

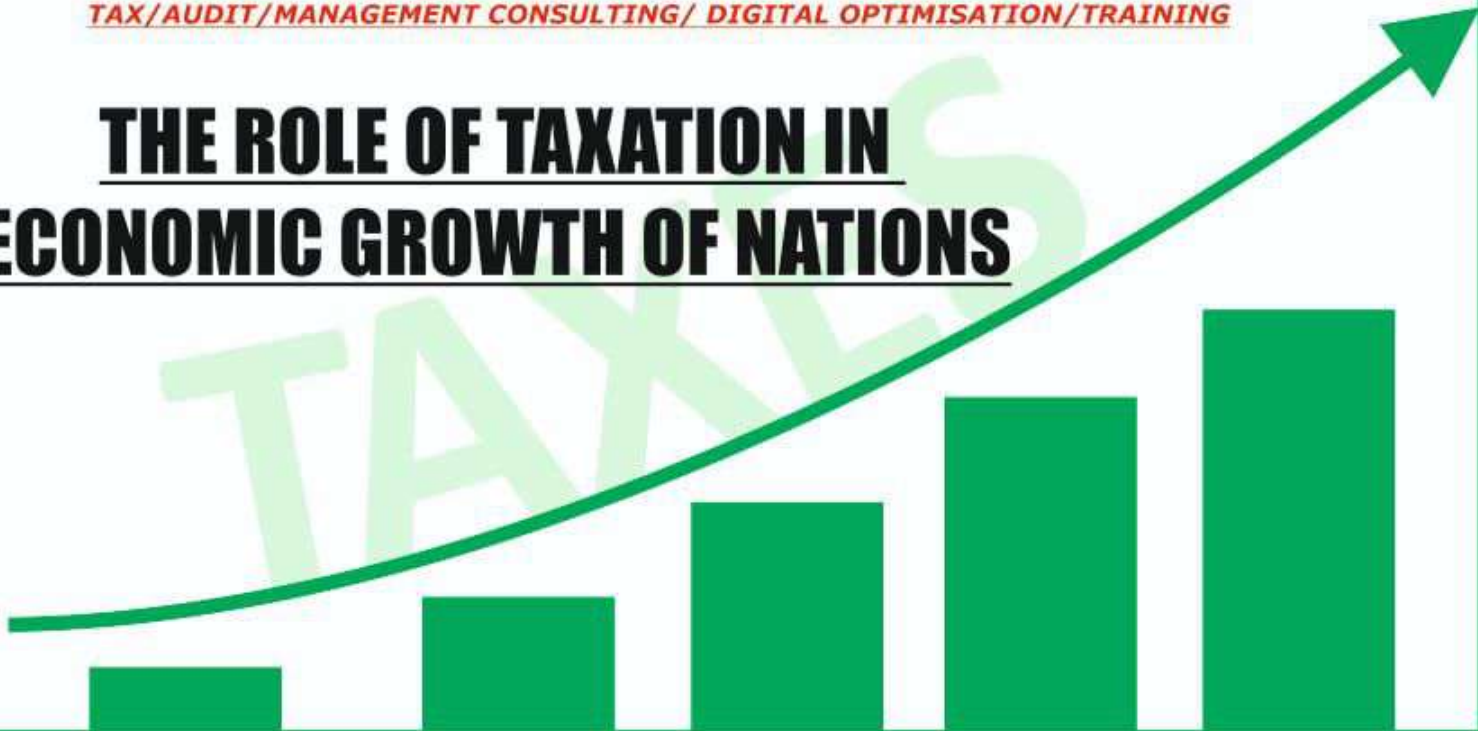


**SOW PROFESSIONAL SERVICES LTD**

...WE CREATE EDGE FOR BUSINESSES

*TAX/AUDIT/MANAGEMENT CONSULTING/ DIGITAL OPTIMISATION/TRAINING*

**THE ROLE OF TAXATION IN**  
**ECONOMIC GROWTH OF NATIONS**



# ECONOMIC GROWTH



## INTRODUCTION

Economic Growth remains a MACRO-ECONOMIC objective of any nation, be it developed or developing alike. Economic growth serves as an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Governments are saddled with responsibility of providing some basic infrastructure for the citizens, stabilization of the economy, redistribution of income, provision of economic services are some major responsibilities a government owes its citizenry. The ability of government to live up to these responsibilities largely depends on the amount of revenue generated by the government through the various sources (internal and external) available to it. One of such sources is TAXATION.

## **BODY**

Taxation being an important fiscal policy instrument at the disposal of government to mobilize revenue and promote economic growth development. Taxation is a mechanism through which the government seeks to realize some of its economic objectives. Taxation can be used to influence or direct the consumption pattern of citizens. It can be used to encourage or discourage investment in certain sectors of the economy. In this, the government can significantly reduce the number of 'harmful and antisocial' but not illegal economic activities. It can also be used to protect local and small businesses and reposition them to better compete with their bigger, foreign counterparts.

Most importantly, taxation is a major source of government revenue and tax proceeds are used by the government to render their traditional functions such as: provision of good roads, maintenance of law and order, defense against external aggression, regulation of trade and business to ensure social and economic maintenance. Provision of these social services and infrastructure goes a long way to reduce the total cost of operation of a business. It means that, businesses can expand their operations rather than striving to provide these services and infrastructures for themselves.

More so, capital allowances provide businesses the opportunity to recover the amounts they spend in capital expenditure. All these will eventually result in an expanded economy and thus economic growth. Notwithstanding the numerous roles taxation can play in the economic growth of a nation, it can also hinder economic growth by being inimical to economic activities. This occurs mostly in the form of high taxation, multiple taxation and double taxation. High taxation is when the government imposes too much tax on the profits of businesses or income of individuals. Multiple taxation is when several taxes are charged on the same income. Double taxation is when the same income is taxed more than once as it is moved from one geographical area (country) to another. All these result in reduction in investment funds available to the taxpayer.

## CONCLUSION

When taxes are evaded by taxpayers, the government may not be able to provide the necessary services it should. Thus, businesses will spend more in financing their operations than they would have spent normally. It is usually easier to provide for the cost of social infrastructure and services through a tax revenue pool, than when businesses are to provide such for themselves individually.

In conclusion, the role taxation has to play cannot be over emphasized on the socio-economic development of a nation. However, this can only be attained through efficiency and effectiveness of the tax system, as well as the accountability of the revenue agencies and the government.




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# **THANK YOU!**

