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Impact of Capital Gains Tax on Nigeria Economy

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Abstract: *This study examined the impact of capital gains tax on Nigeria economy using time series design data on Nigeria's total tax revenue and GDP for the period 2011–2020 sourced from the bulletins of Central Bank of Nigeria, Federal In-land Revenue Service and National Bureau of Statistics. Using capital gains tax (independent variable) and total tax revenue and, gross domestic product (dependent variables), the data was analysed using simple linear regression technique to test hypotheses at 0.05 alpha level of significance, the results provide evidence that Capital gains tax did not significantly contribute to total tax revenue in Nigeria let alone to the country's gross domestic product during the period 2011–2020. Though an impact from capital gains tax has been established by the study on the total revenue earned by Nigeria during the period in question, the impact was in terms of the decrease of N15.47 the country suffered in total tax revenue for every N1.00 realised in capital gains tax. The researcher therefore recommends that capital gains tax should either be holistically reformed or it should be abolished since the country seems to have been spending more on the collection of the tax than the money it has actually been collecting.*

Keywords: *Capital Gains Tax, Nigeria economy, total tax revenue, gross domestic product.*

1.0 INTRODUCTION

1.1 Background of the Study

Compulsory levies on individuals or entities by governments are the norm in all countries across the world. These levies, called taxes, provide sustainable sources of funding for social programmes and public investments, and these enable governments to work to foster economic growth and development. This to say that taxes do not only pay for public goods and services but also serve other purposes-such as regulation of trade and business to ensure social and economic maintenance (Adereti, Sanni & Adesina, 2011). Taxes also provide governments with greater flexibility to design and control their development agenda, and steer countries in the direction of improved domestic economic policy environment in order to create an environment conducive to the much-needed foreign direct investments (United Nations, 2005).

Taxes, according to Neumark, Cox and McLure (2020), differ from other sources of revenue for governments in that they are compulsory levies and are generally not paid in exchange for some specific things accruable to the payer such as a particular public service, the sale of public property, or the issuance of public debt. While taxes are presumably collected for the welfare of taxpayers as a whole, the benefit an individual receives from his or his taxes is independent of his liability as a taxpayer. Be that as it may, taxes provide a key ingredient in the social contract between citizens and the economy. Raising taxes and spending them can provide a measure of the extent to which a government commands legitimacy and acceptance among the citizens of a country. In Nigeria, when a federal or state administration is accused of poor performance in terms of service delivery, it is nothing more than Nigerians raising questions regarding how the money collected from them in taxes is being put to use. Holding governments accountable therefore encourages the effective administration of tax revenues and good public financial management (Financial and Investment Climate Service, 2009). Taxes therefore strengthen the bonds of accountability between governments and the citizens (United Nations, 2005).

In Nigeria, tax administration is based on a three-tiered tax structure reflecting the three ties of the administrative structure of the country: Federal, State and Local Governments. Specifically, the Federal government, according to Ojijo and Oluwatosin (2018), levies taxes on corporate bodies while individuals provide the sources of taxes for State and Local Governments. The Taxes and Levies Decree (1998) gives the Federal, State and Local Governments the responsibilities for collecting the taxes and levies listed in, respectively, Parts I, II and III of the Decree's Schedule. Part 1 of the schedule specifies taxes whose collection falls within the jurisdictive powers of the Federal Government: Companies Income Taxes (CIT); Withholding Tax on Companies (WTC); Petroleum Profits Tax (PPT); Value Added Tax (VAT); Education Tax (T); Capital Gains Tax (CGT); Stamp Duties (SD); and Personal Income Tax imposed on personnel of the Armed Forces of the Federation and Nigeria Police Force, etc (Ojijo & Oluwatosin, 2018).

According to Part II of the Schedule, taxes and levies payable to State Governments are; Personal Income Tax in the form of Pay-As-You-Earn (PAYE); Withholding Tax (applicable to individuals only); Capital Gains Tax (for individuals only); Stamp Duties (collectable from individuals), etc. Similarly, Part III of the Schedule specifies taxes and levies collectable by Local Governments from individuals: Shops and kiosks rates; Tenement rates; On and Off Liquor Licence fees; Slaughter slab fees, etc (Ojijo & Oluwatosin, 2018).

A capital gain is the profit received from selling an asset such as a stock or other financial instrument, an interest in a business, or real estate. The gains from the sale of such assets held for more than one year are usually considered long-term gains and are, therefore, taxed at special low rates (Hendricks & Hanlon, 2020), which in Nigeria is 10%.

1.2 Statement of the Problem

Capital gains taxation has been a source of controversial issue in the scholarly literature. On one side of the controversy, taxes levied on income from capital are believed to reduce savings and investment incentives and, thus, to greatly diminish long-term prospects for increased productivity and economic growth. On the other side, it is believed that, though capital gains taxes raise revenues for governments, the raising of the revenues imposes considerable economic costs on a country. Nigeria derives about 70% of its revenues from the money received from selling oil, and when there was a slump in global oil prices, Nigeria slipped into an economic recession. Nigeria crept out of the recession but on 20th April, 2020, the global oil and gas industry experienced a historic collapse of the US benchmark price to $0 a barrel (Lovells, 2021). This came on the back of the COVID-19 induced-lockdowns and general reduction in global economic activity, coupled with the price feud between Russia and Saudi Arabia. Osho, Ajibola and Omolola (2019) report that the Nigerian government, following the initial slump in oil, embarked on aggressive tax drive as part of the strategy to shore-up its falling revenues and reduce dependence on revenue received from oil sales. The pertinent question arising from this is: to what extent has capital gains tax contributed to the overall efforts of the Government to fix the economy battered by the slump in oil prices? The problem of the study therefore is to determine the level of the impact that capital gains tax has had on the economy following the plummeting in oil prices.

1.3 The Objectives of the Study

The main objective of the study is to determine the extent to which Capital Gains Tax has impacted the economy of Nigeria. Specifically, the objectives are to,

1. Assess if capital gains tax had a significant impact on the total revenue earned by Nigeria between 2011 and 2021.
2. Ascertain if capital gains tax had a significant impact on the economic performance in Nigeria between 2011 and 2021 as measured by gross domestic product.

1.4 Research Questions

1. Did capital gains tax have a significant impact on the total revenue earned by Nigeria between 2011 and 2021?
2. Did capital gains tax have a significant impact on the economic performance in Nigeria as measured by gross domestic product?

1.5 Research Hypotheses

The following null hypotheses were derived from the research questions:

1. Capital gains tax did not have a significant impact on the total revenue earned by Nigeria between 2011 and 2021.
2. Capital gains tax did not have a significant impact on the economic performance in Nigeria 2011 and 2021 as measured by gross domestic product.

In pursuance of the stated objectives, the study is divided in to five major components. Having addressed the first part of the components, component two focuses on review of related literature covering the theoretical, concepts of capital gains tax on Nigerian economy. The third component is on methodology employed in carrying out the study. Component four is on analysis of data collected and the component five provides the conclusion and recommendations accordingly. The results and recommendations of the study would contribute towards the unveiling of the contributions of capital gains tax towards Nigerian economy.

2.0 LITERATURE REVIEW

2.1 Theoretical Background

2.1.1 The Ability-to-Pay Theory

This study derives its theoretical background from the ability-to-pay theory. “The ability to pay” was the first of the four major criteria outlined by Adam Smith for tax to meet in in order to be regarded as a good tax (Smith, 2015). The theory is considered the most popular and commonly accepted principle of equity or justice in taxation, and it suggests that citizens of a country should pay taxes to the government in accordance with their ability to pay. It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual (Economics Concepts, 2015). The theory is relevant to the study because ownership of assets can provide a very good of measure one's ability to pay, and any taxes subsequently imposed when the assets are sold can only be proportionate to the profits realised from selling them.

2.2 Conceptual Framework

2.2.1 The Concept of Taxation

“Taxation” is a term applied when a taxing authority, acting as a proxy for a government, levies or imposes a financial obligation on its citizens or indigenes. Ojijo and Oluwatosin (2018) define it as an important fiscal policy instrument at the disposal of governments to mobilise revenue and promote economic growth and development. The term "taxation", according to Kagan (2021), applies to all types of involuntary levies, from income to capital gains to estate taxes. To differentiate the term “taxation” from “taxes” or “tax”, “taxation” is usually referred to as an act while the resulting revenue is called "taxes" or a “tax”. Therefore, “taxation” is the act of imposing taxes and the fact of being taxed while “tax” is money paid to the government other than for transaction-specific goods and services. Paying taxes to governments or officials has been a mainstay of civilisation since ancient times.

Taxes enable governments to carry out their traditional functions such as the provision of public goods and services; maintenance of law and order; defence against external aggression; and regulation of trade and business to ensure social and economic maintenance (Adereti, Sanni & Adesina, 2011). Taxation is differentiated from other forms of payment, such as market exchanges, in that taxation does not require consent and is not directly related to any services rendered (Kagan, 2021). Though taxes are designed for the collective good of all citizens, the tax responsibility of individual citizens is not specifically determined by any expected benefit receivable. Neumark, Cox and McLure (2020), outline some important exceptions: payroll taxes, for example, are commonly levied on wages and salaries from labour in order to finance benefits at retirement, medical payments, and other social security programs—all of which are likely to benefit the taxpayer in proportion to the amount paid. Because of the likely link between taxes paid and benefits received, payroll taxes are sometimes called “contributions” (as in Nigeria).

2.2.2 Capital Gains Tax

Capital gains tax is a levy imposed on the profit realised from an investment when the investment is sold. When stock shares or any other taxable assets are sold, the capital gains, or profits, are referred to as having been "realised". The tax does not apply in the case of unsold investments or "unrealised capital gains", and so stock shares will not incur taxes until they are sold no matter how long the shares are held or how much they increase in value (Fernando, 2021). Australian Taxation Office (n.d.) defines capital gains tax as tax paid on profits received from selling assets, such as property. Although it is referred to as “capital gains tax”, it is part of an individual’s income tax. It is not a separate tax. If the individual has a capital gain, it will increase the tax he is under the obligation to pay. The meaning of the term “capital gain” from all of these definitions is that it is profit or gain arising from the sale of a capital asset. This means that capital gain is not when an asset is transferred on the basis of an inheritance since the transfer does not involve a payment of funds for the acquisition of the asset.

In Nigeria, according to Capital Gains Tax Act CAP C1 of the Laws of the Federation of Nigeria (LFN) 2004 (as amended), capital gains may be defined as gains accruing from increases in the market value of capital assets to a corporate body or person who does not habitually offer them for sale, and in whose hands they do not constitute stock-in-trade. Capital gain tax is defined by Osho, Ajibola and Omolola (2019) as the tax imposed on capital gains, which is the profit realised on the sale of a non-inventory assets. The most common capital gains, according to the researchers, are realised from the sale of stocks, bonds, precious metals, and property.

On 31st December, 2020, the Finance Bill 2020 was signed into law by the President of Nigeria giving birth to the Finance Act 2020. The Finance Act brought over 80 amendments to the existing tax and regulatory legislations in Nigeria, and these included the amendments to sections 2(4), 24(f) and 36(2) of the Capital Gains Tax Act (CGTA). Consequently, the Federal Inland Revenue Service produced an explanatory document on matters relevant to operation of the capital gains tax system in Nigeria:

i. Definition of Chargeable Persons

By Section 46(2) of the Capital Gains Tax Act (CGTA), a chargeable person is

A. any company or other body corporate established by or under any law in force in Nigeria or elsewhere; or
B. a person to whom the Personal Income Tax Act applies
to whom chargeable gains accrue (Federal Inland Revenue Service, 2021, p. 1).

ii. Definition of Chargeable Assets

Section 3 of the Capital Gains Tax Act (CGTA) provides that all forms of property (Subject to any exceptions provided) shall be assets for the purposes of capital gains tax, whether situated in Nigeria or not, including;

A. options, debts and incorporeal property generally;
B. any currency other than Nigerian currency; and
C. any form of property created by the person disposing of it, or otherwise coming to be owned without being acquired (Federal Inland Revenue Service, 2021, p. 2).

The property must be an asset in respect to which qualifying expenditure has been incurred under the relevant schedule to the Personal income Tax Act, Companies Income Tax Act and the Petroleum Profits Tax Act.

iii. Definition of Disposal Assets

Section of Capital Gains Tax Act provides that there is a disposal of assets by a person, where any capital sum is derived from sale, lease, transfer, an assignment, a compulsory acquisition or any other disposition of assets, notwithstanding that no asset is acquired by the person paying the capital sum, and in particular –

A. where a capital sum is derived by way of compensation for any loss of office or employment;
B. where any capital sum is received under a policy of insurance and the risk of any kind of damage or injury to, or the loss or depreciation of assets;
C. where any capital sum is received in return for forfeiture or surrender of rights, or for refraining from exercising rights;
D. where any capital sum is received as consideration for use of exploitation of any asset; and
E. where a capital sum is received in connection with or arises by virtue of any trade, business, profession or vocation (Federal Inland Revenue Service, 2021, p. 2).

2.2.3 Capital Gain Tax and Economy

Capital gains tax, in terms of its impact on an economy, has been a subject for controversies among scholars. According to some scholars, reducing capital gains tax rates will increase tax revenues by dramatically increasing capital gains realisations. While the effects of changes in the capital gains tax rate continue to be debated and researched, according to Hungerford (2010), the bulk of the evidence suggests that reducing the capital gains tax rate reduces tax revenues. Higher income households are substantially more likely to own assets that can generate taxable gains than lower income households. Additionally, high income households own most of these assets, realise most of the capital gains, and pay most of the capital gains taxes at preferential rates (Hungerford, 2010).

On the other side of the argument, taxing income from capital reduces savings and investment incentives and, thus, greatly dampens a nation's long-term prospects for increased productivity and economic growth. For example, according to Gentry (2016), higher capital gains tax rates have been associated with a negative effect on entrepreneurship by discouraging entry into self-employment for people of all educational backgrounds. Clemens, Lammam and Lo (2014), in a thorough study produced for the Fraser Institute in Canada about the economic impact of capital gains taxation, agree that capital gains taxes raise revenues for government but then note that the taxes do so at considerable economic costs to the country. Capital gains taxes, according to the scholars, impose costs on the economy because they reduce returns on investment and thereby distort decision making by individuals and businesses. This can have a substantial impact on the reallocation of capital, the available stock of capital, and the level of entrepreneurship. The scholars go on to assert that capital gains are taxed on a realisation basis. This means that the tax is only imposed when an investor opts to withdraw his or her investment from the market and realise the capital gain. One of the most significant economic effects is the incentive this creates for owners of capital to retain their current investments even if more profitable and productive opportunities are available. Economists refer to this result as the "lock-in" effect. Capital that is locked into suboptimal investments and not reallocated to more profitable opportunities hinders economic output. For York (2019), capital gains taxes affect more than just shareholders; there are repercussions across the entire economy. Capital gains taxes can be especially harmful for entrepreneurs, and because they reduce the return to saving, they encourage immediate consumption over saving.

Capital gain tax is also implicated in its negative effect on the economy in that capital gains from the stock market are the result of retained earnings that have already been taxed once through the corporate profit tax, so the unfairness lies in the current "double taxation" of capital gains. The resolution of this struggle may have significant effects on individual taxpayers, the budget deficit and the economy's long-term growth prospects (Meyer, 1995).

2.3 Empirical Review

Many studies have been conducted about the impact of capital gains tax on aspects of the Nigerian economy. Obaje (2012), conducted a study on capital gains tax in Nigeria in which he examined the nature and the justification for capital gain tax as a lucrative ground for raising revenue for development. He found that capital gain tax had not yielded the desired results in terms of raising revenue for the government. In another study, Taiwo and Tajudeen (2016), assessed the impact of capital gains tax on economic growth in Nigeria for the period 2006 – 2015. Findings from the study indicated an insignificant impact of capital gain tax on economic growth in Nigeria.

In yet another study, Osho, Ajibola and Omolola (2019), examined the impact of capital gains tax on investment, social and economic development in Nigeria for the period 2007 to 2017. Findings revealed positive but insignificant effects of capital gains tax on investment, social and economic development in Nigeria. Omesi and Akpeekon (2019), on the other hand, reported a significant contribution of capital gains tax to the total tax revenue of government and by extension the economic development of Nigeria from their study of the effects of capital gains tax on the economic development in Nigeria for the period 2011 – 2016. In a study by Kumai (2020) for the period 2005-2018, the ex-post facto research design was adopted to examine the effect of capital gains tax on total tax revenue and economic growth in Nigeria. Findings indicated an insignificant contribution of capital gains tax to total tax revenue and economic growth in Nigeria.

Ngu (2020), examined the effect of capital gains tax on total tax revenue and economic growth in Nigeria. In achieving this objective, the ex-post facto research design was adopted and secondary data were collected from the Federal Inland Revenue Service annual reports, CBN statistical bulletins, and the National Bureau of Statistics. The simple regression technique was adopted and analysed using Eviews to establish the effect of the independent variables (capital gains tax, interest rate, and inflation rate) on the dependent variables (Total Tax Revenue, Gross Domestic Product) from 2005-2018. Findings indicate an insignificant positive relationship between capital gains tax and total tax revenue/economic growth in Nigeria. The study concluded that capital gains tax has not significantly contributed to total tax revenue and economic growth in Nigeria. Therefore it is recommended that the administration and collection mechanisms of capital gains tax should be strengthened to ensure the tracking and collection of this form of tax in any part of the country where capital assets are disposed.

Offor (2021), analyzed the effect of capital gains tax on the economic growth of Nigeria (1999 – 2018). In Nigeria, to tackle the problem of high incidence of tax evasion and avoidance by tax payers by examining the extent to which capital gains tax affect gross domestic product and gross national product. Secondary data was used and it was sourced from CBN statistical Bulletin. The data covered from 1999 – 2018. The economic tool used was simple regression analysis. From the results, it was found that capital gain tax has significant effect on gross domestic product of Nigeria and capital gain tax has significant effect on gross national product of Nigeria.
The gap hereby identified in knowledge is that none of the empirically reviewed studies investigated the impact of capital gains on the Nigerian economy for a period that extended to 2020 – a gap bridged by the current research.

3.0 RESEARCH METHODOLOGY

Time series design was adopted for the study. Data on Nigeria's total tax revenue and GDP for the period 2011 – 2020 was sourced from the bulletins of the Central Bank of Nigeria, Federal In-land Revenue Service and National Bureau of Statistics. Since capital gain tax was the only independent variable of interest for the researcher, the data was analysed using simple linear regression technique to test hypotheses at 0.05 alpha level of significance

Model Specification

The model used for data analysis was specified as follows:

$$TTR = \beta_0 + \beta_1 CGT + \varepsilon \ldots..(1)$$

$$GDP = \beta_0 + \beta_1 CGT + \varepsilon \ldots..(2)$$

Where,

- TTR and GDP are the predicted values of the dependent variable for the expected value of the independent variable (CGT).
- β_0 is the intercept, the predicted value of TTR or GDP if the CGT is 0.
- β_1 is the regression coefficient – how much TTR and GDP are expected to vary as CGT increases.
- CGT is the independent variable (the variable expected to impact TTR and GDP).
- ε is the error of the estimate, or how much variation the researcher has in his estimate of the regression coefficient.

4.0 DATA PRESENTATION AND ANALYSIS

Table 1: Data on Capital Gains Tax, Total Tax Revenue and Gross Domestic Product for the Period 2011 - 2020

Year	Capital Gains Tax (N'Billion)	Total Tax Revenue (N'Billion)	Gross Domestic Product (N'Billion)
2011	9.3045	4628.48	63713.36
2012	8.9166	5008.01	72599.63
2013	19.6559	4805.64	81009.96
2014	2.6498	4714.56	90136.96
2015	16.802	3741.76	95177.74
2016	99.4034	3307.46	102575.42
2017	3.1803	4027.95	114899.25
2018	12.5947	5320.89	129086.91
2019	5.577	5261.92	145639.14
2020	3.5186	4952.22	154252.32

Sources: Federal Inland Revenue Service (Capital Gains Tax), Central Bank of Nigeria (Total Tax Revenue) and National Bureau of Statistics (Gross Domestic Product)
The data presented in Table 1 is on the values of capital gains tax, total tax revenue and gross domestic product realised in Nigeria for the period 2011 - 2020.

Impact of Capital Gains Tax on Total Revenue for the Period 2011 – 2020

Table 2: Descriptive Statistics for the Impact of Capital Gains Tax on Total Revenue for the Period 2011 – 2020

	Mean	Std. Deviation	N
Total Tax Revenue (N' Billions)	4576.85	669.445	10
CGT (N' Billions)	18.20	29.111	10

Output Source: SPSS (Version 25)

Table 3: Correlations

		Total Tax Revenue (N'B)	Capital Gains Tax (N'B)
Pearson Correlation	Total Tax Revenue (N'B)	1.000	-.674
	Capital Gains Tax (N'B)	-.674	1.000
Sig. (1-tailed)	Total Tax Revenue (N'B)	.	.016
	Capital Gains Tax (N'B)	.016	.
N	Total Tax Revenue (N'B)	10	10
	Capital Gains Tax (N'B)	10	10

Output Source: SPSS (Version 25

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.674[a]	.454	.386	524.673146028346500
a. Predictors: (Constant), CGT (N'B)				
b. Dependent Variable: Total Tax Revenue (N'B)				

Output Source: SPSS (Version 25)

Table 5: ANOVA

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	1825240.896	1	1825240.896	6.613	.033[b]
	Residual	2208168.278	8	276021.035		
	Total	4033409.175	9			
a. Dependent Variable: Total Tax Revenue (N' Billions)						
b. Predictors: (Constant), CGT (N' Billions)						

Output Source: SPSS (Version 25)

Table 6: Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	Std. Error	Beta	T	Sig.
	(Constant)	4858.404	198.972		24.418	.000
	Capital Gains Tax (N' Billions)	-15.470	6.016	-.673	-2.572	.033

a. Dependent Variable: Total Tax Revenue (N' Billions)
Output Source: SPSS (Version 25)

Table 2 presents the mean and standard deviation for total tax revenue realised in Nigeria over a ten year-period: 4576.85 and 669.445 respectively. The mean and standard deviation for capital gains tax raised during period are indicated as 18.20 and 29.11 respectively.

Tables 3, 4 and 5, taken together, show that capital gains tax was negatively and significantly correlated with total tax revenue, and that the predictor variable significantly predicted the criterion variable, $Pearson\ r = -.674, R^2 = .454, F(1,8) = 6.613, p - value = .033$. Ho[1] is hereby rejected: Capital gains tax had a significant impact on the total revenue earned by Nigeria between 2011 and 2020. However, as indicated by unstandardised coefficients in Table 6, the predictive impact was not a positive one. This is because for every N1.00 increase in capital gains tax, there was N15.47 decrease in total tax revenue during the period.

While findings from previous studies by Obaje (2012) and Kumai (2020) indicated an insignificant contribution of capital gains tax to total tax revenue in Nigeria, the current finding revealed – not just an insignificant impact but – a negative impact of capital gains tax on total tax revenue. This can also be seen by looking at the standardised coefficients in the same Table 6: for every one standard deviation increase in capital gains tax, there was a decrease in total tax revenue by .673 of the standard deviation.

Impact of Capital Gains Tax on Gross Domestic Product for the Period 2011 – 2020

Table 7: Descriptive Statistics

	Mean	Std. Deviation	N
Gross Domestic Product (GDP)	104909.07	30566.10	10
Capital Gains Tax	18.20	29.111	10

Output Source: SPSS (Version 25)

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	**Regression**	92110305.760	1	92110305.760	.089	.774[b]
	Residual	8316470094.558	8	1039558761.820		
	Total	8408580400.319	9			

a. Dependent Variable: Gross Domestic Product (GDP)

b. Predictors: (Constant), Capital Gains Tax

Output Source: SPSS (Version 25)

Table 6 presents the mean and standard deviation for the value of gross domestic product recorded in Nigeria over a ten year-period: 104909.07 and 30566.10 respectively. The mean and standard deviation for capital gains tax raised during period are indicated as 18.20 and 29.11 respectively. The ANOVA statistic presented in Table 7 indicate that capital gains tax did not significantly predict gross domestic product, $F(1, 8) = .089$, p-value = .774. Ho^2 is hereby retained: Capital gains tax did not have a significant impact on the economic performance as Nigeria 2011 and 2021 as measured by gross domestic product. This therefore renders needless the presentation and analysis of further data relating to the impact of capital gains tax on gross domestic product for the period 2011 – 2020.

Discussion of findings

Findings from the analysis support the findings of Kabir (2016) and El-Maude, Mohammed and Pate (2018), who assert that capital gains tax has insignificantly contributed to tax revenue and economic growth, but has the potential to enhance revenue generation in Nigeria due to the huge capital assets disposal in the country. Hence, the need for a more robust and effective tax administration that will ensure that capital gains tax contribute significantly to the economic growth of Nigeria. The finding is in consonance with previous studies by Osho, Ajibola & Omolola (2019), and Kumai (2020), that reported an insignificant impact of capital gains tax on economic growth in Nigeria. The finding, however, disagrees with Omesi and Akpeekon (2019), whose study found a significant contribution of capital gains tax to the economic development of country.

5.0 CONCLUSION AND RECOMMENDATIONS

Capital gains tax did not significantly contribute to total tax revenue in Nigeria let alone to the country's gross domestic product during the period 2011 – 2020. Though an impact from capital gains tax has been established by the study on the total revenue earned by Nigeria during the period in question, the impact was in terms of the decrease of N15.47 the country suffered in total tax revenue for every N1.00 realised in capital gains tax. The researcher therefore recommends that capital gains tax should either be holistically reformed or it should be abolished since the country seems to have been spending more on the collection of the tax than the money it has actually been collecting.

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