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IMPACT OF FEDERAL TAX REVENUE ON GOVERNMENT EXPENDITURE IN NIGERIA

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Abstract
The purpose of this study is to examine the impact of federal tax revenue on government expenditure in Nigeria for the period of 2000-2024. The ex-post facto research design was adopted in this study in the course of generating the necessary data, which were collected from secondary sources such as the Central Bank of Nigeria Statistical Bulletin of various years. The data generated in this study were analysed with mean and standard deviation while the null hypotheses stated were tested at 5% level of significance using the ordinary least squares (OLS) regression technique. The findings from the study show that company income tax has a significant effect on government expenditure (capital and recurrent expenditure) and petroleum profit tax has a significant implication on capital expenditure but a non-significant relationship on recurrent expenditure. Based on the results of the study, the following recommendations were made: tax authorities ensure efficient collections of petroleum profit tax and reduce the loop holes for evasion. Also, there should be diversification of the revenue-base of the country such that oscillations in oil prices will not be able to significantly hamper government spending; government should focus on using company income tax (CIT) revenues for recurrent expenditures since it has an increasing effect. In this regards, avenues of CIT evasion by companies should be addressed and also the tax base should also be widened.

Keywords: Federal tax revenue, company income tax, petroleum profit tax, capital expenditure, recurrent expenditure.

Introduction

Government expenditure is a key driver for the growth and development of any economy, as most of the activities and functions that support growth and development of a nation cannot be efficiently provided by individuals and corporate organizations. Government expenditure is the money applied by government to finance its activities and various

functions. This will cover spending on administration, infrastructural development and public services, defense and social security, debt servicing, grants and aids, and the various forms of transfers.

Danladi, et al. (2023) categorized government expenditure as: government consumption, which is government purchases of goods and services for current use; government investment, which is government purchases of goods and services intended to create future benefits such as government expenditure and research spending; and transfer payments, which are government expenditures that are not directly related to purchases of goods or services. Government expenditure on infrastructural development is widely known as an economic catalyst and key pillar that stimulates economic development strategies and the growth of a nation. Anyaduba and Aronmwan (2022) argued that government expenditure on infrastructure may cover all public services meant to serve the people and these will include the provision of law and order, education, health care, transportation, telecommunication, power and energy, drainage, amongst others.

According to Xuehui et al. (2020), government expenditure facilitates and propels economic activities to such an extent that where there is a lack of adequate infrastructure, economic activities, and business opportunities will become near impossible to achieve. Globally, studies have agreed that economic and business opportunities will always be stagnated in the absence of thriving and adequate investments in infrastructural development (Guillermo & Deyve, 2019; Kouadio & Gakpa, 2020). Studies have advanced that the economic significance of infrastructural investments is essentially important at both the projects and macro levels of nations (Karpushkina et al. 2020; Kira, 2017; Wahdan & Leithy, 2017).

The provision of economic, social and infrastructure services by the government is quite necessary for the growth and development of any economy. This act of governance is known as government expenditure. In other words, government expenditure refers to the expenses of the government for its own maintenance and on the society and the economy as a whole (Maku, 2019). The government spends on defense, education, and other social services. It also spends on servicing national debts, capital investment such as Airport, etc. Government also spends on its own maintenance as well as on other countries and governments.

Taxation is one of the oldest means by which the cost of providing essential services for the generality of persons living in a given geographical area is funded. Globally, governments are saddled with the responsibility of providing some basic infrastructures for their citizens. Functions or obligations the government may owe her citizens include but are not restricted to: stabilization of the economy, redistribution of income and provision of services in the form of public goods (Abiola & Asiweh, 2012). Taxation is a major source of government revenue all over the world and governments use tax proceeds to render their traditional functions, such as: the provision of roads, maintenance of law and order, defence against external aggression, regulation of trade and business to ensure social and economic maintenance (Appah & Eze, 2013). A tax is a fee charged or levied by the government on a product, income, or activity. If it is levied directly on personal or cooperate income, it is

called a direct tax. If it is levied on the price of a good or services, then it is called an indirect tax. The main reason for taxation is to finance government expenditure and to redistribute wealth which translate to financing development of the country (Ola, 2021; Jhingan, 2024; Musgrave and Musgave; 2024 & Bhartia, 2019). Whether the taxes collected are enough to finance the development of the country will depend on the needs of the country and country can seek alternative sources of revenue to finance sustainable development (Unegbu & Irefin, 2021).

The development of any nation depends on the amount of revenue generated by the government for the provision of infrastructure facilities. Taxation is the key to unlocking the resources required for public investment and infrastructure growth in an economy. Government collect taxes in order to provide an efficient and steadily expanding non – revenue yielding services, such as infrastructure – education, health, communications system etc, employment opportunities and essential public services (such as maintenance of law and order) irrespective of the prevailing ideology or political ,system of a particular nation. Federal government taxation is the system of raising money in form of taxes paid by the citizens of the country in return for the service rendered by government.

United Nations (2000), expert group stated that tax revenue contributes substantially to development and therefore, there is the need to streamline a nation tax system so as to ensure the realization of optimal tax revenue through equitable and fair distribution of the tax burden. The stark reality in most developing countries is that whilst there is severe budgetary pressure as a result of ever increasing demand for government expenditure, there is limited scope for raising extra tax revenues. Non-compliance problems with corporate persons result from technicalities and tax avoidance, poor record keeping and cash transactions.

Globally, a tax contribution of 20% to a nation's Gross Domestic Product is acceptable, however in Nigeria, tax contribution to Gross Domestic Product is about 0.7% as submitted by Okonjo-Iweala (2013). This is quite unacceptable. The International Monetary Fund (2012), observed that the developing countries must be able to raise the revenues required to finance the services demanded by their citizens and the infrastructure (physical and social) that will enable them to move out of poverty (economic growth). Tax Justice Network (2012), Stated that taxation is expected to play an important role in this revenue mobilization. The structure of tax and tax administration must be strengthened geared towards generating more revenue from existing tax sources for economic and social development. It is upon this premise that this study is consummated to examine the impact of federal tax revenue on government expenditure in Nigeria.

In view of the above objective, the following hypotheses are raised:

H_{01}: Company income tax has no significant effect on capital expenditure in Nigeria.

H_{02}: Petroleum profit tax has no significant implication on capital expenditure in Nigeria.

H_{03}: Company income tax has no significant effect on recurrent expenditure in Nigeria.

H_{04}: Petroleum profit tax has no significant implication on recurrent expenditure in Nigeria.

Companies Income Tax

Companies Income Tax (CIT) is a tax on the profits of registered companies in Nigeria. It also includes the tax on the profits of foreign companies carrying on any business in Nigeria. Resident companies are liable to CIT on their worldwide income while nonresidents are subject to CIT on their Nigeria-sourced income. Yaru and Awodun, (2019), defined company income tax as the process of ascertaining the appropriate tax obligation due to every eligible corporate taxpayers taxable profits within a given tax jurisdiction. Company income tax is concerned with the issues of ensuring an accurate and timely filing, the assessment of the appropriate amount of tax due and the communication of tax liability to the taxpayer in good time. The Company Income Tax Act (CITA) is the principal law that regulates the taxation of companies in Nigeria. The Federal Inland Revenue Service (FIRS) administers the company income tax in Nigeria.

Petroleum Profit Tax

Petroleum Profits Tax is imposed on the income of companies in petroleum operations in Nigeria. Yahaya and Bakare (2018), noted that oil is a major source of government revenue in Nigeria, accounting for about 90 per cent of total exports, while tax revenue derived from petroleum profits contributes largely to the total tax revenue available to the Nigerian Government. The petroleum profit tax was first introduced in 1959 in Nigeria as the Petroleum Profits Tax Ordinance 1959 with a retrospective effect from 1st January 1958 (Oyeleke et al. 2016). The petroleum profit tax in Nigeria is governed by the Petroleum Profits Tax Act, Cap P13 LFN 2004 (as amended). The petroleum profit tax Act provides for the imposition of Petroleum Profits Tax on the chargeable profits of companies involved in the upstream activities of exploration, drilling, extraction and transportation of crude oil. Companies liable to petroleum profit tax are not liable to Companies Income Tax (CIT) on the same income. The Nigeria's Petroleum Industry Act (PIA) 2021, was a major attempt by government to refit the petroleum sector. The PIA seeks amongst others to provide legal, governance, regulatory and fiscal framework for the Nigerian Petroleum Industry.

A. Government Expenditure

B. Aguolu (2004) affirm that government expenditure is the acquisition by governments of goods and services for current consumption to directly satisfy the individual or collective needs of the society, referred to as government consumption expenditure, while government acquisition of goods and service intended to create future benefits in referred to as government investment expenditure (government gross capital formation). All governments' acquisitions (government consumption expenditure plus government investment expenditure) are classified total government expenditure. Maku (2009) refers government expenditure as the expenses of the government for its own maintenance and on the society and the economy as a whole. The state is getting increasingly involved in

economic activities and in transfer payments to other countries. As a result, government expenditure has maintained an upward trend over time in virtually all the countries of the world. Olopade and Olopade (2010) depicts government expenditure to include purchases of items and services as well as on ultimate products plus the price of living the services of government workers and transferred payments. Bhatia (2008) noted in Aruwa (2010) referred to government expenditure as the costs which a government incurs for (i) its own maintenance, (ii) the society and the economic climate, and (iii) helping other nations.

According to Barro and Grilli (1994), government spending (or government expenditure) includes all government consumption and investment but excludes transfer payments made by a state. Government expenditure can be for the acquisition of goods and services for current use to directly satisfy individual or collective needs of the members of the community or it can be for acquisition of goods and services intended to create future benefits such as infrastructure investment and the expenditures can represent transfers of money, such as social salaries and cost of administration. In a nutshell, government expenditure refers to money spent by the public sector on the acquisition of goods and provision of services such as education, healthcare, and other social services.

Government expenditure can be financed by borrowing, printing of new money, taxes or revenues from government direct investments even though some of the government investment are supposed to be subsidized. This presupposes that while it is not in doubt that governments spending stimulates economic growth, economic growth on the other hand stimulates government spending as changes in economic growth rate determines change in revenues accruable to the government upon which spending in based (Aguolu, 2004). Ahmad (2007) terms government expenditure as exogenous factor that can be utilized as a strategic tool to spur economic growth. In any case, Obi (2007) referred to in Garba and Abdullahi (2013), stated that government expenditure is by all accounts the most intense instrument for powerful poverty reduction. He therefore suggests that fiscal policy should be designed so that government expenditure is properly focused to ensure that goods needed by poor households are provided.

Similarly Al-Shatti (2014) depicts government expenditure as one of the crucial colossal tool of fiscal coverage, particularly the government expenditure which can make a contribution in the growth of the national economic climate movements and in attaining the preferred economic growth. Olopade and Olopade (2010) depicts government expenditure to include purchases of items and services as well as on ultimate products plus the price of living the services of government workers and transferred payments. Bhatia (2008) noted in Aruwa (2010) referred to government expenditure as the costs which a government incurs for (i) its own maintenance, (ii) the society and the economic climate, and (iii) helping other nations. Government expenditure alludes comprehensively to expenditure made by using local, state and country wide government companies as distinctive from those of private individuals. Government expenditure likewise involves government repayments for the items and services obtained and for the works achieved in line with their critical legal guidelines. It is regular to arrange government expenditure into different economic classes.

Accounting classification has been there for quite a long time since it empowers the State Executives to keep up a viable control and check over government expenditure.

Classical economists classify government expenditure into three main types (Gerson, 1998) cited in Aruwa (2010):(i)Government purchases of items and services for present utilization are classed as government consumption; (ii) executive purchases of items and offerings anticipated to make future advantages, for instance, infrastructure investment or research spending are classed as government funding; and (iii) repayments for debt services are named as transfer payments.

Theoretical Framework

The theoretical framework and the bedrock of this study is underpinned on the social contract theory. The social contract theory was propounded by Lucke, Hobbes and Rousseau in the year 1690 (Marire & Sunde, 2019) in relation to the moral obligation that depends on written, verbal or implied agreements among parties in society. Clearly, the social contract is the unspoken agreement between individuals to give up certain natural rights in order to enjoy the benefits of society. The social contract theory suggested that the society in any given community has the understanding and mutual consent to the existing morals and political set of behaviors, where each owed to the other some level of reciprocity and a reflection of a symbiotic relationship between each other. According to Marire and Sunde (2019), the social contract theory posited that people are in social morality and mutuality by choice and not by compulsion.

By extension, the social contract theory supports the choice of a group of individuals to offer themselves for the service of society with the understanding that they will protect the society in line with social morality and utilize the general resources of society for the general good of all within the society being represented (Castro & Camarillo, 2024). The theory of the social contract further posited that there is a social contract subsisting between the agents of the state and the masses, that those who offer to be elected by morality accept to act in the interest of the masses, in terms of social justice, upholding the social-cultural beliefs, use of the state and common resources optimally to provide infrastructural facilities, protect the citizens and collect taxes or levies so as to provide the common social need of the citizens to perform their civic duties.

Some assumptions of social contract theory have been advanced in the literature. For instance, the theory assumes the principles of political tolerance as people should not assume power by force but by the choice of the people. The consent of the people is supreme and the power or authority obtained without consent or voluntary selection is a violation of morality (Getachew, 2019). The theory further posited that once political power is obtained, laws resulting from such power must be obeyed. It is assumed that power and legislative decisions must be tailored to better the welfare of the masses (Margareta & Hansson, 2015). Nebo and Chigbo (2015) submitted that power attracts legitimacy when it is obtained through collective choice and selection, however, even if power was obtained with the consent of the masses because it is the law, it must be obeyed for peace and order to prevail

in the society, hence laws are moral agents to guide and control the conduct and moral behaviors of the leaders and the led collectively.

Empirical Review

Adegbite and Shehu (2022) appraised the effect of indirect taxes of customs and excise duty (CED), and value-added tax (VAT) on road construction in Nigeria. The study which covered the period 1985 to 2020 used data sourced from the National Bureau of Statistics (NBS), the CBN statistical bulletin, and the Federal Inland Revenue Service (FIRS) records and adopted the regressions model to determine the effect of indirect taxes on road construction. The study concluded that the indirect taxes of VAT and CED displayed a long and short-run positive and significant impact on road construction in Nigeria. Therefore, it recommended that government needs to increase the coverage of VAT so that more tax revenues can be obtained from this indirect tax source. It also recommended the judicious use of tax revenues from this source for the development of needed road infrastructures. However, for future studies on this subject, the measures of indirect taxes and government expenditure need to be expanded beyond VAT, CED and road construction respectively.

Adelusi (2022) examined the effect of internally generated revenue on government expenditure in the Oyo state of Nigeria. The study employed a survey research design, using structured questionnaires administered to a total of 3 senatorial districts in 3 local government councils in Oyo State Nigeria out of a population of 33 local government councils in the State. Using regression analysis, the study found that internally generated revenue had a positive effect on government expenditure in the 3 senatorial districts based on the responses from the selected respondents. The study further found that local taxes improved the internally generated revenue of the 3 senatorial districts in the local government councils areas sampled in the study. The study variables were similar to some of the variables measured in the dependent variable of our study.

Abdullahi, Madu and Abdullahi (2015) examined the evidence of petroleum resources on Nigeria economic using simple linear regression model from 2000 to 2009 and found that petroleum has a direct and positive significant relationship with the Nigeria economy and therefore concluded that petroleum has been the mainstay of Nigeria economy since it discovery and it constitutes the major source of our foreign reserves and main source of development capital. They showed no evidence of whether a unit root was conducted, and as such one would not be inclined to affirm a generalized statement as claimed by them.

Adegbite (2015) examined the effects of corporate income tax on revenue profile; it also determined the impact of corporate tax revenue on economic growth in Nigeria using multiple regression analysis method from 1993 to 2013 and found that there is a positive significant impact of corporate tax on revenue in Nigeria. The study concluded that government should reduce corporate income tax rather than eliminate corporate tax in Nigeria; lower corporate tax will increase the demand for labour which will in turn raises wages and increases consumption.

Naomi and Sule (2015) studied the company income tax in the light for alternative financing for sustainable development in Nigeria. The study employed Ordinary Least Square (OLS) method and Co integration Test over the period 1987 – 2013 to analyse the long run relationship between company income tax and revenue generation in Nigeria. The study concluded that there is a positive and significant relationship between company income tax and revenue generation in Nigeria. It has been identified that none of the existing studies relate the petroleum profit tax and company income tax to Nigeria economic growth in terms of the ability of the government to meet its capital and recurrent expenditures which will in turn increase gross domestic product. The task of filling this gap is undertaken in this study.

Worlu and Nkoro (2012) studied the impact of revenue from Companies Income tax on the economic growth of Nigeria, judging from its impact on infrastructural development from 1980 to 2007. To achieve this objective, relevant secondary data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, Federal Inland Revenue Service (FIRS) and previous works done by scholars. The data include; gross domestic product(GDP), infrastructure, petroleum profit tax(PPT), company income tax(CIT), custom and excise duties, foreign direct investment(FDI), domestic investment(DI), interest rate(INT) and consumer price index(CPI) are collected for the period of 1980 to 2007. The data collected were analyzed using the three stage least square estimation technique. The results show that tax revenue stimulates economic growth through infrastructural development.

Ogbonna and Ebimobowei (2012), studied the effects of petroleum income on the Nigerian economy for the period 2000 to 2009 using the gross domestic product (GDP), per capita income (PCI), and inflation (INF) as the explained variables, and oil revenue, petroleum profit tax/royalties (PPT\R), and licensing fees (LF) as the explanatory variables. The sample covers all the economic sectors of the country, including the oil sector and the non-oil sector. This study relied mostly on secondary data from Central Bank of Nigeria's Statistical Bulletin, Nigerian National Bureau of Statistics, and the Nigerian national Petroleum Corporation. Simple regressions models and Statistical Package for Social Sciences were used in this study to evaluate the data collected. The results show that oil revenue has a positive and significant relationship with GDP and PCI, but a positive and insignificant relationship with INF. Similarly, PPT/R has a positive and significant relationship with GDP and PCI, but a negative and insignificant relationship with inflation. It was also found that LF has a positive but insignificant relationship between GDP, PCI and INF, respectively. Based on these findings, this study concludes that petroleum income (oil revenue and PPT/R) has positively and significantly impacted the Nigerian economy when measured by GDP and PCI for the period 2000 to 2009. This study therefore suggests that the effect of petroleum income on the Nigerian economy was positive for the period reviewed.

Success**,** Success and Ifurueze (2012) examined the impact of petroleum profit tax on the economic development of Nigeria for the period 2000- 2010. The method of analysis used was ordinary least square method. Results showed that Petroleum profit tax impact positively on Gross Domestic Product of Nigeria and it is statistically significant.

Adegbie and Fakile (2011) worked on company income tax and Nigeria's economic development but made use of VAT as one of their proxies for the independent variable. They used the GDP to capture the Nigerian economy and Petroleum Profit Tax (PPT), Company Income Tax (CIT), Customs and Excise Duties and VAT to measure Company Income Tax. Findings revealed that there is a significant relationship between company income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation.

Methodology

This research employs the ex-post facto design. This design is suitable for the purpose of this research because it is not possible to directly manipulate or control any of the independent variables. The population of this study is the Nigerian economy on federal tax revenue and government expenditure, and a sample is considered for a period of twenty-five (25) years. That is from 1994 to 2018.

There are two major variables in this study – Federal Tax Revenue and Government Expenditure. While Federal Tax Revenue is the explanatory (predictor) variable, Government Expenditure is the criterion variable. For the purpose of this study, the dimensions used for federal tax revenue are companies' income tax and petroleum profit tax while the proxies used for government expenditure are capital expenditure and recurrent expenditure. The data for this study were collected through secondary sources such as the Central Bank of Nigeria Statistical Bulletin of various years for the period of 1994-2018.

The following models were used to test the research hypotheses.

CAEXP= f (CIT)

CAEXP=f (PPT)

REXP= f (CIT)

REXP=f (PPT)

In functional form:

CAEXP = f (CIT, PPT)---------- (1)

REXP = f (CIT, PPT)---------- (2)

In econometric form:

CAEXP = f ($\beta o + \beta 1CIT + \beta 2PPT + \beta 3INF$ .....μi)---------- (3)

REXP = f ($\beta o + \beta 1CIT + \beta 2PPT + \beta 3INF$ .....μi) ---------- (4)

Where:

f = Function of the model

β = Beta coefficient

βo = Interception of the model

$\beta 1, \beta 2, \beta 3,$ = Co-efficient of the model

CAEXP= Capital Expenditure

REXP= Capital Expenditure

CIT= Company Income Tax

PPT= Petroleum Profit Tax
CIT= Company Income Tax
INF = Inflation Level
μi= Error term of the model

The descriptive data generated in this study were analysed with mean and standard deviation while the null hypotheses stated in the study were tested at 5% level of significance using the ordinary least squares (OLS) regression technique. This statistical technique seems relevant in investigating the predictable power of the independent variables on the dependent variable. This was tested at 0.05 level of significance with the aid of the Statistical Package for Social Sciences (SPSS) version 23.

Empirical Analysis

The data generated in this study were analysed descriptively and the results obtained are as presented in Table 1 below:

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CIT	25	12279.80	1.23E6	4.6312E5	4.65560E5
PPT	25	24680.00	3.20E6	1.0644E6	9.75778E5
CAEXP	25	899.70	41785.90	1.8339E4	14884.03547
REXP	25	709.20	11528.00	5.8077E3	3152.45594
INF	25	5.40	72.84	16.5708	15.55301
Valid N (listwise)	25				

The above table shows that within the period of 1994-2018 the average CIT, PPT, CAEXP, and REXP are N463119.7, N1064382, N5807.71, and N18338.8 respectively while the standard deviation are N465559.9, N975777.7, N3152.46 and N4884.04. Since the standard deviation of CIT is higher than the mean, it means that the mean is not a good representation of the values on CIT, but the mean of PPT, CAEXP, REXP, and INF are good representations of the variables. This suggests that the model is nicely fitted.

Test of Hypotheses

H_{01}: Company income tax has no significant effect on capital expenditure in Nigeria.
H_{02}: Petroleum profit tax has no significant effect on capital expenditure in Nigeria.

A test of the above hypotheses was conducted and the results obtained are presented in Table 2 below.

Table 2: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3950.102	1322.851		2.986	.007
	CIT	.027	.002	.848	15.079	.000
	PPT	.002	.001	.162	2.867	.009
	INF	-47.898	41.870	-.050	-1.144	.266

a. Dependent Variable: CAEXP

Table 2 above revealed a correlation co-efficient of 0.848 on the association between company income tax (CIT) and capital expenditure. The probability values of (15.079 and 0.000) show that the relationship is significant at 0.05 level of significance. Hence the null hypothesis, which states that company income tax has no significant effect on capital expenditure in Nigeria is rejected. Similarly, the same table shows a correlation co-efficient of 0.162 on the association between petroleum profit tax (PPT) and capital expenditure. The probability values of (2.867 and 0.009) shows that the relationship is significant at 0.05 level of significance. Hence the null hypothesis, which states that petroleum profit tax has no significant implication on capital expenditure in Nigeria, is also rejected.

H_{03}: Company income tax has no significant effect on recurrent expenditure in Nigeria.

H_{04}: Petroleum profit tax has no significant implication on recurrent expenditure in Nigeria.

A test of the above hypotheses was conducted and the results obtained are presented in Table 3 below.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4461.034	886.075		5.035	.000
	CIT	.003	.001	.497	2.792	.011
	PPT	.001	.001	.216	1.211	.239
	INF	-57.556	28.046	-.284	-2.052	.053

a. Dependent Variable: REXP

Table 3 above revealed a correlation co-efficient of 0.497 on the association between company income tax (CIT) and recurrent expenditure. The probability values of (2.792 and

0.011) show that the relationship is significant at 0.05 level of significance. Hence the null hypothesis, which states that company income tax has no significant effect on recurrent expenditure in Nigeria, is rejected. Similarly, the same table shows a correlation co-efficient of 0.216 on the association between petroleum profit tax (PPT) and recurrent expenditure. The probability values of (1.211 and 0.239) shows that the relationship is non-significant at 0.05 level of significance. Hence the null hypothesis, which states that petroleum profit tax has no significant implication on recurrent expenditure in Nigeria, is accepted.

Discussion of Findings

The practical aspect of the nature of the relationship between tax revenues and public expenditures remains controversial, as there are several perspectives providing insight into the nature of the relationship. First there is the revenue-spend hypothesis, which states that the changes in government revenues change government expenditure, and government authorities adjust their expenditure to their level of revenues to reduce growth in the public sector in an unbalanced way. In this sense, there is a unidirectional causality between revenues and expenditure, and any increase in revenues means increasing the financial resources and goes as increase as possible in government expenditure. The results of our analysis tend to support this view and perspective as the findings revealed that company income tax has a significant relationship with government expenditure (capital expenditure and recurrent expenditure) and petroleum profit tax has a significant relationship with capital expenditure but its relationship with recurrent expenditure is non-significant.

Some of the previous studies that are in tandem with our study are Abdullahi, Madu and Abdullahi (2015) found that petroleum profit tax has a direct and positive significant relationship with the Nigeria economy; Adegbite (2015) concluded that government should reduce corporate income tax rather than eliminate corporate tax in Nigeria; lower corporate tax will increase the demand for labour which will in turn raises wages and increases consumption; Naomi and Sule (2015) revealed that there is a positive and significant relationship between company income tax and revenue generation in Nigeria; Onaolapo, Fasina, and Adegbite (2013) studied empirically the effect of petroleum profit tax has a significant effect on the Nigerian economy. Worlu and Nkoro (2012) show that tax revenue stimulates economic growth through infrastructural development.

More so, Ogbonna and Ebimobowei (2012) showed that oil revenue has a positive and significant relationship with GDP and PCI, but a positive and insignificant relationship with INF. Similarly, PPT has a positive and significant relationship with GDP, but a negative and insignificant relationship with inflation. It was also found that LF has a positive but insignificant relationship between GDP, PCI and INF, respectively. Al-Khulaifi, (2012) shows that a unidirectional relationship exist between government revenue and government expenditure giving credence to the revenue-expenditure hypothesis. Finally, the study concluded that expenditures in previous years positively affect on current revenues in the Nigerian economy. Adegbie and Fakile (2011) revealed that there is a significant relationship between company income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation. Taha and

Loganathan (2008) showed that there is a long-term equilibrium relationship between tax revenues and government spending, and the absence a relationship between non-tax revenues and government spending.

Conclusion and Recommendations

Taxation is one of the oldest means by which the cost of providing essential services for the generality of persons living in a given geographical area is funded. Globally, governments are saddled with the responsibility of providing some basic infrastructures for their citizens. Functions or obligations the government may owe her citizens include but are not restricted to: stabilization of the economy, redistribution of income and provision of services in the form of public goods. Taxation is a major source of government revenue all over the world and governments use tax proceeds to render their traditional functions, such as: the provision of roads, maintenance of law and order, defence against external aggression, regulation of trade and business to ensure social and economic maintenance. The main reason for taxation is to finance government expenditure and to redistribute wealth which translate to financing development of the country. The focus of the study is to examine the relationship between tax revenue and government expenditure in Nigeria.

The findings of the study reveals that company income tax has a significant effect on capital expenditure in Nigeria; petroleum profit tax has a significant implication on capital expenditure in Nigeria; company income tax has a significant effect on recurrent expenditure in Nigeria; and petroleum profit tax has no significant implication on recurrent expenditure in Nigeria. Based on the results of the study, the following recommendations are made:

Firstly, petroleum profit tax has no significant implication on capital expenditure in Nigeria. Consequently, the study recommends that tax authorities ensure efficient collections of PPT and reduce the loop holes for evasion. Also, the dwindling nature of oil revenue may also account for the weak effect of PPT since fall in oil prices directly affects revenue of the oil companies and consequently also affects their PPT. Hence the study also recommends for diversification of the revenue-base of the country such that oscillations in oil prices will not be able to significantly hamper capital expenditure spending. Government should ensure a more effective relationship with the oil companies and the that tax authorities also should endeavour to ensure there are no loopholes for tax evasions and especially profit repatriation using transfer pricing arrangements which is common practice for most of these multinational oil companies.

Finally, government should focus on using company income tax (CIT) revenues for recurrent expenditures since it has an increasing effect. In this regards, avenues of CIT evasion by companies should be addressed and also the tax base should also be widened.

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