



Direct Tax and Income Redistribution

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Abstract: The aim of this paper is to examine the effect of direct tax as a tool for income redistribution in Nigeria. The research design employed in the study is the longitudinal design. The population and sample of this study focused mainly on direct taxes which include; education tax (ED), company's income tax (CIT), personal income tax (PIT) and petroleum profit tax (PPT), that are domicile in Nigeria. The time frame spanned 1990-2020. Data was sourced from world statistics, central bank statistical bulletin and federal inland revenue service. The data for the study was analysed using the error correction model. Education tax and company income tax had no significant impact in redistributing income, according to the results of the inferential statistic utilized, however petroleum profit tax and personal income tax had a large impact on income redistribution. Furthermore, PIT had a beneficial influence on income redistribution, but petroleum profit tax had a negative effect. The report proposed that a luxury tax system be introduced and well implemented, in which the affluent would be required to pay a tax for consuming more luxury products than the poor. The proceeds from the luxury tax should be utilized to fund free education and medical care for low-income people. Education taxes should be utilized to finance scientific research as well as to sponsor low-income earners in other countries.

Keywords: Direct Taxes; Income redistribution; Government Expenditure

JEL Classification: H23

1. Introduction

Income inequality is a global issue that every country including Nigeria tries to resolve (Madzinova, 2017). Inequality has reached drastic levels in Nigeria despite being Africa's biggest economy. Nigeria has a growing economy with abundance of human resources and the potential for raising millions out of poverty. However, the misuse, misallocation and misappropriation of these resources has led to poverty (Ugbede, 2020).

The apparent increase in the income gap is due to a number of causes, including restricted work options, which are handled by a large concentration of economic opportunities in a few regions, putting inhabitants of other cities behind in terms of employment and living conditions. Meanwhile, the high cost of governance in the country, which irritates many people, has also contributed to the increasing inequality. While almost 60% of the country's population lives in poverty, our parliamentarians and a minority of that people are among the best paid in the world, earning up to

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\$118,000 per year (Lustig, 2018). The high administrative cost of running the affairs of government comes at the detriment of infrastructure and related investments. Similarly, pervasive corruption and corruption, whether in the form of withholding civil servants' wages and pensions, nepotism or greasing the policemen's hands, tend to redistribute income from the masses (Ugbede, 2020).

Increased income inequality has a negative economic impact, resulting in greater poverty rates, a quick fall in real incomes, private per capita expenditure, social services, and a general loss in well-being (The Guardian, 2020). The crime rate rises and official poverty rates remain high, at 46% of the population or 62% in strict per capita terms. Graduate unemployment is growing and lay-off, a recurrent issue due to the deterioration of infrastructure and energy shortages in the real economy (Omoniyi, 2017). The climate of insecurity across the entire national landscape is worsening and created a bad situation and making recovery a fantasy, hence the need for government to address these issues and one way is by redistributing resources to areas that need them (The Guardian, 2020).

The problem of income generation is highlighted further by the fluctuations in the price of oil, which is a major source of income for the country. This has made the use of other mediums such as tax as an instrument for generating income vital, and in order for revenue generated through tax and other mediums to be felt in all areas of the economy, it has to be effectively re-distributed. Income redistribution is important to any nation's development, according to Awe and Olawumi (2012). Nigeria has struggled with producing revenue and dispersing it over time, with the country relying on a single source of income from the 1960s to the mid-1970s, agriculture, and then oil from the 1970s to the present, with little respect for other sources of income such as taxation (Obaretin, et al, 2017).

Several studies have examined the role of tax as a veritable tool for generating and redistributing income (Clements, 1997; Meadowcroft, 2007; Martinez-Vazquez, Moreno-Dodson & Vulovic, 2012; Olusanya, Peter & Oyebo, 2012; Obaretin et. al, 2017). The study of Olusanya, et al. (2012) employed the use of questionnaire to proxy income redistribution and spearman rank correlation was used to analyse the data and found that tax can be used as a tool for income redistribution. The study of Obaretin et al (2017) made use of Gini coefficient to proxy income redistribution and the error correction model and descriptive statistics was used to analyse the data derived, the findings showed that tax do not fulfil its role in redistributing income. By adopting an alternative measure of income redistribution, this study hopes to add to the literature. The GINI co-efficient has been criticized for focusing on income disparity and the width of the income inequality gap rather than how money is dispersed in previous studies. As a result, the research proposes to utilize government spending on infrastructure to quantify redistribution. Furthermore, these researches (Meadowcroft, 2007; Martinez-Vazquez, Moreno-Dodson, & Vulovic, 2012; Olusanya, Peter & Oyebo, 2012; Obaretin, et. al. 2017) did not break down the taxes into its individual elements of direct tax like education tax, petroleum profit tax, company's income tax and personal income tax in Nigeria.

1.1. Objectives of the Study

The broad objective of the study was to ascertain the effect of direct tax as a tool for income redistribution in Nigeria. The specific objectives of the study were to:

1. ascertain the effect of company income tax on income redistribution;
2. examine the effect of personal income tax on income redistribution;
3. determine the effect of petroleum profit tax on income redistribution; and

4. ascertain the effect of education tax on income redistribution.

2. Literature Review

2.1. Income Redistribution

The allocation of money in society from the wealthiest to the poorest in the economy is known as income redistribution (Awe & Olawumi, 2012). Income redistribution is described by Obaretin et al. (2017, p. 189) as “an unequal allocation of individual, household, and company income among the various actors in an economy.” Income disparities are differences in the rate of income attributable to residents (discrepancies in the rate of income attributable to citizens). Economic inequities are exacerbated by characteristics such as religion, gender, social status, and education (Libabatu, 2014). The government may address the issue of income inequality by implementing measures such as taxes and public spending. Costs expended in the fields of health, housing, and education, among others, are referred to as public spending. Another policy measure that may be utilized to address economic inequity is taxation; nevertheless, the amount to which this can be done has remained a major point of contention, not just in developing nations but also in developed countries (Bird & Zolt, 2014).

2.1.1. Government Expenditures as a Measure for Income Redistribution

Providing further review on the viability of government expenditures on infrastructure, the study of Martinez-Vazquez, Vulovic and Dodson (2014) states that Government policies, particularly spending policies, may have a big effect on the quality of economic growth results. It is also becoming obvious that the sort of economic development has noticeable implications for income redistribution. Contrary to common assumption, explicit redistributive measures, such as the provision of public services and products, are now largely regarded as having the potential to encourage growth (Madzinova, 2017).

Government expenditure now clearly influences the quantity and quality of growth, and growth, in turn, leads to revenue redistribution. Not only that, but the substance of the growth arising from public initiatives is also determined by the existing income distribution. Actual research into the direct link between government spending and income distribution focuses on the effects of certain forms of government spending on specific income groups rather than the overall income distribution (Martinez-Vazquez, 2008).

Nonetheless, a few studies, whether for a single nation or across countries, concentrate on the overall impact on income distribution. In a cross-country examination of the influence of government spending on revenue distributions, for example (the sample size ranged from 27 to 56 nations depending on data availability), de Mello and Tiongson (2006) consider the overall effects unequalizing. Nonetheless, nations with the greatest need for redistribution owing to high inequality are less likely to succeed in doing so. When it comes to nation studies, Madzinova (2017) found that not only the size of the government expenditure but its policies prove more effective in reducing the poverty levels.

2.2. Direct Taxes and Income Redistribution

Between 1972 and 2005, Martinez-Vazquez, Vulovic, and Liu (2014) looked examined the influence of direct vs indirect taxes on income inequality in 116 industrialized, developing, and transition countries. The two-stage least square approach was utilized in data estimation to control some of the variables for probable reverse causality. According to the findings, the influence of the tax ratio on income disparity is dependent on the size of the tax system. Income disparity was reduced in nations with a restricted tax framework. However, the impact was negative in countries with a more complex taxing structure. The tax mix has a negative influence on the Gini coefficient across the board, lowering income inequality in nations with a higher total tax to GDP ratio (0.29). In the subsample of industrialized nations, there has been no statistically significant influence of tax mix on income disparities. The findings, they said, were in line with previous evidence showing tax arrangements had little influence on income distribution in wealthy nations.

From 1996 to 2004, Adigun and Awoemi (2014) assessed the evolution and breadth of poverty in rural Nigeria. This study looks at the effects of growth and redistribution variables on poverty change over the period of eight years. The study uses data from the National Consumer Survey (NCS) of households in 1996 and the National Living Standard Survey (NLSS) of households in 2004 from the National Statistical Bureau (NBS). Using the Shapley Decomposition Method, the study found that rural poverty rates decreased somewhat over the second study period (2004). While both growth and redistribution have contributed to the worsening of poverty in Nigeria at all levels, the breakdown of poverty changes into growth and redistribution components demonstrates that while both have decreased poverty, increasing income disparity has contributed to the worsening of poverty in Nigeria at all levels.

Obaretin et al. (2017) investigated the link between taxes and their use in Nigeria for income redistribution. Secondary sources, such as the Federal Inland Revenue Service and the World Bank, provided the data for this study. The data was collected during a 35-year period, from 1981 to 2014. The data was analyzed using the ordinary least squares approach. The research concluded that the various tax choices had no substantial impact on income disparities with GINI at the 5% level. Furthermore, it was discovered that taxes have been fully employed in its role of redistributing income in Nigeria.

Nyenke and Amadi (2019) investigated the link between income disparity and taxation. The data for the study was evaluated utilizing the ordinary least square approach, as well as the quasi-experimental research method. Techniques such as co-integration, unit root, and error correction were also used. According to the statistics, corporate income tax has a positive link with income inequality, but personal income tax and petroleum profit tax have a negative relationship with income disparity.

From 1990 to 2016, Anyaduba and Otulugbu(2019) researched the impacts of taxation on income inequality (GINI) in Nigeria, focusing on the effects of VAT, Customs and Excise Duties (CED), Petroleum Profit Tax (PPT), and Company Income Tax (CIT) (CIT). The data was analyzed using the Cointegration and Error Correction Models (ECMs). Dickey Fuller's augmented root unit was used to test for stationarity. They discovered that when computed at the 5% critical threshold, VAT, CED, and PPT showed a positive connection with GINI, although VAT and CED did not. CIT has a considerable negative influence on GINI. We infer that only CIT can narrow the income gap based on the data. We propose levying VAT on the purchasing of goods and services by high-income earners. The

government should handle tariff levels in terms of CED; the economy should be efficiently diversified in terms of PPT; and tax authorities should completely use corporate taxes in terms of CIT.

The influence of taxation on revenue and inequality was explored by Kaisa, Mika, and Jukka (2019). Data from a variety of African and American countries were analyzed using the fixed effects ordinary least squares method. The study, which was newly released, makes use of high-quality macrodata as well as a fixed-country impact technique with instrumental components. According to the findings of the study, taxing has not always resulted in increased inequality. However, we find relatively solid evidence that nations with taxes have witnessed rises in inequality when assessed on the basis of disposable income, but no increase in disparity when measured on the basis of consumption. Because the data show that the tax did not contribute to growing inequalities in welfare for low-income nations, the data imply that the tax did not contribute to rising inequalities in welfare for low-income countries. To be clear, the impact of the tax on income inequality cannot be evaluated in such nations without an income-based disparity index.

2.3. The Poverty-Growth-Inequality Theory

The hypothesis of poverty-growth-inequality underpins the research. According to Bourguignon's theory, the shift in income distribution may be split into two outcomes (2003). Second, the growth impact refers to the effect of a proportionate rise in all earnings that keeps the relative income distribution intact. Second, a distributional consequence is the result of a change in the relative income distribution that is, by definition, independent of the mean (Hagopian, 2011; Prasad, 2008).

Although governments are inefficient (more government = less growth), they appear to be advantageous since more government spending can assist to lessen inequality. The calculated coefficient for government size or government expenditure in terms of GDP is significant and has the right sign. Higher targeted government expenditure can be expected to enhance income distribution to the degree that affluent groups forgo rent seeking and government bureaucracy focus on increasing the opportunities of the poor. While reducing the size of government is likely to result in quicker development, it may also exacerbate inequality (Fosu, 2010).

The ultimate objective is redistribution, not the construction of a relationship between economic development, income disparity, and poverty. Heshmati (2004) investigated the eighteenth century, when growth leads to increased inequality. Inequality may lead to political instability and necessitate significant political reforms. Political and economic reforms result in democratization and institutional changes that promote taxes and redistribution. The latter is supposed to reduce inequality as well as poverty (Mahler & Jesuit, 2006). Political redistribution measures, according to the author, may be understood as strategic decisions taken by the government to avert societal discontent and revolution. The idea provides an explanation for the decrease in inequality after redistribution programs based on taxes (Fosu, 2010).

3. Methodology

3.1. Research Design

For this study, the longitudinal research design was used. This is due to the fact that the data for the study spans a long period of time, which is from (1990 to 2020). The adoption of a longitudinal study

strategy is justified by the data's time series character. The study's data came from the following sources: petroleum profit tax (PPT) from World Statistics, personal income tax (PIT) from the Federal Inland Revenue Service (FIRS), company income tax (CIT) from the Central Bank of Nigeria Statistical Bulletin, and education tax (ED) from the Federal Inland Revenue Service (FIRS). The population of the research was made up of direct tax within the limitations of the Nigerian environment. The population of this study was mostly focused on direct taxes that are domiciled in Nigeria, such as education tax (ED), corporation income tax (CIT), personal income tax (PIT) and petroleum profit tax (PPT). These variables were chosen because they are all different types of direct taxation, which is the focus of the study.

3.2. Model Specification

The tax system is a means of ensuring the redistribution of income and wealth in order to reduce poverty and promote social welfare. Through fiscal policy, it may be employed as an economic regulator to promote economic stability and long-term growth. The government is also responsible for combating inflation, unemployment, and building a solid corporate infrastructure. Adam Smith pushed for equality and fairness in taxation and taxation based on ability. The tax burden should be evenly distributed, implying that the tax burden should be proportionate to the income earned. Obaretin et al. (2017) proposed the following model in their study:

$$\text{GINI}_t = \beta_0 + \beta_1 \text{TIT}_t + \beta_2 \text{TDT}_t + \beta_3 \text{OPN}_t + \beta_4 \text{FDI}_t + \beta_5 \text{INF}_t + \varepsilon_t \quad 1$$

TIT = Total indirect tax revenue

INF= Inflation rate

OPN= Economic openness

FDI = Foreign direct investment

TDT= Total direct tax revenue

GINI= Gini coefficient

The model used in this analysis was modified from Obaretin et al.(2017). All direct and indirect taxes, as well as additional parameters such as economic openness, inflation rate, and Gini coefficient, were incorporated in the model used to proxy redistribution. This study, on the other hand, is unique in that it employs direct tax, such as corporate income tax, personal income tax, petroleum profit tax, education tax, and government infrastructure investment, as a proxy for income redistribution. The following is a functional representation of this:

$$\text{INRD} = f(\text{CIT}, \text{PIT}, \text{PPT}, \text{ET}) \quad 2$$

The econometric form of the model for this investigation is as follows:

$$\text{INRD}_t = \alpha_0 + \alpha_1 \text{CIT}_t + \alpha_2 \text{PIT}_t + \alpha_3 \text{PPT}_t + \alpha_4 \text{ET}_t + \varepsilon_t \quad 3$$

Where:

INRD= Income redistribution

ET = Education tax

PPT = Petroleum profit tax

CIT = Companies income tax

PIT = Personal income tax

t= Time frame

$\alpha_1 \dots \alpha_5$ = unknown coefficients

$\alpha_1 \dots \alpha_5 > 0$

3.3. Operationalization of Variables

Table 1. Measurement of Variables

Variables	Acronyms	Measurement
Income Redistribution	IND	Proxied by expenditure of government on infrastructural goods
Companies' income tax	CIT	Proxied by the sum of companies' income collected by FIRS in Nigeria
Personal income tax	PIT	Proxied on total personal income collected by FIRS in Nigeria
Petroleum profit tax	PPT	Proxied by total petroleum tax paid by petroleum companies in Nigeria
Tertiary education	TET	Proxied by values derived from CBN statistical bulletin

Source: Authors Compilation

4. Data Presentation and Analysis

4.1. Descriptive Statistics

Table 2. Descriptive Statistics

Variables	Mean	Minimum	Maximum	Standard deviation	Obs (years)
GE_INFRAS	151123.2	1303.400	562753.4	158019.8	29
CIT	442191.5	2997.000	1622862.	508840.2	30
PIT	38965.13	4200.000	102612.4	27497.20	17
PPT	1182812.	26909.00	279358.8	1135465.	30
EDT	81104.28	841.0000	279358.8	88023.72	26

Source: Authors Computation 2021

The summary statistics for the factors studied for the given time period are shown in Table 2.

The mean value of government spending on infrastructure products (GE INFRAS) - a proxy for income redistribution — is 151,123,200,000, with a standard deviation of 158019, as seen in the graph.

The maximum and minimum values are N562, 753,400,000 and N1, 303.400,000, respectively. The mean and standard deviation of company income tax were N442, 191,500,000 and 508,840.2, respectively. N2, 997,000,000 and N1, 622,862,000,000 were the minimum and greatest values, respectively.

Personal income tax mean was N38,965,130,000, with a standard deviation of N27,497,200,000, N4,200,000,000, and N102,612,400,000, respectively. Petroleum profit tax and education tax have respective means of N1, 182,812,000,000 and N81, 104,280,000. Their respective standard deviations were 1135465 and 88023.72. Petroleum profit tax minimum and maximum values were

N26,909,000,000 and N279,358,800,000, respectively, while education tax minimum and maximum values were N841,000,000 and N279.358,800,000, respectively.

Table 3. Linearity of variables

Variables	GE_INFRAS	CIT	PIT	PPT	EDT
GE_INFRAS	1.000000				
CIT	0.575968*	1.000000			
PIT	0.579425*	0.865050*	1.000000		
PPT	0.317204	0.289137	0.204740	1.000000	
EDT	0.504228*	0.864154*	0.799490*	0.421711	1.000000

NB: * Significant @ 5% level

Source: Authors Computation, 2021

The correlation analysis findings are shown in Table 3. The correlation coefficient revealed that the regress and regressors had a linear relationship. As a consequence, the variable's coefficient of correlation with itself was (1.00), indicating perfect correlation. All of the factors were linked in a favorable way. CIT and GE INFRAS (0.575968), PIT and GE INFRAS (0.579425), PPT and GE INFRAS (0.317204), and EDT and GE INFRAS (0.317204) and (0.504228) are examples of possible pairings. We discovered that the connection was strong, even above the required threshold of 0.8 (Stundenmund, 2014). According on this finding, we think that the model may have multicollinearity difficulties. The variance inflation factor test was used to further analyze the possibility of multicollinearity concerns in the model and variables investigated.

4.2. Specification and Diagnostic Tests

We ran a variety of specification and diagnostics tests to ensure that the regression's basic assumptions were met. According to the unit-root test, the majority of variables (GE INFRAS, CIT, and PPT) were non-stationary at rates but stationary at the first difference. As a consequence, the estimated parameters are assumed to have a long-term association. Furthermore, the error term (ECM) was shown to be stationary towards the margin, emphasizing the need of studying the long-term connection between variables. The Engel-Granger cointegration test found that the model does not have a cointegrating equation. Tau-statistics and Z-statistics, which exhibited probability values greater than the critical 5% level, corroborate this. As a result, under the study's model, we were unable to reject the null hypothesis of no cointegration.

4.3. Multivariate Analysis

Table 4. Ordinary Least Square (Error Correction Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-58837.31	33484.00	-1.757177	0.1169
D(CIT)	0.517707	0.238900	2.167045	0.0621
D(PIT)	2.915372	0.897833	3.247120	0.0118
D(PPT)	-0.065499	0.022321	-2.934463	0.0189
D(EDT)	0.158663	0.221832	0.715240	0.4948
ECM(-1)	-0.726330	0.257510	-2.820589	0.0011
R-squared	0.737201	Mean dependent var		22411.86
Adjusted R-squared	0.572951	S.D. dependent var		102007.5
S.E. of regression	66660.87	Akaike info criterion		25.35015
Sum squared resid	3.55E+10	Schwarz criterion		25.62403
Log likelihood	-171.4511	Hannan-Quinn criter.		25.32480
F-statistic	4.488296	Durbin-Watson stat		2.231076
Prob(F-statistic)	0.030240	Wald F-statistic		6.510020
Prob(Wald F-statistic)	0.010571			

Source: Authors' computation, 2021

Based on the model findings, Table 4 indicates the influence of direct tax collection on income redistribution as assessed by government spending on infrastructure goods. The F-statistic of 4.488296 (p-value = 0.030240) is significant at 5%, implying that a significant linear connection between the dependent and independent variables cannot be ruled out. The model has an R² of 73.7 percent, with a corrected R² of 57.3 percent. According to the regression estimate's adjusted R² of 57.3 percent, the independent variables in the model account for approximately 57 percent of the systematic variation in the dependent variable, while the remaining 43 percent is accounted for by variables not included in the model but efficiently captured by the regression's standard error. The Durbin Watson statistics of approximately 2 demonstrate the absence of first order serial correlation in the model (which was close to 2).

According to the findings of the study, corporate income tax and education tax both had a beneficial influence on government infrastructure investment, which is a measure of income redistribution. However, when tested at the 5% critical threshold, this link was determined to be statistically insignificant. In contrast to the previous conclusion, we found that personal income tax had a favorable influence on government spending on infrastructure, which is a measure of income redistribution. This link was shown to be statistically significant when examined at the 5% critical level. The petroleum profit tax, like the personal income tax, had a negative influence on government investment in infrastructure assets, which is a measure of income redistribution. Finally, the error correction term, abbreviated as ECM, was discovered to have a value of -0.73 and a probability of 0.0011, meaning that the model could migrate from disequilibrium to equilibrium at a pace of 73% each year.

4.4. Discussion

According to the model results, corporate income tax showed a positive but negligible connection with government spending on infrastructure (a proxy for income redistribution, $1 = 0.518$, $SE = 0.239$, $p > 0.05$). This indicates that raising corporate income taxes will not result in an increase in infrastructure spending. As a result, income allocation in Nigeria will remain unchanged. Our findings are consistent with those of Chu, Davoodi, and Gupta (2000) and Obaretin et al. (2017), He said that emerging nations have been unable to use taxes to spread wealth and set up transfer programs to minimize income disparity. However, our findings contrast those of James and Robert (2007), who showed that after adjusting for other factors such as income redistribution and economic development, the CIT rate had a negative connection with income disparity. CIT also demonstrates a positive relationship with income redistribution and inequality, contrary to the findings of Olusanya et al. (2012) and Nyenke and Amadi (2019). Furthermore, Anyaduba and Otulugbu (2019) discovered that CIT had a minor but statistically significant negative influence on income inequality as measured by the GINI coefficient.

Personal Income Tax showed a substantial positive connection with government spending on infrastructure items (a proxy for income redistribution, $2 = 2.915$, $SE = 0.898$, $p < 0.05$). This means that a 2.915 percent rise in personal income taxes will result in a 2.915 percent increase in good expenditure on infrastructure items. As a result, more economic redistribution will occur in Nigeria. Claus et al. (2012) discovered that PIT is progressive and successful in distributing income, and our findings are consistent with theirs. Furthermore, similar to the findings of Olusanya et al., (2012), Nyenke and Amadi (2019) discovered that personal income tax had a negative connection with income inequalities.

The Petroleum Profit Tax exhibited a negative and significant connection with government spending on infrastructure (a proxy for income redistribution, $1 = -0.065$, $SE = 0.022$, $p < 0.05$). This suggests that a rise in petroleum profit taxes will result in a -0.065 reduction in government expenditure on infrastructure products. Our findings are similar with Nyenke and Amadi's (2019) study, which found that a petroleum profit tax had a negative connection with income inequality. In contrast to our findings, Anyaduba and Otulugbu (2019) found a positive association between PPT and income inequality (GINI) when assessed at the 5% critical threshold.

Finally, the Education Tax is positive and has a negligible connection with government spending on infrastructure (a proxy for income redistribution, $4 = 0.159$, $SE = 0.222$, $p > 0.05$). This suggests that a rise in petroleum profit taxes will not result in a 0.159 increase in government spending on infrastructure products. Our findings are congruent with the findings of Kaisa, Mika, and Jukka (2019), who contend that taxation has not necessarily contributed to rising inequality on average. The study's findings corroborate the poverty-growth-inequality hypothesis, which holds that governments can be inefficient (more government = less growth) while appearing to be good since greater government expenditure decreases inequality. Only a personal income tax enhances income redistribution, as evidenced by real-world results.

5. Conclusion

Based on the study's findings, we found that direct taxes had a limited impact on income redistribution in Nigeria. According to this research, only personal income taxes might improve income redistribution in Nigeria, highlighting the flaws in the poverty-growth-inequality thesis. Company income tax and education tax have little influence on income redistribution in Nigeria; however, the petroleum profit tax has a considerable impact on income redistribution. These findings have policy consequences since they necessitate the introduction of a tax system aimed at increasing the tax burden on the wealthy through their tax base, such as a luxury tax. It is also vital to respond immediately to labor union demands for additional minimum wage rises (over N30,000).

Our study is limited to only, direct taxes, thus, generalization cannot be made on the impact of taxation on income redistribution in Nigeria cannot be made without caution. In order to improve on this study based on the limitations identified, we suggested the indirect taxes and levies should be studied as well investigate the impact Nigerian tax system on income redistribution.

This solution suffices because to the little influence of corporate income and education taxes on income redistribution in Nigeria, as measured by government spending on infrastructural goods. Furthermore, in Nigeria, there is a negative relationship between petroleum profit taxes and income redistribution. As a consequence, the study recommends that the distributional impact of direct taxes in Nigeria be adequately analyzed in order to ensure that taxes result in a more income-inclusive society by closing the income gap between affluent and poor. Following from the conclusion and policy implications, we made the following recommendation: Government revenue collected from corporate income taxes should be used to create excellent infrastructures such as business outfits in various states of the federation in Nigeria for jobless persons.

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