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Digital Taxation and Sustainable Development Goals in a Developing Economy

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Abstract: This study investigates the impact of digital taxation on Nigeria's performance against the United Nations Sustainable Development Goals (SDGs), using the annual composite SDG Index Score as the dependent variable and digitally administered Company Income Tax (CIT) and Value-Added Tax (VAT) revenues as the primary independent variables. Employing an ex-post facto research design, we analyse eight years of secondary data (2017–2024) sourced from the Federal Inland Revenue Service and the Sustainable Development Report series, with real GDP growth and inflation rate included as control variables. Descriptive statistics reveal moderate variability and approximate normality across all series. Correlation analysis indicates powerful positive associations between SDG Score and both CIT ($r = 0.976$, $p < 0.01$) and VAT ($r = 0.966$, $p < 0.01$) revenues. The multiple regression model explains 98.4% of the variation in SDG performance ($R^2 = 0.984$, $F(4,5) = 78.88$, $p < 0.001$). However, multicollinearity between CIT and VAT prevents clear attribution of unique effects: CIT shows a positive coefficient ($B = 0.004$, $p = 0.117$) while VAT's effect is indistinguishable ($B \approx 0$, $p = 0.992$). GDP growth and inflation are not significant predictors once digital tax revenues are accounted for. These findings underscore the critical role of digitally enabled revenue mobilisation in financing sustainable development. We recommend (1) enhancing tax-administration infrastructure to disaggregate and track digital CIT and VAT streams separately, and (2) instituting transparent budgetary earmarks that channel incremental digital tax revenues directly into SDG-related public investments.

Keywords: *Digital Taxation, SDGS, Sustainable Economic Development, Tax Reform.*

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I. INTRODUCTION

The global commitment to achieving the Sustainable Development Goals (SDGs) by 2030 has intensified the focus on effective domestic resource mobilisation, particularly in developing economies (UNDP, 2024; United Nations, 2024). The SDGs represent a universal blueprint for peace and prosperity for people and the planet, encompassing 17 interconnected goals that address critical global challenges from poverty and hunger to climate action and sustainable cities (United Nations, 2024). Measuring progress towards these goals often involves using a composite SDG Score, which aggregates performance across various indicators relevant to each goal (Sustainable Development Report, 2024). For developing economies like Nigeria, the SDG Score reflects the country's collective efforts and achievements in addressing multifaceted development challenges, providing a quantitative benchmark for monitoring and evaluating progress (Aderogba & Aderogba, 2024). Nigeria's current SDG ranking and performance, while indicating efforts, also highlight significant gaps and challenges in achieving most of the goals, underscoring the need for more robust and innovative financing mechanisms (Aderogba & Aderogba, 2024).

The emergence of the digital economy has opened new avenues for revenue generation, giving rise to "digital taxation" as a crucial independent variable in this context. Digital taxation, in this study, is conceptualized through key revenue streams such as Company Income Tax (CIT) and Value Added Tax (VAT) as they apply to digital transactions and businesses. CIT, a direct tax on corporate profits, and VAT, an indirect consumption tax, are fundamental components of Nigeria's tax system (FIRS, 2024). The increasing digitalisation of business models, including e-commerce and digital services, necessitates effective mechanisms to capture tax revenue from these activities, thus expanding the traditional tax base (Akinwunmi, 2023).

The interrelationship between digital taxation and the SDG Score is multifaceted. Increased revenue from digital taxation, particularly through the efficient collection of CIT and VAT from digital enterprises, can directly augment government finances, providing the much-needed resources

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to fund SDG-related initiatives. For instance, enhanced CIT collections can enable greater public investment in education (SDG 4) and healthcare (SDG 3), while increased VAT revenue from digital transactions can support social protection programs (SDG 1) or infrastructure development (SDG 9). Salaudeen (2024) theoretically posits that taxation, both as a source of revenue and as a system, can promote the attainment of all 17 SDGs.

From a global perspective, Abdul and Mominur (2022) offered evidence from BRIC and CIVETS countries, indicating a positive and significant association between corporate tax rates and the achievement of SDGs. This suggests that a higher corporate tax rate can play a vital role in achieving sustainable development goals in emerging economies. However, Jean and Simplice (2022) caution that high taxes on business could potentially undermine social innovation, which is a driver of most SDGs, emphasising the need for carefully designed tax policies that do not stifle the very innovation they seek to tax. While these studies offer compelling evidence for the positive role of taxation and digitalisation in fostering sustainable development in Nigeria and similar economies, a detailed examination of how specific digital taxation measures, particularly those related to CIT and VAT, concretely translate into improvements across the comprehensive SDG Score remains an area for deeper exploration. Most existing studies in Nigeria have used broader proxies for sustainable development (like HDI and GDP) rather than a holistic SDG Score. This study aims to fill this gap by dissecting the specific contributions of digital CIT and digital VAT to the overall SDG Score in Nigeria, providing a more granular understanding of their impact and informing more targeted policy interventions for sustainable development.

Concurrently, the global community is striving to achieve the ambitious Sustainable Development Goals (SDGs) by 2030, a comprehensive agenda addressing critical global challenges from poverty and hunger to climate action and sustainable cities (United Nations, 2024). Financing these goals requires substantial and sustained investment, with domestic resource mobilisation, primarily through effective taxation, recognised as the most reliable and sustainable source of funding (UNDP, 2024). However, developing countries collectively face a substantial annual financing gap to meet the SDGs (Doumbia & Lauridsen, 2019; UNDP, 2024). The inability to effectively tax the burgeoning digital economy further exacerbates this funding deficit, impeding progress across various SDG indicators.

In Nigeria, a leading developing economy in Africa, the digital transformation is undeniable, with a vibrant e-commerce sector and widespread adoption of digital financial services (NCC, 2023; PwC, 2024). While the Nigerian government has initiated efforts to capture revenue from this sector through measures like the Finance Act 2020 and subsequent focus on e-tax payments and digital economy taxes (Akinwunmi, 2023; Udo, 2024), significant challenges persist. These include the substantial informal sector, varying levels of digital literacy and infrastructure access across the country, and the inherent complexities of taxing cross-border digital services (Akinwunmi, 2023; ICTD, 2024). Consequently, despite the potential of digital taxation to bolster public finances, the extent to which current efforts translate into substantial and measurable progress across the comprehensive SDG Score remains unclear.

While some empirical studies in Nigeria have explored the positive effects of tax policies and tax administration digitalization on general sustainable development metrics like Human Development Index (HDI) and Gross Domestic Product (GDP) (Fadipe, Adegbie & Ogundajo, 2025; Fadipe, Adegbiefolajimi & Ogundajo, 2024; Angela & Ishola, 2024), there is a paucity of research that precisely examines the direct and granular impact of specific digital taxation components, such as Company Income Tax (CIT) and Value Added Tax (VAT) on the multifaceted SDG Score. Existing literature largely provides broad correlations or focuses on financial performance rather than explicitly dissecting the contributions to individual or aggregated SDG targets. For instance, while Angela and Ishola (2024) link CIT and VAT to sustainable economic development, the specific pathways through which these revenues impact the entire spectrum of SDGs are not thoroughly elucidated. Furthermore, despite global acknowledgements of taxation's role in SDG financing (Abdul & Mominur, 2022; Salaudeen, 2024), a dedicated empirical investigation into how Nigeria's evolving digital taxation framework specifically contributes to the achievement of its SDG targets, as measured by a composite SDG Score, is lacking.

Therefore, the problem is that despite the growing importance of the digital economy and the critical need for sustainable development financing in Nigeria, there is an inadequate understanding of the direct and comprehensive impact of digital taxation (specifically through Company Income Tax and Value Added Tax) on the country's progress towards achieving the Sustainable Development Goals (measured by its SDG Score). This knowledge gap hinders the formulation of targeted and effective digital taxation policies that can fully leverage the digital economy's potential to accelerate Nigeria's sustainable development agenda.

II. LITERATURE REVIEW

A. Conceptual Review

- *Sustainable Development Goals*

The Sustainable Development Goals (SDGs) stand as the bedrock of global development aspirations, providing a universal framework for addressing the world's most pressing environmental, social, and economic challenges. Adopted by all 193 member states of the United Nations in 2015, these 17 interconnected goals, accompanied by 169 targets, succeeded the Millennium Development Goals (MDGs) and set a more ambitious agenda for achieving

From a conceptual standpoint, the SDGs recognise that sustainable development is a complex, multi-dimensional process that requires a holistic approach, moving beyond mere economic growth to encompass social inclusion and environmental protection (United Nations, 2024). The interlinkages among the SDGs are crucial; for example, eradicating poverty (SDG 1) is intrinsically linked to ensuring

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quality education (SDG 4), good health (SDG 3), and decent work (SDG 8). This integrated nature means that policy interventions aimed at one goal often have ripple effects across others, both positive and negative (Pirlot, 2020).

In the context of developing economies, the SDGs represent a crucial roadmap for overcoming systemic challenges and fostering inclusive growth. For Nigeria, the adoption of the SDGs in 2016 marked a commitment to align national development plans with this global agenda (Aderogba & Aderogba, 2024). Nigeria's progress on the SDGs has been a subject of ongoing assessment, with reports indicating varying levels of achievement across different goals. While some progress has been made, challenges such as poverty, inequality, insecurity, and insufficient funding persist, significantly hindering the country's overall SDG performance (Aderogba & Aderogba, 2024; Oluwasuji, 2023). Nigeria's 2020 Voluntary National Review (VNR) on SDGs highlighted focus areas including poverty, inclusive economy, health, education, gender equality, and peace and security (United Nations, 2020). Despite efforts to integrate the SDGs into national planning, the country's SDG ranking, at 146 out of 166 countries in 2024, reflects the considerable ground yet to be covered (Aderogba & Aderogba, 2024).

The financing of the SDGs is a critical challenge, particularly for developing countries. Domestic resource mobilisation, with taxation as its cornerstone, is recognised as the most sustainable and autonomous means to fund public services and investments required to achieve the SDGs (UNDP, 2024). Taxation serves not only a budgetary function (revenue generation) but also redistributive and regulatory (or instrumental) functions. Through its redistributive function, taxation can combat income and wealth inequalities (SDG 10), while its regulatory function can incentivise sustainable practices, such as promoting clean energy (SDG 7) or discouraging environmentally harmful activities (SDG 13) (Gribnau, 2019; Pirlot, 2020).

The measurement of SDG progress, often through an SDG Score or Index, is vital for accountability and policy calibration. These scores aggregate performance across various indicators under each goal, providing a snapshot of a country's overall standing (Sustainable Development Report, 2024). Methodologies for constructing such indices often involve rescaling individual indicators to a common range (e.g., 0-100), where 100 represents the optimal target achievement (Lafortune et al., 2018). This composite score allows for cross-country comparisons and helps identify areas where accelerated efforts are needed (Kroll, 2015). For Nigeria, a higher SDG Score would indicate greater success in transitioning towards a more sustainable and equitable development path.

- *Digital Taxation*

The rapid evolution of the digital economy has fundamentally challenged traditional tax principles, which were largely designed for a brick-and-mortar economic landscape (Tax Foundation, 2020; UNCTAD, 2025). The borderless nature of digital transactions, the prevalence of intangible assets, and the ability of multinational enterprises (MNEs) to operate without a significant physical presence have created complexities in determining taxing rights and ensuring fair contributions to public finances (Akinwunmi, 2023; Igbinenikaro & Adewusi, 2024). This has given rise to the concept of digital taxation.

Tax Foundation (2020) defines digital taxes broadly as "policies that specifically target businesses that provide products or services through digital means using a special tax rate or tax base." They elaborate that this includes measures that extend existing rules to ensure a neutral tax policy toward all businesses (e.g., extending VAT to digital services) and special corporate tax rules designed to identify when a digital company has a permanent establishment even without a physical presence. The Tax Foundation also identifies specific forms, such as Digital Services Taxes (DSTs), which are gross revenue taxes on digital goods or services, and gross-based withholding taxes on digital services. Altertax Avocats (n.d.) concisely defines digital taxation as "the application of taxes to economic activities carried out using information and communication technologies." This highlights the broad scope of activities covered, from online sales and streaming to data monetisation. Umenweke (2023) offers a straightforward definition within the Nigerian context, stating that "Taxation of digital economy is the imposition of monetary charge by a sovereign state on all economic transactions that occur on the Internet." This definition emphasizes the sovereign right of a state to tax internet-based economic activities.

Company Income Tax (CIT) refers to the taxation of the profits of both resident and non-resident companies engaged in digital activities in Nigeria. For non-resident companies, the SEP rule allows the Federal Inland Revenue Service (FIRS) to assess their profits for CIT, aligning with the principle of taxing where value is created (GGI, n.d.). The FIRS has also introduced initiatives like e-invoicing and digital payment platforms to streamline CIT collection and enhance compliance (FIRS, 2025; Punch Newspapers, 2025; Tribune Online, 2025). Nigeria's VAT regime applies to the supply of taxable goods and services. With the digital economy, the focus has shifted to ensuring that VAT is collected on digital services provided by both resident and non-resident suppliers to Nigerian consumers (Truehost, n.d.). The Finance Act 2020 and subsequent regulations empower the FIRS to mandate non-resident digital service providers to register for VAT in Nigeria and collect the tax from Nigerian consumers, although enforcement and compliance remain ongoing challenges (ICTD, 2024; UNCTAD, 2025).

- *Digitalised Taxation, Tax Reforms, and Sustainable Economic Development*

The interconnectedness of the global economy, amplified by rapid technological advancements, has propelled "digitalised taxation" and "tax reforms" to the forefront of discussions concerning "sustainable economic development," particularly in developing nations like Nigeria. Digitalised taxation represents a paradigm shift from traditional paper-based tax administration to systems that leverage information and communication technologies (ICTs) for various tax processes. This encompasses electronic tax filing, e-payments, digital auditing, data analytics for

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compliance, and the broader integration of digital tools within tax authorities (Fadipe, Adegbiefolajimi & Ogundajo, 2024). The International Monetary Fund (IMF) emphasises that digitalisation in taxation holds the promise of improving tax enforcement technology by allowing governments to process more information on taxpayers' economic outcomes, thereby detecting evasion and avoidance more efficiently and potentially increasing revenue without necessarily raising statutory tax rates (IMF, n.d.).

While "digitalised taxation" can refer to the modernisation of tax administration, it also broadly encapsulates the efforts to tax the "digital economy" itself. The Tax Foundation (2020) defines digital taxes as policies specifically targeting businesses that provide products or services through digital means, using special tax rates or bases. This includes extending existing taxes (like VAT) to digital services or creating new rules for digital permanent establishments. Umenweke (2023) further clarifies this as the imposition of monetary charges on economic transactions occurring on the internet. This dual conceptualisation—digitalization of tax administration and taxation of the digital economy—is crucial for understanding its impact on development. Tax reforms refer to deliberate changes made to a country's tax system, encompassing alterations to tax laws, rates, bases, administration, and compliance mechanisms. These reforms are typically driven by objectives such as increasing revenue, promoting economic efficiency, enhancing equity, or responding to evolving economic landscapes (Ding et al., 2024; Tax-Platform, 2024). In developing countries, tax reforms often focus on broadening the tax base, improving administrative efficiency, and reducing reliance on volatile revenue sources like natural resources (Tax-Platform, 2024).

The relationship between digitalised taxation and tax reforms is symbiotic. Digitalized taxation is often a component or outcome of broader tax reforms, as governments seek to modernise their revenue collection systems to meet the demands of a digitalising economy. For instance, the introduction of online tax payment platforms and integrated tax administration systems are direct results of tax reforms aimed at enhancing efficiency and compliance (Ologun & Oloruntoba, n.d.). Conversely, the challenges posed by the digital economy often necessitate tax reforms, pushing governments to update outdated laws and introduce new tax concepts like Significant Economic Presence (SEP) rules, as seen in Nigeria's Finance Act 2020 (Akinwunmi, 2023). This continuous process of adaptation ensures that tax systems remain relevant and effective in a dynamic economic environment.

Sustainable economic development extends beyond mere economic growth (measured by GDP) to encompass a holistic improvement in the well-being of a nation's people while ensuring environmental protection for future generations (IMF, n.d.; IOSR Journals, n.d.). As Todero and Smith (2011) define it, economic development is a "policy intervention effort which aims at the economic and social well-being of people," encompassing aspects like literacy rates, life expectancy, poverty reduction, and environmental preservation. It seeks to balance economic progress with social equity and ecological integrity, echoing the triple bottom line approach (IOSR Journals, n.d.). This concept is intrinsically linked to the Sustainable Development Goals (SDGs), which are a set of 17 interconnected global objectives aimed at addressing poverty, protecting the planet, and ensuring prosperity for all by 2030 (United Nations, 2024; UNDP, n.d.). A country's progress in sustainable economic development is often measured by its SDG Score, which quantifies its performance across these multifaceted goals (Sustainable Development Report, 2024).

In Nigeria, the interplay among digitalised taxation, tax reforms, and sustainable economic development is particularly critical. The country's over-reliance on oil revenue has historically made its economy vulnerable to global commodity price fluctuations (Yahaya, 2024). Consequently, diversifying revenue sources through effective taxation is paramount for financing sustainable development initiatives. Digitalised taxation contributes to sustainable economic development primarily through enhanced revenue generation. By streamlining tax administration, reducing evasion, and broadening the tax base to include the burgeoning digital sector, digitalised taxation can significantly increase government revenue (Fadipe, Adegbiefolajimi & Ogundajo, 2024; ICTD, 2024). This increased fiscal space allows the government to invest more in critical sectors aligned with the SDGs, such as education (SDG 4), healthcare (SDG 3), infrastructure (SDG 9), and social protection programs (SDG 1) (UNDP, 2024; Tax-Platform, 2024). Empirical studies in Nigeria, such as those by Angela and Ishola (2024), Udo (2024), and Fadipe, Adegbiefolajimi and Ogundajo (2024), confirm a positive relationship between digital taxation activities and improved economic development metrics. These studies highlight that efficiency gains from digitalisation in tax administration can lead to higher tax revenue, which in turn supports sustainable development.

Furthermore, tax reforms, including those introducing digital taxation measures, can foster a more equitable and transparent tax system. Digital platforms can reduce opportunities for corruption, enhance accountability, and simplify tax compliance for citizens and businesses, thereby strengthening the social contract between the government and its populace (IIARD, 2024; LCU Journals, n.d.). This transparency and fairness are crucial for building trust, encouraging compliance, and promoting inclusive growth (SDG 10). However, it is also important to note that poorly designed digital tax reforms could potentially stifle innovation or disproportionately burden certain sectors, underscoring the need for careful policy calibration (Jean & Simplice, 2022). Digitalised taxation and ongoing tax reforms are not merely administrative conveniences but powerful instruments that can significantly influence a developing economy's trajectory towards sustainable economic development. By improving revenue mobilisation, enhancing efficiency, and fostering transparency, these fiscal strategies provide the financial backbone necessary to achieve the ambitious Sustainable Development Goals, ultimately contributing to a more prosperous, equitable, and resilient future for nations like Nigeria.

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- *Digital Taxation and Sustainable Development Goals in Nigeria*

The confluence of rapid digitalisation and the global mandate for sustainable development presents a critical juncture for developing economies, particularly Nigeria. As the digital economy expands its footprint across all sectors, the imperative to effectively tax digital activities intertwines with the national aspiration to achieve the Sustainable Development Goals (SDGs). Digital taxation, at its core, represents a governmental effort to adapt traditional tax systems to capture revenue from economic activities conducted through digital means (Akinwunmi, 2023). For Nigeria, a burgeoning digital hub in Africa, this involves two key facets: the modernisation of tax administration and the substantive taxation of digital services and transactions. The former, often termed "tax administration digitalisation," encompasses the adoption of electronic filing, e-payments, and data analytics to enhance efficiency and compliance (Fadipe, Adegbiefolajimi & Ogundajo, 2024; Ofurum et al., n.d.). This internal reform aims to streamline tax processes, reduce human intervention, and ultimately increase the ease of tax collection and remittance, thereby improving the overall tax-to-GDP ratio (Udo, 2024).

The latter facet, taxing the digital economy itself, directly addresses the challenges posed by the borderless and often intangible nature of digital business models. Nigeria has proactively responded to this by introducing the concept of "Significant Economic Presence (SEP)" for non-resident companies through the Finance Act 2020 (Akinwunmi, 2023; GGI, n.d.). This policy enables the Federal Inland Revenue Service (FIRS) to levy Company Income Tax (CIT) on profits derived by non-resident digital entities from their activities in Nigeria, even without a physical presence (GGI, n.d.). Similarly, the Value Added Tax (VAT) regime has been extended to capture digital services provided by non-resident suppliers to Nigerian consumers (ICTD, 2024; Truehost, n.d.). These measures are critical for ensuring that all economic actors, regardless of their physical location, contribute equitably to Nigeria's public finances.

The Sustainable Development Goals (SDGs) represent a comprehensive and universal blueprint for achieving peace and prosperity for all by 2030, comprising 17 interconnected goals adopted by the United Nations in 2015 (United Nations, 2024; UNDP, n.d.). For Nigeria, the SDGs provide a strategic framework for addressing its multifaceted development challenges, including pervasive poverty (SDG 1), inadequate healthcare (SDG 3), limited access to quality education (SDG 4), and infrastructural deficits (SDG 9). Nigeria's commitment to the SDGs is evident in its integration of the goals into national development plans, as highlighted in its Voluntary National Reviews (United Nations, 2020). However, despite these efforts, Nigeria's SDG performance, often assessed through a composite SDG Score, indicates considerable room for improvement, signalling persistent funding gaps and implementation challenges (Aderogba & Aderogba, 2024; Oluwasuji, 2023). The conceptual understanding of SDGs emphasizes their indivisible and integrated nature, meaning that progress in one area is often contingent on progress in others. For instance, achieving economic growth (SDG 8) must go hand-in-hand with reducing inequalities (SDG 10) and ensuring responsible consumption and production (SDG 12) to be truly sustainable (Pirlot, 2020). This holistic perspective underscores the need for robust and diversified financing mechanisms, where domestic resource mobilization, particularly through taxation, plays a pivotal role (UNDP, 2024).

The conceptual link between digital taxation and the achievement of SDGs in Nigeria is multi-layered. Firstly, and most directly, effective digital taxation serves as a crucial revenue generation mechanism. By successfully taxing the expanding digital economy, Nigeria can significantly increase its fiscal space, providing the necessary financial resources to fund SDG-related programs and projects (Fadipe, Adegbiefolajimi & Ogundajo, 2024). Increased CIT from profitable digital companies and higher VAT collections from digital transactions translate into greater budgetary allocations for social services, infrastructure development, and environmental protection initiatives, all of which directly contribute to various SDGs. For example, increased tax revenue can facilitate investment in primary healthcare centres (SDG 3), expand access to digital learning tools for quality education (SDG 4), or fund renewable energy projects (SDG 7).

Secondly, the digitalisation of tax administration, a core component of digital taxation, can enhance transparency and efficiency in governance, indirectly supporting several SDGs. Improved tax collection processes can reduce leakages and corruption (SDG 16), thereby ensuring that public funds are utilised more effectively for developmental purposes (IIARD, 2024; LCU Journals, n.d.). Furthermore, a more transparent and equitable tax system can foster greater trust between citizens and the government, encouraging voluntary compliance and strengthening social cohesion, which are fundamental for sustainable development (Gribnau, 2019). Empirical studies within Nigeria lend credence to this conceptual framework. Angela and Ishola (2024) provide evidence that digital taxation activities, specifically CIT and VAT revenues, positively and significantly influence sustainable economic development in Nigeria. Udo (2024) similarly concludes that digital taxation is key to sustainable economic growth. Fadipe, Adegbiefolajimi and Ogundajo (2024) further reinforce this by demonstrating a positive correlation between tax administration digitalisation and sustainable development. These findings align with broader global conceptualisations, where taxation, in general, is recognised as an indispensable tool for financing the SDGs (Abdul & Mominur, 2022; Salaudeen, 2024).

However, challenges remain. The informal nature of a significant portion of Nigeria's economy, coupled with digital divides and administrative complexities, can hinder the full realisation of digital taxation's potential (Akinwunmi, 2023; ICTD, 2024). Moreover, while current research indicates a positive relationship between digital taxation and broad development indicators, a more granular conceptualisation is needed to articulate how specific digital tax policies directly contribute to each of the 17 SDGs or their respective targets. This calls for a detailed examination of the mechanisms through which digital tax revenue is utilised and its specific impact on the holistic SDG Score. In essence, digital taxation

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in Nigeria is not merely a fiscal adjustment but a strategic imperative. Conceptually, it offers a robust pathway to domestic resource mobilisation, critical for bridging the SDG financing gap. By effectively leveraging digital taxation to capture value from the new economy and by modernising tax administration for greater efficiency and transparency, Nigeria can significantly accelerate its progress towards achieving a comprehensive and inclusive sustainable development agenda.

B. Theoretical Review

- *Expediency Theory*

The dynamic interplay between digital taxation and the pursuit of Sustainable Development Goals (SDGs) in developing economies like Nigeria can be effectively analysed through various theoretical lenses. Among these, the Expediency Theory of Taxation offers a particularly relevant framework for understanding the practical considerations and adaptive nature of tax policy in a rapidly evolving digital landscape. The Expediency Theory of Taxation, while not attributed to a single, universally acknowledged propounder in the same vein as Adam Smith's canons, is conceptually rooted in the pragmatic and administrative feasibility of tax proposals. Its origins are often traced back to the debates around the practical implementation of tax policies in various economic contexts. Rather than focusing on abstract ideals of justice (like the benefit principle or ability-to-pay principle), the expediency theory asserts that the primary consideration in choosing a tax proposal should be its practicability and administrative feasibility (Anyafo, 1996; Bhartia, 2009; UNICROSS Journals, 2024). It argues that a tax, regardless of its theoretical fairness or economic efficiency, is useless if it cannot be levied and collected effectively and at a reasonable cost. Economic and social objectives, while important, are considered secondary to the fundamental ability to implement the tax. This theory also acknowledges the influence of various socio-political and economic pressures that often compel authorities to reshape tax structures to accommodate competing interests (Ayo & Bamidele, 2020).

The relevance of the Expediency Theory in contemporary taxation, especially in developing countries, lies in its emphasis on Administrative Efficiency, Feasibility of Enforcement, Adaptability and Revenue Yield. The application of Expediency Theory to digital taxation in Nigeria is particularly pertinent. Nigeria's traditional tax system, largely predicated on a physical presence for taxable entities, proved inexpedient in capturing value generated by the increasingly borderless digital economy (Andersen, 2019; Igbinenikaro & Adewusi, 2024). Multinationals operating digitally could derive substantial revenue from Nigeria without establishing a physical presence, thus avoiding traditional tax obligations. This created a significant "tax gap" and presented an administrative challenge that existing laws were ill-equipped to handle (IDEAS/RePEc, n.d.; UNICROSS Journals, 2024).

In response to this inexpediency, Nigeria, through its Finance Act 2020, introduced the Significant Economic Presence (SEP) rule. This reform is a direct application of the expediency theory. Recognising the administrative difficulties and revenue leakages associated with the traditional physical presence rule, the Nigerian government opted for a pragmatic solution that allows for the taxation of non-resident digital companies based on their economic engagement with the Nigerian market, regardless of physical presence (Akinwunmi, 2023; GGI, n.d.). This was an expedient move to broaden the tax base and ensure fairer contributions from digital businesses, despite ongoing global debates on a unified approach to digital taxation. The move to extend Value Added Tax (VAT) to digital services provided by non-resident companies also reflects an expediency to capture consumption taxes from the digital sphere (ICTD, 2024).

- *Socio-Political Theory*

The taxation of the digital economy and its implications for sustainable development in Nigeria are not solely economic or administrative challenges; they are deeply embedded in the country's socio-political context. The Socio-Political Theory of Taxation provides a valuable framework for understanding how power dynamics, societal values, political will, and institutional capacity shape tax policy and its ultimate impact on development outcomes. The Socio-Political Theory of Taxation does not have a single, definitive proponent in the way that, for instance, John Maynard Keynes is associated with Keynesian economics. Instead, it is a broad theoretical perspective that has evolved through the contributions of various scholars, including sociologists, political scientists, and economists, who recognise that taxation is fundamentally a political act shaped by social forces (Picard, 2017; Besley, 2020). While some scholars trace its nascent ideas to early thinkers like Ibn Khaldun (14th century), who analyzed the relationship between government expenditure, taxation, and societal well-being in his *Muqaddimah* (Islahi, 2014), the modern articulation of the theory emphasizes the interplay between state capacity, citizen compliance, and the distribution of power.

Taxation is a reflection of the social contract between the state and its citizens. Citizens' willingness to pay taxes is often influenced by their perception of government legitimacy, accountability, and the provision of public goods (Bird & Zolt, 2005; Awodun, 2024). Tax policies are not neutral; they reflect the interests of various social and political groups. Powerful elites, domestic and international, can influence tax legislation to their advantage, leading to inequalities in the tax burden (Therkildsen, 2017; Ndulu et al., 2019). The effectiveness of a tax system is heavily dependent on the administrative capacity of tax authorities, the strength of legal frameworks, and the prevalence of corruption (FIRS, 2025; UNICROSS Journals, 2024). Weak institutions undermine tax collection and compliance.

Perceptions of fairness and equity in the tax system significantly impact compliance. If taxpayers believe the system is unjust or that certain groups are exempt, voluntary compliance diminishes, requiring greater coercive measures (Gribnau, 2019). The commitment of political leaders to implement challenging tax reforms, even when faced with resistance from powerful vested interests, is crucial for success (NALTF, 2025; Punch Newspapers, 2025). The

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relevance of this theory to developing countries like Nigeria is profound. In contexts marked by high levels of inequality, informal economies, and sometimes fragile state-society relations, tax policy becomes a battleground where socio-political factors heavily influence outcomes (FIRS, 2025). Understanding these dynamics is crucial for designing and implementing effective tax reforms.

Applying the Socio-Political Theory to digital taxation in Nigeria reveals several critical dimensions. The decision to tax the digital economy, specifically through measures like the Significant Economic Presence (SEP) rule and VAT on digital services, is not merely an economic calculation but a socio-political statement (Akinwunmi, 2023). By taxing non-resident digital companies, Nigeria is asserting its sovereign right to tax value created within its borders, challenging a traditional international tax architecture that favoured developed countries where MNEs were typically headquartered (Alliancelawfirm, n.d.). This resonates with a broader global push for fairer tax allocation, addressing concerns about base erosion and profit shifting (BEPS) that disproportionately affect developing nations (Yahaya, 2024). It's a political move to ensure that digital giants, who derive substantial revenue from Nigerian consumers, contribute to the local economy, thereby addressing public perceptions of unfairness.

The socio-political discourse in Nigeria often highlights the vast wealth accumulated by digital platforms and their perceived lack of contribution to public coffers (Punch Newspapers, 2025). Digital taxation policies are, in part, a response to this social demand for greater equity. By taxing these entities, the government aims to demonstrate a commitment to a fairer distribution of the tax burden, which can enhance public trust and legitimacy, critical for fostering broader tax compliance (Gribnau, 2019). However, if the digital tax burden is passed on to consumers, particularly low-income earners, it could exacerbate existing inequalities and erode public support, challenging the social equity aspect of the theory (NALTF, 2025).

The success of digital tax policies in Nigeria is heavily dependent on political will and institutional capacity. The Federal Inland Revenue Service (FIRS) has embarked on significant digitalisation of its operations, including e-invoicing and e-payment platforms (FIRS, 2025; Tribune Online, 2025). This administrative modernisation, while technically driven, is a political undertaking requiring sustained government commitment to invest in technology, train personnel, and overcome resistance from those who benefit from the opacity of manual systems (NALTF, 2025). The political dynamics between federal and state governments regarding tax collection and revenue sharing also influence the effectiveness and equity of digital taxation (Punch Newspapers, 2025). Implementing digital taxation involves navigating complex interests, including those of local digital entrepreneurs, foreign tech giants, and consumer advocacy groups (NALTF, 2025). The political leadership's ability to balance these competing interests while pursuing a robust revenue strategy is crucial. Too aggressive a stance might deter foreign investment, while too lenient an approach might be seen as failing to protect national interests.

From a socio-political lens, the achievement of Sustainable Development Goals (SDGs) in Nigeria is fundamentally tied to the ability of the state to mobilise resources legitimately and equitably. Digital taxation, as a revenue-generating tool, directly contributes to SDG financing (Angela & Ishola, 2024; Udo, 2024). However, the socio-political theory emphasises *how* this revenue is raised and *how* it is perceived to be utilised. For instance, the increased revenue from digital taxation, if seen by citizens as funding critical public services like healthcare (SDG 3), education (SDG 4), and poverty alleviation programs (SDG 1), strengthens the social contract (Aderogba & Aderogba, 2024; UNDP, 2024). This positive feedback loop—where taxation is perceived as contributing to the public good—can enhance civic engagement and reinforce the state's legitimacy, which are vital for sustained development efforts (Gribnau, 2019). Conversely, if revenues from digital taxation are perceived as being mismanaged or diverted through corruption, it erodes trust, undermines compliance, and ultimately frustrates SDG achievement (Oluwasuji, 2023).

C. Empirical Review

Fadipe, Adegbie and Ogundajo (2025) evaluated the effect of tax policies on the sustainable development of Nigeria. The study employed a survey research design. The population of the study was tax practitioners, public analysts, and FIRS staff involved in tax policy formulation, administration, and enforcement in Nigeria. Using a purposive sampling technique, 100 respondents were selected for the study. A validated and structured questionnaire was used to obtain data. One hundred copies of the questionnaire were administered. Data were analysed using descriptive and inferential (multiple regression) statistics were used to analyse the data were analysed at a 0.05 level of significance. The result found that tax policy had a significant effect on sustainable development (Human Development Index) (Adj R^2=0.910, F(3,96)=324.48,p<0.05) in Nigeria. The study concluded that tax policy influenced sustainable development (Human Development Index) in Nigeria. The study recommended that the government should introduce and implement policies that will give preference to taxes for the sustainable development of Nigeria.

Fadipe, Ojediran and Ganiyu (2025) aimed to examine the impact of sustainability reporting on firm value in emerging economies, specifically focusing on listed Agriculture and Natural Resources firms in Nigeria. The primary objective was to investigate how various dimensions of sustainability reporting—namely, sustainable environmental disclosure (SED), sustainable social disclosure (SSD), and sustainable governance disclosure (SGD)—influence firm value, as measured by Earnings per Share (EPS). Additionally, the study sought to understand the role of firm size as a control variable in this relationship. An ex post facto research design was adopted for this study, which involved the analysis of secondary data from publicly available annual and sustainability reports of all nine listed firms on the Nigerian Stock Exchange (NGX) in the Agriculture and Natural Resources sectors. The variables were meticulously measured, with sustainability disclosures evaluated using content analysis and financial performance

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captured through EPS. The data were analysed using descriptive statistics, correlation analysis, and panel regression methods. The regression results indicate that firm size significantly enhances firm value, as larger firms tend to have higher EPS, reflecting economies of scale and better resource management. Notably, sustainable social disclosure (SSD) was found to have a positive and significant impact on EPS, suggesting that firms engaging in robust social reporting practices, such as transparent labour practices and community engagement, tend to achieve better financial performance. Conversely, sustainable environmental disclosure (SED) and sustainable governance disclosure (SGD) exhibited negative relationships with EPS. Therefore, this study concludes that sustainability reporting enhances firm value in emerging economies, particularly in the listed agriculture and natural resources sectors in Nigeria. Based on these findings, it was recommended that Firms in the agriculture and natural resources sectors should prioritise and further invest in sustainable social disclosure. Although environmental and governance disclosures are critical, their current negative impact on EPS suggests the need for more cost-effective and strategic reporting methods. Firms should consider streamlining their reporting processes and implementing efficiency measures to minimise compliance costs without compromising the quality and comprehensiveness of the information disclosed.

Fadipe, Adekoya and Adeniyi (2025) examined the impact of corporate tax rates on investment decisions in Nigeria's agricultural sector, with a particular focus on how Company Income Tax (CIT), Education Tax (ET), and Capital Gains Tax (CGT) influence financial performance as measured by Earnings Per Share (EPS). Utilising an ex-post facto research design, the study employs secondary data from audited annual reports of selected agricultural firms listed on the Nigerian Exchange Group over ten years (2013–2023). Panel regression analysis using SPSS reveals that CIT exhibits a positive and statistically significant effect on EPS, suggesting that higher company income tax rates, possibly coupled with compensatory tax incentives, are associated with enhanced reinvestment and profitability. The Education Tax Rate also shows a positive relationship with EPS, though its significance is marginal, indicating potential benefits from improved human capital development if appropriately leveraged. Conversely, the Capital Gains Tax Rate does not significantly impact EPS, implying that its current structure may have limited influence on investment decisions in the agricultural context. The findings underscore the complex interplay between fiscal policies and investment behaviour, leading to policy recommendations that advocate for refined tax incentives and targeted adjustments in the corporate tax regime to stimulate investment in the agricultural sector. This study contributes to the broader literature on tax policy and investment decisions by highlighting sector-specific dynamics that can inform more effective fiscal reforms in emerging economies.

Fadipe, Oyegoke, and Kuye (2025) investigate the relationship between corporate taxes and Nigeria's economic growth using Granger Causal Analysis and complementary econometric techniques. Focusing on key tax instruments—Company Income Tax (CIT), Petroleum Profit Tax (PPT), and Value-Added Tax (VAT)—the analysis spans the period from 2011 to 2023. Employing Ordinary Least Squares (OLS) regression, the study finds that CIT exerts a statistically significant positive effect on real GDP growth, while PPT also shows a positive relationship, albeit with marginal significance. In contrast, VAT exhibits a negative but statistically no significant association with economic growth. Additional macroeconomic variables such as interest rates and inflation negatively impact growth, and the exchange rate is found to be influenced by GDP dynamics. Pairwise Granger causality tests further reveal that while corporate tax variables do not directly predict future GDP growth, broader macroeconomic factors—specifically interest rates and exchange rate adjustments—play a significant causal role. The findings underscore the complex interplay between fiscal policies and economic performance in Nigeria, suggesting that effective tax administration and balanced macro-fiscal strategies are essential to harness corporate tax revenues for sustainable growth. Policy recommendations include strengthening tax compliance mechanisms, reviewing the VAT regime to mitigate its potentially adverse effects, and implementing stabilisation measures for interest and exchange rates.

Fadipe, Adegbiefolajimi and Ogundajo (2024) investigated the effect of tax administration digitalisation on sustainable development. This study adopted an ex-post facto research design will be used. The Nigerian economy as a whole serves as a whole for the population of this study. The data sourced from the CBN bulletin includes the Gross Domestic Product of the Nigerian economy (GDP) over the years, considerations as well tax revenue generated, while the HDI data was generated from World Bank data. Data were analysed using descriptive and inferential (multiple regression) statistics were used to analyse the data at 0.05 level of significance. The findings reveal a strong positive correlation between tax administration digitalisation on sustainable development, suggesting that digitalisation can enhance tax collection efficiency and contribute to economic growth. The study concluded that there is a positive and significant relationship between Tax Administration Digitalisation and Sustainable Development, represented by the Human Development Index (HDI) and Gross Domestic Product (GDP). This study recommended that policymakers must prioritise investments in digital infrastructure and connectivity.

Digital taxation and sustainable economic growth in Nigeria were examined by Udo (2024). Ex-post facto research design was used in the study. Secondary data were used as obtained from the Federal Inland Revenue Service, Central Bank of Nigeria, and National Bureau of Statistics from 2017 – 2023, following the commencement of taxation of the digital economy in 2017. The data were reviewed, extracted and computed for the required data. One sample t-test statistic and descriptive statistics were used to analyse the data. Findings indicated that e-tax payments and digital economy taxes have significant influence on sustainable economic growth in Nigeria for the period under study. It was concluded that Digital Taxation (e-tax payments and digital economy taxes) is key to sustainable economic growth in Nigeria. It was recommended among others that FIRS and

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other tax administrators in Nigeria should partner with multidisciplinary expertise to ensure that this new multi-stakeholder initiative digitalisation is fully implemented to helping Nigeria and other African countries to create better tax systems through innovative technologies; and all tax administrators in Nigeria should holistically review and reform its tax policies to ensure its tax base fully reflects the scale of transactions and profits generated from taxpayers.

Angela and Ishola (2024). Carried out to investigate the relationship between digital taxation and the sustainable economic development of Nigeria within the period of 2000-2022. The specific objectives were to evaluate the relationship between CIT, VAT (dimensions of Digital taxation) and Human Development Index (HDI), and Unemployment Rate (measures of sustainable development) and the moderating influence of tax reforms on this relationship. In line with the objectives, three (3) hypotheses were formulated and tested. The study employed a mixture of expost facto and survey design. The population covers 66 years' period (from 1960-2022) that is looking at when Nigerian gained independence up to year 2022. Using purposive nonprobability sampling technique, sample of 23 years' period starting from 2000 to 2022 was chosen for the study. Data used for the study were collected both from primary and secondary sources (triangulation method adopted). Secondary data was collected from the CBN Annual Reports and Statistical Bulletin for periods of 2000 - 2022. While primary data was sourced with the use of research instrument (copies of questionnaire) scaled on 5 point Likert scale administered to stakeholders from Federal Inland Revenue Service (FIRS) in Nigeria. Correlation as well as regression analysis were used for data analysis and testing of hypotheses with the aid of Statistical Package for Social Sciences (SPSS) version 21. The result of the study indicated digital taxation activities (CIT and VAT revenues) affects sustainable economic development in Nigeria both in terms of real GDP. The study concluded that real GDP has a positive and significant relationship with both CIT and VAT. Furthermore, Tax reforms is a strong and positive moderator of the relationship that exists between digital taxation revenue and sustainable economic development. The study recommended among others that: More deployment of digital means and methods for CIT and VAT administration, collection and remittances is advocated at all levels where CIT and VAT are administered in Nigeria.

Salaudeen, (2024) studied the interplay between taxation as a source of revenue (tax) and taxation as a tax system comprising of tax policy, tax legislation and tax administration and the Sustainable Development Goals (SDGs) of the UN. It also investigated the interaction of SDGs and the various components of a tax system. The paper adopted a library research design because of its theoretical nature and used mostly internet resources. The paper found that taxation can promote the attainment of all the 17 goals of Sustainable Development as a source of revenue and as a system can be used to attain these goals but can also be subverted by them. It also found that tax administration is the most important component of a tax system. Furthermore, findings showed that SDGs can affect all the components of a tax system. This paper, therefore, recommended judicious application of tax revenue and a strong and good tax system especially an effective tax administration that is perceived to be fair and equitable to be able to attain the SDGs.

Akinwunmi (2023) explores traditional tax systems' difficulties in capturing digital transactions and business models. It also examines policy suggestions from organisations like the OECD and the United Nations, as well as researchers, for addressing these challenges. More importantly, the study assesses the potential effectiveness of these policies in Nigeria's digital economy. The study thoroughly reviewed relevant literature and policy documents to conduct this research. The study also analysed Nigeria's existing tax regulations, recent policy reforms, and their alignment with international efforts. Additionally, the study gathered information from secondary sources to provide a comprehensive overview of the implications of digitalisation on taxation in Nigeria. The findings show that international initiatives to prevent profit shifting and allocate taxing rights can potentially enhance tax revenue and fairness in a global digital economy. However, policymakers in Nigeria must consider the country's specific economic context, administrative capabilities, and potential trade-offs between taxation and digital sector growth when implementing these policies.

Abdul and Mominur (2022). examine the effects of the corporate tax rate on sustainable development in the BRIC and CIVETS countries. This research employs a panel dataset for 2000–2021 years and applies panel data regression model to analyse the data. The study confirms the results checking the robustness through the fully modified ordinary least square and the dynamic ordinary least square panel estimate methods. The study passes several tests like cross-sectional dependence tests, unit root tests, and model selection tests before conducting the focal part of the analysis. The research finds that the corporate tax rate is positively and significantly associated with the sustainable development goals (SDG). The result implies that a higher rate of corporate tax plays vital role in achieving the sustainable development goals in the emerging economies. By including personal income tax, sales tax, and theoretical arguments, the study contributes to the debate on the corporate tax rate and the achievement of SDG in the emerging countries. The study applies both individual effects and combined effects of corporate tax rate, personal income tax, sales tax, and effective tax rate with SDG. In both cases, the research finds significant and positive association of taxation with SDG. Thus, the study argues that achieving the SDG of emerging economies depends on the countries' taxation rate and policy.

Jean and Simplice (2022) provided an overview of research on the effects of taxation on social innovation and the corresponding implications for the achievement of Sustainable Development Goals (SDGs) in developing countries, taking three approaches: thematic, chronological, and methodological. Most studies agree that high taxes in business undermine social innovation and thus the achievement of SDGs, as social innovation is known to be a driver of most SDGs and business the vehicle. The majority of the selected studies used primary data collected from samples whose representativeness with respect to the

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population concerned (notably businesses) is still not explicitly justified.

D. Gap in the Literature

The existing body of literature offers valuable insights into the intricate relationship between taxation and sustainable development, with several studies specifically examining various facets within the Nigerian context. While significant ground has been covered, a discernible gap remains, particularly concerning the comprehensive impact of digital taxation on the Sustainable Development Goals (SDGs) within a developing economy like Nigeria.

Several studies, such as Fadipe, Adegbie and Ogundajo (2025), Fadipe, Adegbiefolajimi and Ogundajo (2024), and Angela and Ishola (2024), have explored the effect of tax policies and tax administration digitalization on sustainable development in Nigeria, often using metrics like the Human Development Index (HDI) and Gross Domestic Product (GDP). These studies generally conclude a positive correlation between effective taxation and sustainable development. Fadipe, Adegbiefolajimi and Ogundajo (2024) highlighted a strong positive correlation between tax administration digitalization and sustainable development, emphasizing its role in enhancing tax collection efficiency and economic growth. Similarly, Angela and Ishola (2024) found a positive and significant relationship between digital taxation activities (CIT and VAT revenues) and sustainable economic development, with tax reforms acting as a strong positive moderator. Udo (2024) further reinforces this, concluding that digital taxation is key to sustainable economic growth in Nigeria.

However, while these studies acknowledge the positive influence of digital taxation, they often focus on specific aspects like e-tax payments, digital economy taxes, or general digitalization of tax administration. There is a need to broaden the scope to encompass a more holistic understanding of digital taxation as a multi-faceted concept, including but not limited to the challenges of taxing digital transactions, business models, and international initiatives, as highlighted by Akinwunmi (2023). Akinwunmi's work points to the complexities of traditional tax systems in capturing digital transactions and suggests that while international initiatives can enhance tax revenue and fairness, policymakers must consider Nigeria's specific economic context. This suggests a need to delve deeper into how these specific policy considerations within digital taxation frameworks directly contribute to the achievement of various SDGs.

Furthermore, while studies like Fadipe, Ojediran and Ganiyu (2025) and Fadipe, Adekoya and Adeniyi (2025) investigate the impact of sustainability reporting and corporate tax rates on firm value and investment decisions, their primary focus is on financial performance metrics (e.g., EPS) rather than a direct link to the broader framework of the SDGs. They demonstrate the complex interplay between fiscal policies and business decisions but do not explicitly articulate how these translate into progress across the diverse SDGs. The work by Abdul and Mominur (2022) on BRIC and CIVETS countries provides a global perspective, suggesting a positive and significant association between corporate tax rates and the achievement of SDGs in emerging economies. This finding, while valuable, needs to be specifically tested and contextualized within the unique socio-economic and regulatory landscape of Nigeria, a prominent developing economy. Jean and Simplice (2022) also contribute to the debate by discussing the effects of taxation on social innovation and SDG achievement in developing countries, noting that high taxes can undermine social innovation. This emphasizes the critical need for a nuanced understanding of digital taxation's design and implementation to avoid unintended negative consequences on social innovation and, by extension, SDG progress.

Finally, while Salaudeen (2024) offers a theoretical framework linking taxation (as both a source of revenue and a system) to the SDGs, there is a clear absence of empirical studies that specifically investigate this nexus within the context of Nigeria's digital economy and across the comprehensive range of SDGs. The existing Nigerian studies, while touching upon sustainable development, do not provide a granular analysis of how specific digital taxation policies and initiatives directly contribute to each or a cluster of the 17 SDGs, beyond general economic growth or HDI improvements.

Therefore, a significant gap exists in understanding the direct and comprehensive impact of digital taxation, encompassing its various dimensions and policy considerations, on the achievement of the Sustainable Development Goals (SDGs) in a developing economy like Nigeria. Previous research has laid the groundwork by establishing a general link between taxation and sustainable development, and some have explored aspects of digital taxation. However, a dedicated study that meticulously examines this specific relationship, considering the unique challenges and opportunities presented by Nigeria's digital economy and disaggregating the effects across the diverse SDGs, is currently lacking. Such a study would provide invaluable insights for policymakers seeking to leverage digital taxation as a powerful tool for sustainable development.

III. METHODOLOGY

This study adopted an expo facto quantitative research design, specifically employing a longitudinal (panel data) approach. The population of interest for this study is the Nigerian economy as a whole, encompassing all economic activities, tax policies, and development initiatives within the country's geographical boundaries. Therefore, the sample size for this study will consist of 10 annual observations spanning from the years 2015 to 2024. Each observation will comprise data points for the independent variables (digital CIT and digital VAT) and the dependent variable (Nigeria's SDG Score) for that specific year. As the study utilizes national-level aggregated data for a specific, defined historical period, a formal "sampling technique" in the traditional sense (e.g., probability or non-probability sampling from a larger population) is not directly applicable. Instead, the approach is one of total population enumeration over the defined temporal scope. All available annual data points for the Nigerian economy within the 2015-2024 period was included.

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A. Measurement of Variables

This section details how the independent and dependent variables, as well as any relevant control variables, will be operationalized and measured for the quantitative analysis.

Table 1 Measurement of Variables

Variable	Proxy/Indicator	Measurement
Dependent Variable	SDG Index Score	Nigeria's annual composite SDG Index Score (0–100), as reported in the Sustainable Development Report series .
Independent Variables	Digital CIT Revenues	Annual Company Income Tax (CIT) revenues collected via e-filing and electronic payment channels (in billions of NGN), sourced from FIRS Annual Reports.
	Digital VAT Revenues	Annual Value-Added Tax (VAT) revenues processed through digital platforms (in billions of NGN), sourced from FIRS Annual Reports.
Control Variables	GDP Growth Rate	Annual real GDP growth rate (percentage), from the Central Bank of Nigeria Statistical Bulletin.
	Inflation Rate	Annual average consumer price index inflation rate (percentage), from the National Bureau of Statistics.

B. Model Specification

The relationship between digital taxation and Sustainable Development Goals will be examined using a quantitative econometric model. Given the panel nature of the data (time series for a single country), a time-series regression model will be specified. The general functional form of the model is as follows:

- $SDG\_Score_t = f(CIT\_Digital_t, VAT\_Digital_t, Control\_Variables_t)$

More specifically, the econometric model will be specified as a linear regression:

- $SDG\_Score_t = \beta_0 + \beta_1 CIT\_Digital_t + \beta_2 VAT\_Digital_t + \beta_3 GDP\_Growth_t + \beta_4 Inflation\_Rate_t + + \epsilon_t$

Where:

- SDG_Scoret: Nigeria's Sustainable Development Goals Score at time t.
- CIT_Digitalt: Company Income Tax revenue from digital activities at time t.
- VAT_Digitalt: Value Added Tax revenue from digital transactions at time t.
- GDP_Growtht: Gross Domestic Product growth rate at time t.
- Inflation_Rate: Inflation rate (CPI) at time t.
- β_0: Intercept term.
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$: Coefficients representing the impact of the respective independent and control variables on the SDG Score.
- ϵ_t: Error term, capturing unobserved factors influencing the SDG Score.

IV. DATA ANALYSIS, PRESENTATION, AND INTERPRETATION

A. Descriptive Statistics

The VAT revenue, measured in billions of Naira, has a mean value of ₦2,560 billion, indicating the average revenue generated from VAT over the observation period. The standard deviation of ₦614.99 billion shows moderate variability in VAT revenues across the years. The minimum and maximum VAT revenues were ₦1,800 billion and ₦3,600 billion respectively, signifying a considerable range. The Jarque-Bera test statistic (0.8271) and its associated p-value (0.6613) indicate that the VAT revenue data is normally distributed, as the p-value exceeds the 0.05 threshold. The Company Income Tax (CIT) revenue, also measured in billions of Naira, has a mean of ₦3,140 billion and a median of ₦3,000 billion, showing a slight positive skew, confirmed by the skewness value of 0.347. The standard deviation is ₦801.66 billion, revealing relatively high dispersion in CIT revenue over the period. The Jarque-Bera statistic (0.6806) and p-value (0.7116) further support the hypothesis of normality in the distribution of CIT revenue. The GDP growth rate variable, expressed in percentage terms, has a mean of 1.73% and a median of 2.45%. The mean being lower than the median reflects a negative skew, corroborated by the skewness value of -0.964, indicating that lower GDP growth rates are more frequent. The inflation rate, also expressed as a percentage, has a mean of 15.38% and a median of 16.1%, showing a relatively balanced distribution. However, the skewness value of -0.213 indicates a slight leftward skew. The standard deviation is 3.84%, which denotes a moderate level of variability in the inflation rate during the observed period.

The SDG score, which quantifies Nigeria's progress towards achieving the United Nations Sustainable Development Goals, has a mean value of 46.6. The standard deviation is 3.20, suggesting low variability in Nigeria's SDG performance over the observed years. The SDG score ranges from a low of 42.0 to a high of 52.0, reflecting modest fluctuations. The Jarque-Bera value of 0.4826 and a p-value of 0.7856 suggest that the SDG score variable is also normally distributed.

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Table 2 Descriptive Statistics

	VAT Revenue (Billion)	Company Income Tax Revenue (Billion)	GDP Growth (%)	Inflation Rate (%)	SDG_SCORE
Mean	2560.000	3140.000	1.730000	15.38000	46.60000
Median	2400.000	3000.000	2.450000	16.10000	46.50000
Maximum	3600.000	4500.000	3.600000	20.70000	52.00000
Minimum	1800.000	2100.000	-1.800000	9.000000	42.00000
Std. Dev.	614.9977	801.6649	1.985531	3.839792	3.204164
Skewness	0.409421	0.347652	-0.964167	-0.212943	0.169188
Kurtosis	1.853418	1.927673	2.441500	1.862185	1.978355
Jarque-Bera	0.827147	0.680555	1.679330	0.615001	0.482607
Probability	0.661283	0.711573	0.431855	0.735283	0.785603
Sum	25600.00	31400.00	17.30000	153.8000	466.0000
Sum Sq. Dev.	3404000.	5784000.	35.48100	132.6960	92.40000
Observations	10	10	10	10	10

Source: Researcher's Computation (2025)

B. Correlation Matrix

There is a very strong, positive, and highly statistically significant correlation between Company Income Tax (CIT) Revenue and the SDG Score (Pearson Correlation = 0.976, $p < 0.001$). This indicates that as CIT revenue increases, Nigeria's SDG Score tends to increase substantially. The exceptionally high correlation coefficient suggests a robust positive relationship, implying that higher corporate tax collections, which include revenues from digital businesses, are strongly associated with improved progress towards the Sustainable Development Goals. This aligns with the notion that enhanced domestic resource mobilization, partly through effective corporate taxation, provides the fiscal space necessary for financing development initiatives. Similarly, VAT Revenue demonstrates a very strong, positive, and highly statistically significant correlation with the SDG Score (Pearson Correlation = 0.966, $p < 0.001$). This signifies that higher VAT collections are also strongly linked to improvements in Nigeria's SDG performance. The strong positive relationship indicates that increased consumption tax revenue, especially from the growing digital transactions, is a significant financial contributor to the nation's development agenda. This supports the argument that broadening the tax base through instruments like VAT, particularly on digital activities, directly supports SDG attainment. The remarkably high and statistically significant positive correlations between both CIT and VAT revenues and the SDG Score suggest that these revenue streams are crucial for financing sustainable development in Nigeria. There is a moderately positive but statistically *insignificant* correlation between

GDP Growth and the SDG Score (Pearson Correlation = 0.479, $p = 0.161$). While a positive relationship exists, it is not strong enough to be considered statistically significant at the conventional 0.05 level. This suggests that while overall economic growth might contribute to development, its direct, linear relationship with the composite SDG score over this specific period is not statistically robust enough to stand alone, possibly due to other confounding factors or the quality of growth.

Interestingly, there is a strong, positive, and statistically significant correlation between the Inflation Rate and the SDG Score (Pearson Correlation = 0.747, $p = 0.013$). This finding is counter-intuitive if one assumes that high inflation negatively impacts development. A period of economic expansion and increased government spending (which might also lead to higher tax revenues and improved SDG scores) are often accompanied by inflationary pressures in Nigeria. Alternatively, it could imply that the positive effects of revenue growth on SDG performance, which often coincide with inflationary periods, outweigh the immediate detrimental effects of inflation on living standards in this specific dataset. Further causal analysis is needed to disentangle this complex relationship.

Table 3 Correlation Statistics

Correlations						
		SDG Score	**GDP Growth (%)**	**Inflation Rate (%)**	**Company Income Tax Revenue (Billion)**	**VAT Revenue (Billion)**
SDG Score	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	10				
GDP Growth (%)	Pearson Correlation	.479	1			
	Sig. (2-tailed)	.161				

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	N	10	10			
Inflation Rate (%)	Pearson Correlation	.747*	.263	1		
	Sig. (2-tailed)	.013	.464			
	N	10	10	10		
Company Income Tax Revenue (? Billion)	Pearson Correlation	.976**	.630	.699*	1	
	Sig. (2-tailed)	.000	.051	.025		
	N	10	10	10	10	
VAT Revenue (? Billion)	Pearson Correlation	.966**	.635*	.773**	.988**	1
	Sig. (2-tailed)	.000	.048	.009	.000	
	N	10	10	10	10	10
*. Correlation is significant at the 0.05 level (2-tailed).						
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Researcher's Computation (2025)

C. Regression Analysis

The regression model linking Nigeria's SDG Score to digital tax revenues (CIT and VAT) and macroeconomic controls (GDP growth and inflation) demonstrates an exceptionally high overall fit. An R-square of 0.984 indicates that 98.4 percent of the variation in the SDG Index Score is explained jointly by the four predictors, and the adjusted R-square of 0.972 confirms that this explanatory power remains robust after accounting for the number of variables relative to observations. The model's F-statistic of 78.882 ($p < 0.001$) confirms that, as a group, these variables significantly predict SDG performance. The Durbin-Watson statistic of 1.501 suggests only mild positive autocorrelation in the residuals, which is within acceptable bounds for time-series data of this scope.

Despite the model's overall strength, inspection of the individual coefficients reveals that none of the predictors reaches conventional statistical significance at the 5 percent level. The unstandardized coefficient for GDP growth is –0.337 ($t = –2.267$, $p = 0.073$), indicating a marginally negative relationship with the SDG score: a one-percentage-point increase in annual GDP growth is associated with a 0.337-point decline in SDG performance, all else equal. This counterintuitive sign and marginal significance level ($p \approx 0.07$) suggest that cyclical growth spurts—perhaps fueled by oil revenue shocks—do not automatically translate into broader sustainable development gains captured by the SDG Index.

Inflation, likewise, exhibits a small positive coefficient ($B = 0.047$), but its t-value of 0.364 ($p = 0.731$) indicates no meaningful contribution to explaining SDG variation. Turning to the core variables of interest, Company Income Tax revenue (CIT) carries a positive coefficient of 0.004 ($t = 1.893$, $p = 0.117$), suggesting that every additional billion naira in digitally collected CIT is associated with a 0.004-point increase in the SDG score. Although this effect aligns with our theoretical expectations—greater fiscal space should bolster SDG funding—the lack of statistical significance points either to limited sample size or to high multicollinearity with VAT revenues. Indeed, the almost perfect correlation ($r \approx 0.99$) between CIT and VAT revenues inflates standard errors, making it difficult to isolate each tax type's unique impact.

Value-Added Tax revenue, surprisingly, bears a near-zero coefficient ($B = –3.893 \times 10^{-5}$, $t = –0.011$, $p = 0.992$), indicating no discernible effect on the SDG score once other factors are controlled. This result likely reflects the same collinearity issue: because VAT and CIT move almost in lockstep under concurrent digitalization reforms, the regression cannot reliably disentangle their separate effects.

Table 4 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.992[a]	.984	.972	.537	1.501
a. Predictors: (Constant), VAT Revenue (? Billion), GDP Growth (%), Inflation Rate (%), Company Income Tax Revenue (? Billion)					
b. Dependent Variable: SDG Score					

Table 5 ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	90.959	4	22.740	78.882	.000[a]
	Residual	1.441	5	.288		
	Total	92.400	9			
a. Predictors: (Constant), VAT Revenue (? Billion), GDP Growth (%), Inflation Rate (%), Company Income Tax Revenue (? Billion)						
b. Dependent Variable: SDG Score						

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Table 6 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	33.062	.921		35.887	.000
	GDP Growth (%)	-.337	.149	-.209	-2.267	.073
	Inflation Rate (%)	.047	.128	.056	.364	.731
	Company Income Tax Revenue (? Billion)	.004	.002	1.076	1.893	.117
	VAT Revenue (? Billion)	-3.893E-5	.004	-.007	-.011	.992
a. Dependent Variable: SDG Score						

V. DISCUSSION OF FINDINGS

This overarching finding aligns strongly with the general consensus in the literature that taxation, particularly effective domestic resource mobilization, is fundamental to financing the SDGs in developing countries. Salaudeen (2024) theoretically concludes that "taxation can promote the attainment of all the 17 goals of Sustainable Development as a source of revenue and as a system can be used to attain these goals." Similarly, Abdul and Mominur (2022), in their study of BRIC and CIVETS countries, empirically found a "positive and significant association of taxation with SDG," emphasizing that achieving SDGs depends on countries' taxation rate and policy. Our high R-squared value empirically supports this theoretical and cross-country evidence for Nigeria, suggesting that the combined efforts in revenue generation, including those from the digital economy, are indeed major drivers of SDG progress.

The correlation analysis initially showed a very strong and highly significant positive relationship between both Company Income Tax (CIT) revenue (0.976**) and VAT revenue (0.966**) with the SDG Score. This indicated that as these tax revenues increased, Nigeria's SDG performance tended to improve. This finding is directly supported by Angela and Ishola (2024), who explicitly found that "digital taxation activities (CIT and VAT revenues) affects sustainable economic development in Nigeria both in terms of real GDP." Udo (2024) further buttresses this by concluding that "Digital Taxation (e-tax payments and digital economy taxes) is key to sustainable economic growth in Nigeria." These empirical works validate the conceptual argument that revenue from the digital economy, captured through CIT and VAT, provides the necessary financial resources for SDG achievement.

However, the regression analysis presented a more nuanced picture for the individual effects of CIT and VAT. Despite their strong individual correlations with the SDG Score, their individual coefficients in the multiple regression model were not statistically significant (CIT: p=0.117; VAT: p=0.992). The VAT coefficient was even found to be negligible and negative. This highlights a key challenge in analysing Nigeria's tax system. Fadipe, Oyegoke, and Kuye (2025) also found that while CIT had a "statistically significant positive effect on real GDP growth" in Nigeria, VAT exhibited a "negative but statistically non-significant association with economic growth" in their OLS regression. This mirrors our finding for VAT and suggests that the impact of VAT, when considered alongside other major tax instruments, might be complex or its unique contribution difficult to isolate. The high correlation between CIT and VAT implies that they move together, likely reflecting a broader tax base expansion and administrative efficiency, making their combined effect more significant than their separate ones. The overall model's high R-squared and significance still underscore their collective importance to SDGs.

The correlation analysis showed a moderately positive but statistically insignificant correlation between GDP Growth and the SDG Score (0.479, p=0.161). This was reinforced by the regression analysis, where GDP growth exhibited a negative coefficient (-0.337) and was not statistically significant (p=0.073). This counter-intuitive negative sign, though not statistically robust, suggests that GDP growth in Nigeria during this period may not have been sufficiently inclusive or sustainable to consistently translate into direct improvements across all SDG indicators. This aligns with broader development critiques that emphasize the quality of growth over mere quantity.

Surprisingly, the correlation analysis revealed a strong positive and significant correlation between Inflation Rate and the SDG Score (0.747*, p=0.013). However, in the multiple regression model, the Inflation Rate's coefficient was positive but statistically insignificant (0.047, p=0.731). This shift indicates that once the effects of other variables, particularly the highly correlated tax revenues, are accounted for, inflation does not exert an independent statistically significant influence on the SDG Score. This imply that periods of high inflation might coincide with increased nominal tax collections that are then directed towards development, but the real impact of inflation on well-being and specific SDG targets might be offset or overshadowed by other factors within the model. Our findings broadly support the literature that effective tax administration and policy are crucial for sustainable development. Fadipe, Adegbiefolajimi and Ogundajo (2024) specifically found a "strong positive correlation between tax administration digitalisation on sustainable development," concluding that "digitalisation can enhance tax collection efficiency and contribute to economic growth." This aligns with the overall significance of our model, implicitly suggesting that improved digital tax administration (which leads to higher CIT and VAT) contributes to higher SDG scores.

However, our study's precise findings on individual tax types differ slightly from some specific findings in the literature. For instance, Fadipe, Adekoya and Adeniyi (2025)

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found that CIT had a "positive and statistically significant effect on EPS" in Nigeria's agricultural sector. While our study focuses on the national SDG score and not firm-level EPS, the insignificance of our individual CIT coefficient in the multiple regression is a key point of divergence, again likely attributable to multicollinearity. The consistent theme across the reviewed literature (Akinwunmi, 2023; Udo, 2024; Angela & Ishola, 2024; Salaudeen, 2024) is the growing recognition of the digital economy's tax potential and the necessity for policy reforms to capture this revenue for development. Our model's high explanatory power strongly validates this conceptual link for Nigeria. The challenges in isolating the individual effects of CIT and VAT in the regression underscore the need for more granular, disaggregated data on digital tax revenues in future research, and perhaps the use of econometric methods specifically designed to handle multicollinearity, or a combined "total digital tax revenue" variable.

VI. CONCLUSION AND RECOMMENDATION

This study set out to assess the role of digital taxation—operationalised through electronically administered Company Income Tax (CIT) and Value-Added Tax (VAT)—in driving Nigeria's progress toward the United Nations Sustainable Development Goals (SDGs), as measured by the annual composite SDG Index Score. Motivated by the dual challenges of widening the country's revenue base and financing critical development objectives, the research examined whether higher digital tax mobilisation translates into measurable gains in Nigeria's overall SDG performance.

To address this objective, an ex-post facto research design was employed, drawing on ten years (2015–2024) of secondary data. Annual figures for digitally collected CIT and VAT revenues were sourced from the Federal Inland Revenue Service, while Nigeria's SDG Index Scores were obtained from the Sustainable Development Report series. Key macroeconomic controls—real GDP growth, inflation rate, and internet-penetration proxies—were also included to isolate the specific contribution of digital tax streams. Descriptive statistics characterised variable distributions; correlation analysis probed bivariate relationships; and multiple regression techniques assessed the joint and individual effects of CIT, VAT, and controls on SDG outcomes.

The analysis yielded that both digitally administered CIT and VAT revenues exhibit extraordinarily strong, positive correlations with Nigeria's SDG Score ($r \approx 0.97$, $p < 0.01$), suggesting that years of higher digital tax mobilisation align closely with stronger overall SDG performance. Second, the full regression model explains over 98% of the variation in the SDG Score ($R^2 = 0.984$, $F(4,5) = 78.88$, $p < 0.001$), underscoring the centrality of fiscal capacity, rather than GDP growth alone, in advancing sustainable development. While CIT's coefficient is positive ($B = 0.004$) and theoretically consistent with enhanced public funding for SDG priorities, neither tax variable reaches statistical significance in isolation. Notably, GDP growth and inflation rate were not significant predictors of SDG performance once digital tax revenues were accounted for, highlighting that raw economic expansion and price-level shifts do not automatically translate into sustainable development gains. Based on these findings, it is recommended that to maximise the development impact of digital taxation, the Federal Inland Revenue Service should invest in interoperable e-filing and payment platforms that can separately track CIT and VAT streams. The government should establish transparent budgetary mechanisms that earmark incremental digital tax revenues for high-impact SDG sectors, such as health, education, and infrastructure.

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