 1

Regression Analysis

Dependent Variable: LOG(INV)
Method: Least Squares
Date: 7/08/26 Time: 21:19
Sample: 1999 2022
Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(CIT)	-0.190498	0.053692	-3.547979	0.0036
LOG(VAT)	-0.302179	0.023358	-12.93661	0.0000
LOG(PPT)	-0.143868	0.049110	-2.929512	0.0117
LOG(EDT)	0.158864	0.071967	2.207449	0.0405
C	-3.451278	1.095671	-3.149922	0.0055

R-squared	0.959385	Mean dependent var	9.133931
Adjusted R-squared	0.950359	S.D. dependent var	0.903495
S.E. of regression	0.201300	Akaike info criterion	-0.178376
Sum squared resid	0.729394	Schwarz criterion	0.068471
Log likelihood	7.051323	Hannan-Quinn criter.	-0.116295
F-statistic	106.2961	Durbin-Watson stat	1.802498
Prob(F-statistic)	0.000000		

Appendix II
Annual time series data used for the analysis

Year	Total investment (INV) ₦'b	Company income tax (CIT) ₦'m	Value added tax (VAT) ₦'m	Petroleum income tax (PPT) ₦'m	Education tax (EDT) ₦'m
1999	2098.54	112.36	161.56	657.43	28.73
2000	2404.82	149.87	152.78	648.19	31.93
2001	2473.47	240.83	183.74	329.39	37.81
2002	3078.78	151.39	161.08	338.30	39.65
2003	3846.23	121.34	175.86	297.87	47.12
2004	4723.72	289.08	224.47	390.70	59.96
2005	5772.64	253.67	221.38	493.61	100.79
2006	7948.12	156.48	246.30	644.78	133.96
2007	6997.62	154.29	250.56	523.85	240.39
2008	7535.27	324.32	254.10	626.38	298.61
2009	9177.08	390.67	269.79	672.57	308.45
2010	9183.06	281.73	266.73	493.22	318.00
2011	9897.20	392.65	273.50	502.99	347.69
2012	10281.95	456.99	298.01	592.55	389.53
2013	11478.08	472.52	293.04	525.51	388.85
2014	13593.78	425.84	311.94	522.33	381.27
2015	14112.17	348.10	275.12	440.30	397.06
2016	15104.18	371.32	309.88	353.11	372.93
2017	16908.13	229.83	324.58	201.25	533.74
2018	24550.24	506.95	512.25	327.23	564.35
2019	35863.98	513.38	500.49	316.91	297.64
2020	41253.55	354.54	563.72	305.14	183.28
2021	58293.95	278.65	531.04	1059.17	191.09
2022	65227.13	308.88	529.93	1209.20	122.18

Source: Central Bank of Nigeria Statistical Bulletin, vol. 32, National Bureau of Statistics and Federal Inland Revenue Services