Taxation and Sustainable Development in Nigeria

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ABSTRACT

This paper examines the twin Concept of Sustainable Development and Efficient Tax Regimes. The nexus and interplay of Taxation Sustainability and Development study the social determinants whom the tax regime serve for sustainable development. The writer looks at the issue of multiplier effects and economic growth of taxation policy through the prism of jobs creation, sustainable development, underdevelopment, negative trends, poverty and challenges responses to taxation justice, and the need for fiscal policy redirection in Nigeria. It further examines how plausible is taxation to achieve sustainable development? How to integrate the sustainable development strategy with effective and efficient taxation? How to monitor results of the sustainable development strategy with taxation through coordinated approach strategies, what can sustain sustainable development? This work will examine and assess the recent attempts to achieve sustainable taxation system of the new administration law assented and passed into law by the President on the 26th June, 2025. The paper will conclude that sustainable development transformed growth and quality of life but can taxation regime bring this into reality in view of endemic corruption, poverty, underdevelopment and lack of accountability and transparency in democratic governance in Nigeria?

Keywords: Sustainable, Development, Taxation, Tax regimes, Human Capital Development, Standard of living, Challenges of bad governance.

INTRODUCTION

Taxation is important not only because of the role it plays in allocating and distributing resources and shaping economic development, but also because of its vital role in creating an economically stable state[1].

In addition, countries with poor tax performance tend to fall in adequately providing social amenities for their citizens. A good tax system enables the state to raise adequate revenue and increases trust in government and improves the social contract between the people and the government.

The efficiency of tax collection in Nigeria has been a recurring problem. The tax system in the country has been confronted with issues and challenges such as multiplicity of taxes, inefficient tax collection machinery, non-availability of requisite information, non-availability of database, tax compliance burdens, over 200 taxes paid by Nigerian businesses and fragmented, uncoordinated and aggressive revenue collection by state and local governments agencies claiming to collect taxes, dues and levies. Many of these are unofficial and ended up in private pockets.

The new tax laws recently signed into law by President Bola Tinubu marked a significant overhaul and seeks to outline all taxes in the country hitherto administered by different laws and compress them into a single simplified law.

The new tax laws also aims as the four critical levers of *sustainable growth* namely diversification of the economy, productivity, technological advancement and security.

The new tax Act 2025 (the Act) signals a new era for the Nigerian tax regime and marking a significant shift in Nigeria's fiscal strategy with implications that could redefine the operating environment for all stakeholders.

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The new tax laws also seek to correct structural imbalances, moving the country away from an inefficient rentier economy and toward a more *sustainable model*.

The Right to Development

The right to development is at the threshold of general acceptance as positive international law,[2] and has been accepted as a fundamental human right. Both the United Nations General Assembly and the Commission on Human Rights[3] have included the idea in various resolutions. The Commission on Human Right have included the idea in various resolutions.

1. *Newswatch Special Edition,* No. 13 July, 2025, pg. 35-36.

2. *See Hague Academy of International Law and United Nations University Workshop, The Right to Development at the International Level (R. J. Dupey ed. 1980). [hereinafter cited as Hague Academy/UNU Workshop].*

3. *See, e.g., C.H.R. Res 4/33, 62 U.N. ESCOR Supp, (No. 6) at 74-75, U.N. Doc E/CN4/1257 (1977); C.H.R Res. 10/34, 63 UN ESCOR Supp (No. 4) at 114-15, U.N. Doc. E/CN.4/1292 (1978)l C.H.R Res. 4/35, 64 U.N. ESCOR Supp. (No. 6) at 106-07,*

U.N Doc E/CN 4/1347 (1979); C.H.R Res. 5/35. 64 U.N. ESCOR Supp. (No. 6) at 108-09, U.N. Doc E/CN 4/1347 (1979); C.H.R. Res 6/36; 65 U.N. ESCOR Supp. (No. 3) at 162-64, U.N. Doc E/CN.4/1408 (1980); C.H.R. Res 7/36. 65 U.N. ESCOR Supp. (No. 3) at 164-66, U.N. Doc E/CN 4/1408 (1980); C.H.R Res 36/37, 66 U.N. ESCOR Supp. (No. 5) at 237-40. U.N. Doc. E/CN. 4/1475 (1981).

The clearest exposition of moral duty relating to right to development can be found in several papal pronouncements dating back to 1941. In that year, Pope Pius XII emphasised the *"imprescriptible requirement that the material goods created by God for all men be equitably divided amongst all, according to the principles of justice and of charity"*[4].

Twenty years later, Pope John XXIII stated that *"Solidarity that unites all men into one family"* imposes a duty on more developed nations to help alleviate the poverty of developing countries and to assist the less fortunate to *"enjoy the most elementary rights of a human being"*[5].

As the preamble to the U.N. Charter notes, mankind thirsts for peace and development and it is in the interest of mankind that international law directs the actions of states by imposing upon them a duty to cooperate, which has also been called a duty of solidarity[6]. This duty is the fundamental source of the right to *development*. It is difficult to define precisely this duty of cooperation, but the U.N. Charter provides a starting point. *Article 55* gives the United Nations a role in the promotion of "economic and social progress and *development"* as well as "universal respect for human rights"[7].

The concepts of *equity and justice* may also provide bases for the *right to development*[8]. The term "justice" is used both in the preamble and in *article 1 of the U.N. Charter*. The U.N General Assembly linked *Justice to the Development process* when it stated that global economic development should be established "on the basis of justice, equality and mutual benefit"[9].

4. *Haquari, Le droit au de'veloppment: Fondamenta et sources, in Hague Academy/UNU Workshop, supra note 1, at 22, 25.*

5. *Id. Pope John-Paul II has said that major problems require "organised cooperation between all the nations". Le Monde, Oct. 4, 1979, at 8, col. 4. The first person to proclaim the existence of the right to development was Cardinal Duval. He proclaimed the right to development in Algiers on January 1, 1969. Sanson, Du droit des peuples sous-developpes au developpement au droit des homes et des communautes a etre soi, in Hague Academy/UNU Workshop, supra note 1, at 192, 229.*

6. *See – K. M'Baye, Le droit au developpement comme un droit de l'homme, 5 Revue des droits de l'homme 503(1972); note 3, at 523. See also de vey mestdagh.* The Right to Development, 28 Neth, Int'l L. Rev. 30, 43 (1981).

7. *U.N. Charter art. 55.*

8. *See Alston, The Right to Development at the International Level, in Hague Academy/UNU Workshop, supra note 1, at 99, 104.*

9. *Preparations for an International Development Strategy for the Third United Nations Development Decade, GA Res. 33/193, 33 U.N. GAOR Supp (No. 45) at 121, 122, U.N. Doc A/93/45 (1979).*

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What Is Development?

According to Adebayo Ninalowo[10], the notion of development may be understood to be the state or process of emancipation of a given populace from deprivation of the basic needs and political subjugation or oppression. He conceptualised development and opined that "development may properly be conceived of as movement of popular empowerment for development, it implies freedom from hindrance". That is freedom from penury, ignorance, political powerlessness, cultural marginalisation, poor health.

At the eleventh world conference of the Society for International Development in 1969 at New Delhi, India Dudley Seers[11], captures the new thinking about development. According to him:

"The questions to ask about a country's development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt, this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result *'development'* even if per capital income doubled".

In his own analysis, a former Director of the world Development Institute, Paul P. Streeten, opines that:

"Development must be redefined as an attack on the chief evils of the world today; malnutrition, disease, illiteracy, slums, unemployment and inequality. Measured in terms of aggregate growth rates, development has been a great success. But measured in terms of jobs, justice and the elimination of poverty, it has been a failure or only a partial success"[12].

challenges to development in Nigeria

There are pressing constraints on development in Nigeria, these include; challenges of bad governance, economic disparity, insecurity, poverty, corruption, disease, illiteracy, unemployment, inequality, slum environment, malnutrition, environmental deterioration, pollution of many kinds etc. represent a vast range of challenges militating the nation's economic growth and sustainable development.

Development therefore needs to be sustainable. This means that the country should achieve positive economic and social development, in a way to increase the available and widen the distribution of basic life-sustaining goods such as food, shelter, health and protection. To raise levels of living including, in addition to higher incomes, the provision of more jobs and better education.

The Concept of Sustainable Development

The term 'sustainable development' was brought into common use by the World Commission in Environment and Development (WECD)[13] in its 1987 seminar report entitled "Our Common Future". The commission builds development efforts on man whom it was believed should be the purveyor and end of development efforts.

10. "On the Crisis of Development". Paper presented at the Eleventh World Conference of the Society for International Development. New Delhi: India 1969.

11. "The meaning of Development". Paper presented at the Eleventh World Conference of the Society for International Development. New Delhi: India 1969.

12. Strategies for Human Development: Global Poverty and Underdevelopment. Copenhagen: HandelshojsKotan Forlag in *State and Economy Ed. Obi Emeka Anthony et al. Bookpoint Ltd. Abbot Communications Ltd. Onitsha* at p. 31.

13. State and Economy. Ed. Obi Emeka Anthony et al. Bookpoint Ltd. Abbot Communications Ltd, Onitsha, p. 1238.

The *definition of sustainable development* provided by the *Brundtland Report*[14] is the most widely accepted one. The report suggests that "sustainable development is that development that meets the needs of the present without compromising the ability of the future generations to meet their own needs. It contains within it two key concepts:

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• the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and

• the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs".

Prelude To The New Tax Regime Laws

For decades, Nigeria tax revenue distribution mechanisms have been a source of conflict, particularly the vertical imbalance between the federal and subnational governments. The history of this conflict dates back to many decades. The country's almost all the 36 states now heavily rely on the *monthly allocations they receive from the federation account to foot both capital and recurrent expenditure*[15].

Nigeria had relied heavily on oil revenue, and this had been volatile and unsustainable, hence the reforms, which recognised the urgent need to diversify the revenue base, shifting focus from oil to non-oil sources, particularly *tax revenue*[16].

President Buhari[17] had on January 13, 2020, signed into law the *Finance Bill 2019*. The new act amended the Customs and Excise Tariff Tax Act, the Petroleum Profix Tax Act, the Company Income Tax Act *(CITA)*, the Personal Income Tax Act *(PITA)*, the Value Added Tax *(VAT)* Act, the Stamp Duty Act and the Capital Gains Tax *(CGT)* Act in order to enhance their revenue generation potentials for the country.

There are nine major types of taxes in the country. They are: Companies Income Taxes (VAT); Withholding Taxes (WHT); Petroleum Profits Taxes (PPT); Personal Income Taxes (PIT); Stamp Duties (SD); Capital Gains Taxes (CGT); National Information Technology Development Levy (NITDL) and Tertiary Education Taxes (EDT).

However, findings revealed that apart from these nine statutory taxes collected by the FIRS, there are over 200 taxes being collected by federal, states and local government agencies from companies operating in the country. Meanwhile, government's resolve to boost its non-oil revenue and its aggressive tax drive through taxes seems to be impacting negatively on all sectors of the nation's economy.

The aggressive tax drive by the Federal Government and its collecting agencies has therefore triggered a massive collapse of businesses and manufacturing companies. While some of the affected manufacturers relocated their businesses to neighbouring countries like Ghana and Benin Republic. Moreover, at least 400 small-scale enterprises had closed down their operations as a result of the economic crisis, thereby throwing millions of Nigerians into the unemployment market[18]. Likewise, it was gathered that no fewer than 850 companies have shut down operations in Nigeria since 2019 following the harsh operating environment triggered by the Federal Government's economic policies[19].

14. [World Commission on Environment and Development (WCED) 1987, p. 43].

15. *Nigerian Tribune, 31 July, 2025, p. 11.*

16. *The Guardian, Wednesday July 23, 2025, p. 5.*

17. *Business Hallmark, Monday September 26-30, 2022, p. 11.*

18. *Business Hallmark, Monday September 26-30, 2022, p. 12.*

19. *Ibid. p. 12.*

On June 26, 2025, President Bola Tinubu signed four significant tax bills into law, setting the stage for what government officials describe as a sweeping reform of Nigeria's tax architecture[20]. The newly enacted statutes the Nigeria Tax Act, Nigeria Tax Administration Act, Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board (Establishment) Act are set to take effect from *January 1, 2026*.

The president described the new laws as pivotal to the success of the administration's reforms and the country's prosperity. At the signing ceremony at the State House, President Tinubu said that the occasion presented a new lease of life to every Nigerian and future generations[21]. President Tinubu wrote on his verified X handle: *@officialABAT:*

"That era ends today. We are laying the foundation for a tax regime that is fair, transparent, and fit for a modern, ambitious Nigeria"[22].

Also, the President further assured Nigerians that the new tax laws were targeted at protecting businesses, ensuring poverty is not taxed, providing relief to low-income earners, tracking tax evaders, and promoting economic growth[23].

Principal Objectives of the New Tax Reform Laws

However, the bills faced serious *political headwinds* at the National Assembly, and in many state capitals – particularly as they affected the *revenue-sharing structure* with some Governors warning that a shift toward derivation-based allocations, especially with the *Value-Added Tax (VAT)*, could tilt the fiscal balance in favour of the southern states, which have historically enjoyed stronger consumption bases.

After prolonged (and often heated) debate, compromises were reached – among which was that *VAT* would remain at 7.5%, along with new exemptions that would shield minimum-wage earners from paying the personal income tax. There would also be no increment to the Corporate Income Tax (CIT) which would still stand at 30%.

Also weighting, in on the significance of the tax laws, the Executive Chairman of the NRS (hitherto the Federal Inland Revenue Service), *Zacc Adedeji* described the new tax laws as 'pro-poor'[24] adding that the tax laws would ease the burden on low-income earners, small business owners, and everyday Nigerians. He also asserted that a more than one-third of our workers in both the private and public sectors will now be exempted completely from "PAYE", he said further that[25] "small businesses, i.e. over 90% of small and micro, none businesses will no longer have to worry about paying corporate income tax or charging VAT – or even deducting withholding tax or paying PAYE for their employees". He added[26] that, tax reforms would leave more money in the hands of ordinary Nigerians and a new *zero-rate VAT* framework on essential items. Oyedele further said[27], "any traces of VAT in food, in education, in medical and healthcare are now removed completely.

20. *The Punch, Thursday, July 24, 2025, p. 28.*

21. *TENTACLE. Vol. 17, No. 10, July 6, 2025, p. 38.*

22. *TENTACLE. Vol. 17, No. 10, July 6, 2025, p. 39.*

23. *SUNDAY TELEGRAPH. Sunday July 13, 2025, p. 9.*

24. *The Nation. Saturday, July 26, 2025, p. 27.*

25. *Ibid.*

26. *Ibid.*

27. *Ibid.*

The new laws, he explained[28], were designed with three *principal objectives* in mind – they were people centric, efficiency-driven, and growth-focused. The motivation behind the tax regime, he said, was not to increase taxes, but to make the system more efficient, fair and targeted. Accordingly, he asserted[29] that, low income households stand to benefit the most; a typical family in Nigeria, which spends most of its income on rent, food and transport, will see lower costs due to *VAT* exemptions. Small businesses will also see positive changes through stream-lined bureaucracy, which would boost compliance and encourage informal traders to enter the tax system.

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A key point to note for business is the introduction of the Economic Development Tax Incentive, which replaces Pioneer Status Incentive. While the latter provides tax holidays, for three to five years, the new regime extends this benefit for periods as long as twenty years for businesses in qualifying sectors[30].

Agric-Business Boost

Similarly, new companies engaged in agricultural business are exempt from income tax for the first five years of operation, a move which will likely stimulate investment in agribusiness and enhance food security in the long term.

Exporting Activities

Export-oriented businesses also stand to benefit, as profits derived from goods exported from Nigeria are exempt from income tax, provided the proceeds are repatriated through official channels. However, this tax exempt does not extend to companies in the upstream, midstream, and downstream oil and gas sectors[31].

The new tax Acts also unify multiple fragmented tax administrative laws into a single legal structure. The goal is to simplify compliance, eliminate duplication, improve audit efficiency and close long-standing revenue leakages.

According to *PwC Nigeria*[32], the Acts "comprehensively overhaul the Nigeria tax system to drive economic growth, increase revenue generation, improve the business environment and enhance effective tax administration across the different level of government".

KPMG[33] adds that the new law is intended to "modernise tax collection processes, enhance compliance, optimise revenue, and promote accountability within Nigeria's tax system".

Under the new Acts, Taxpayer Identification Numbers *(TAX IDs)* are now mandatory for all entities doing business in Nigeria, including non-resident firms with Nigerian-source income tax filings, remittances, and contract documentation must all carry this *ID*.

The reforms also reshape tax planning for *high-net-worth individuals (HNWIs)*. Under the new law, asset declarations and income disclosures are now compulsory, including for *offshore holdings*[34].

28. *Ibid.*
29. *Ibid.*
30. *BUSINESS DAY. Wednesday 23 July 2025, p. 11.*
31. *Ibid, p. 11.*
32. Business Day. Tuesday 22 July, 2025, p. 31.
33. *Ibid, p. 31.*
34. *Ibid, p. 31.*

Also, Professor John Ebhomien[35], an economist and former World Bank/International Monetary Fund (IMF) consultant said that the recent introduction of the new Tax Reform Acts holds *significant promise for Nigeria's governance and economic landscape.*

"If effectively implemented, these reforms could be a turning point in promoting transparency, accountability, and fiscal responsibility, accordingly, the potential benefits of the Tax Reform Act are substantial and by streamlining tax policies and procedures, the government can create a more favourable business environment, stimulate economic growth, and increase revenue generation".

Contributing, the FCT Tax Justice and Governance Platform (TJ & GP) Botti Isaac the Chapter Coordinator, said[36] the tax reform bills represented a critical development which marks a significant milestone in Nigeria's fiscal reform agenda and demonstrates a commendable commitment to building a more transparent, equitable, investors-friendly and development-oriented tax system. According to him[37], these new tax laws, if

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implemented effectively, have the potential to boost non-oil revenue, improve tax compliance, broader the tax base, and enhance the delivery of public services, especially in areas such as *education, health-care, infrastructure, and social protection for the most vulnerable segments of the population.*

Provisions Of the Quartet Of the Tax Reform Laws

A closer look at the provisions and peculiarities of each of the quartet of the new tax reform laws reveals the following[38]:

i. *FIRM Renamed:* The Federal Inland Revenue Service (FIRS) has been renamed and will be known as the Nigeria-Revenue Service *(NRS).*

ii. *Unified Revenue Collection:* The law will empower the NRS to handle revenue collections previously managed by agencies like the Nigeria Customs Service (*NCS*), Nigerian Upstream petroleum Regulatory Commission *(NUPRC)*, the Nigerian Ports Authority *(NPA)* and the Nigeria Maritime Administration and Safety Agency *(NIMASA)*.

iii. *Low-Income Relief:* Under the new law, workers earning ₦80,000 or less annually are now exempted from *income tax*.

iv. *High-Income Tax:* According to the new law, individual earning ₦50 annually will now pay a 25 per cent *Personal income tax.*

v. *Small Business Exemption:* Small business owners are also fully exempted from paying *income tax* under the new law.

vi. *Corporate Tax Cut:* Starting from 2026, company income tax for medium and large firms will be reduced from 30 per cent to 25 per cent.

vii. *Value Added Tax (VAT) Exemptions on Essentials:* The new law has removed VAT charges on essential items like food, medical services, pharmaceuticals, school fees and electricity bills.

viii. *No Tax Hike: VAT* remains at 7.5 per cent, and corporate income tax stays at 30 per cent has been no increase.

ix. *New Development Levy:* A 2 per cent – 4 per cent Development Levy will now fund critical national institutions like the Nigerian Education Loan Fund *(NELFUND)*, Tertiary Education Trust Fund *(TETFUND)*, National Information Technology Development Agency *(NITDA)* and the National Agency for Science and Engineering Infrastructure *(NASENI).*

x. *VAT Sharing formula Among the Three Tiers of Government:* 10 per cent to Federal Government, 55 per cent to states; 35 per cent to local government areas.

35. *SUNDAY INDEPENDENT, July 6, 2025, p. 5.*

36. *Ibid. p. 5.*

37. *Ibid. p. 5*

38. *TENTACLE Vol. 17, No. 10, July 6, 2025, p. 39.*

xi. *VAT Sharing Formula for States:* 50 per cent will be based on equality; 30 per cent based on generation (i.e. where VAT was derived) and 20 per cent based on state's population.

Nigeria Tax Act 2025 – Potential Impact To Sustainable Development And Economic Growth

The new tax reform laws as a catalyst for more sustainable development and equitable economic growth aims to improve Nigeria's sustainable taxation regime with particular reference to the following:

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1. For the first time in Nigeria's history, low-income earners – those earning ₦800,000 or less annually – are *legally exempted from personal income tax*, as stipulated in *Section 58 of the Nigeria Tax Act, 2025.* This is a bold and compassionate gesture in a country where millions survive on less than a dollar a day.

2. Small and Medium Enterprise ISMEs) – Small business incentives and small companies with annual revenue under ₦100 million benefit from simplified compliance, and those earning below ₦25 million face an Operant Company Income Tax *(Section 56)* i.e. are exempt from Companies Income Tax (CIT), Capital Gains Tax (CGT) and the new Development Levy. If diligently implemented, could lower the fiscal burden on the *poor and catalyse business formalisation.*

3. The reforms also address long-standing concerns about *tax avoidance by multinational corporations. Section 190-195 of the Nigeria Tax act* strengthen transfer pricing rules, mandate arm's-length pricing for related-party transactions, and authorise audits of *offshore arrangement.* These tools are critical in curbing base erosion and profit shifting[39].

4. The new tax laws shine new light on *Wealth taxation.* Capital Gains Tax (CGT); long neglected, now extends to disposals of *land, shares, digital assets, and intellectual property (Nigeria Tax Act, Sections 33-39)* is a major win.

5. Exemptions exist for *small gains (under ₦10 million)* charitable donations and reinvestments. Similarly, *withholding Tax (WHT)* is clarified and strengthened.

6. Payments for consultancy, rent, royalties, dividends, and digital services are now subject to *Source Taxation (Tax Admin Act, Section 51)*, with stiff penalties for non-compliance, including a 10 percent surcharge and joint liability provisions[40].

7. Digitalisation is no longer aspirational. It is now statutory. The mandatory use of *Tax Identification Numbers (TINs)* by individuals, companies and all government entities *(Tax Admin Act, Section 4-8)* is reinforced by integration with *national identity systems such as NIN and BVN*. Taxpayer data will be linked, returns can be filed electronically, and VAT tracked in real time via fiscalisation systems *(Section 23)*. If implemented with fidelity, these provisions could usher in an era of traceability, efficiency and fraud minimisation[41].

8. Also important is the Harmonisation, *The Joint Revenue Board (Sections 3 and 5 JRBE Act)* is empowered to align the *operational frameworks* of federal, state and local tax bodies. States may now legally authorise the Nigerian Revenue Service to collect certain taxes on their behalf *(NRS Act, Section 5)*.

9. The way revenue is shared has been restructured: *30 per cent of VAT proceeds* are now distributed based on *consumption, 50 per cent equally among states, and 20 per cent according to population.*

10. The reforms introduce a *progressive tax system,* ensuring that *wealthier individuals* and *luxury consumers* contribute a fairer share and allowing for *tax equity*[42].

11. The Nigeria Tax Act *merges more than 50 small and overlapping taxes into a single, clearer code* that makes it easier for individuals and businesses to comply, particularly SMEs. By harmonising rules, the reforms foster a business-friendly environment that can stimulate economic activity and growth.

12. The Nigeria Tax laws broaden the tax net, enhance compliance and build a resilient revenue base to fund *national development.*

39. *The Guardian. Wednesday, July 9, 2025, p. 17.*

40. *Ibid. p. 17.*

41. *Ibid. p. 17.*

42. *Punch Editorial. The Punch Monday, June 30, 2025, p. 26.*

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13. Multiple development levies that once piled up on companies, such as the three per cent *education tax*, one per cent *NASENI levy and Police Trust Fund contributions*, have been *harmonised into a single 4 per cent Development Levy*[43].

14. The new tax laws come with just and long overdue provisions that adequately empower taxpayers through *efficient dispute resolution and redress mechanisms.* It does this firstly, through the *establishment of an independent tax ombudsman* tasked with addressing citizens' complaints, including refund delays, improper assessments, or abusive enforcement, and secondly, through the expansion and digitalisation[44] of the Tax Appeal Tribunal and the introduction of mandatory timelines for rulings.

15. There is also an emphasis on removing barriers to *productivity, such as excessive import duties and arbitrary levies that discourage investment.* The proposed introduction of a single-digit turnover tax for micro-enterprises, if carefully structured, could ease compliance and bring many in the *informal economy* into the tax net without overwhelming them[45]. Over-taxation or poorly timed levies can stifle entrepreneurship and deepen poverty – the very outcomes reform seeks to prevent.

Implementation Challenges of the New Tax Reform Laws

Several experts have expressed deep concerns on whether the new Tax Reform Acts can pave the way for *good governance and economic stability* based on the current level of *corruption in the Nigerian system.* Among the challenged to the new tax reform laws are itemised as follows:

Challenges of Corruption

According to Dr. Benneth Eze[46], a lecturer in the Department of Business Administration in one of Nigeria's universities "The new Tax Reform Acts have the potential to pave the way for good governance and economic stability, but the challenge is the high level of corruption in the country, therefore, addressing the high level of corruption is key".

43. *Business Day Thursday 24 July, 2025 p. 27.*

44. A digital overhaul of tax administration aim at eliminating inefficiencies and curbing corruption through greater automation. *See Nigerian News Direct Tuesday, July 1, 2025 p. 2.*

45. *Saturday Telegraph. 12 July, 2025 p. 27.*

46. SUNDAY INDEPENDENT July 6, 2025, p. 5.

Eze further stated[47]: "while the reforms aim to streamline the tax system, reduce the number of taxes, and improve compliance, corruption can still undermine these efforts.

Also, Tola Oresanwo[48], an activist said the new Tax Reform Acts in Nigeria have the potential to contribute significantly to good governance and economic stability but the access largely depends on the integrity, will power and effectiveness of implementation. According to him, "The major challenges that will hinder the effectiveness of the Tax Reform Acts are as follows[49]:

- **"Corruption and Leakages:**

Without addressing systematic corruption, the increased revenue from tax reforms risks being diverted or *mismanaged*.

- **Public Distrust:**

Citizens are less likely to comply with tax obligations if they believe their contributions will not be used effectively or transparently,

- **Weak Institutions:**

Institutions responsible for enforcement and oversight often lack the independence or capacity to resist political interference or hold violators accountable.

- While the Tax Reform Acts step in the right direction, their impact on *governance and economic stability* will be limited, unless accompanied by *strong anti-corruption measures,* institutional strengthening and civil engagements to ensure accountability. Reform without integrity may only reinforce the status quo"

Kunle Wizeman Ajayi[50], an activist stated: "for me, the new Tax Reform Acts are only meant to *privatise the more collection of revenues.* While they create a new balancing geographically, they are not meant to improve good governance, rather, they only advance the purse of the current government such that there will be a larger pool of internal revenue t loot!"

Implementation Challenges

Dr. Jide Ojo[51], a Public Affairs Analyst, expressed concern over the *implementation of the Act*, stating that the country has never had shortage of laws and policies, but the big task is in implementation.

Implementation needs seamless and public enlightenment by the National Orientation Agency, States and Federal Ministry of Information and National Orientation, as well as the media to take it up.

Ojo[52] also said: "we need public education, we need to know what will happen to those *bylaws that have been made by location government,* and the fact that the *constitution has assigned certain areas for them to,* like issue of licensing, management of abattoirs, and all of that, where they can make money and the running of the local governments. Those bylaws, how do you *review them to be in sync with the federal laws?* Because these are part of what business owners have been complaining that there is multiple taxation. "So, there should be a need to *review* both state tax laws and the local government bylaws to be sync with these new tax laws.

Overlapping Mandates of Revenue-Collecting Institutions

47. *Ibid. P. 5.*

48. *Ibid. P. 5.*

49. *Ibid. P. 5.*

50. *Ibid. P. 5.*

51. *SATURDAY SUN, July 19, 2025. p. 11.*

52. *Ibid.*

Questions are also emerging around the overlapping mandates of revenue-collecting institutions[53], including the Nigerian Customs Service (NCS), the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the proposed tax behemoth – Nigeria Revenue Service (NRS) – which will succeed the Federal Inland Revenue Service (FIRS).

With the three agencies making close to ₦1trillion in Cost of Revenue Collection *(CORC)* in *2024* and the collection now going to be handled by the NRC, who will take two per cent as *CORC*,? The funding of NUPRC and NRC could be undermined[54].

Pending Court Litigation over Value-Added Tax (VAT)

The petroleum Industry Act *(PICA)* and other statutes have conflicting and unresolved provisions on revenue collection[55]. Besides, there are pending litigations over the administration and collection of the *Value-Added Tax (VAT)* collection between some states and federal government. The litigations which are yet to be

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dispatched and some of the landmines the new tax laws would have to service to serve as the country's tax administration grundnorm.

Resistance and Sabotage from States and Agency Actors

The ambitious objectives of the new tax regime could be derailed by entrenched political structures, vested interests and coordinated failure. Accordingly, Prof. Segun Ajibola[56], former President of the Chartered Institute of Bankers of Nigeria observed that the transformation of the Federal Inland Revenue Service (*FIRS*) into a mega revenue agency might yield no more than a change of name unless fundamental capacity gaps are addressed. He proposed the establishment of a federal implementation think tank or committee to coordinate the transition harmonise roles across affected agencies and resolve legal conflicts that might arise between old laws and the new reform framework.

He[57] cautioned that the new agency may struggle to match the operational effectiveness of the Nigerian Customs Service (NCS) and the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) whose enforcement arm includes well-trained officers at border points and ports.

Ajibola also warned of likely resistance and sabotage from state and agency actors who risk losing resources and influence. He further predicted that gaps or *conflicts over-looked during the drafting of the new laws* might require legislative amendments within the next year.

Business Carrying More Weight

While individuals may see some benefits, businesses are facing a heavier burden. The merging of taxes and the increase in rates means businesses now face a corporate tax load approaching 34 per cent[58]. In an environment already strained by inflation, power shortages, insecurity, and currency instability, this additional tax burden could severely impact the ability of companies to operate effectively,

53. *THE GUARDIAN, Tuesday, July 1, 2025 p. 6.*

54. *Ibid. P. 6.*

55. *Ibid. P. 6.*

56. *THE GUARDIAN. Tuesday, July 1, 2025 p.6*

57. *Ibid. P. 6*

58. *BUSINESSDAY, Monday 28 July, 2025 p. 18.*

Moreover, the *scrapping of the pioneer status incentive* has raised concerns[59]. The replacement of this incentive with a capped 5 per cent Economic Development Incentive may limit its attractiveness, particularly for industries such as renewable energy and agritech. These changes could push businesses to reduce operations, relocate, or even close down, stifling economic growth and job creation.

7. The rebranding of the Federal Inland Revenue Service as the Nigeria Revenue Service could offer a fresh start, but only if supported by genuine autonomy, sufficient resources, up-to-date technology, and properly trained personnel[60].

8. Potential pitfalls like lower living costs, high inflation and limited purchasing power, businesses generate their own power, construct access roads and maintain extensive infrastructure due to government failure could undermine consequences.

9. The new incentives under the law, such as the Economic Development Incentive (EDI) which allows qualifying companies to claim a five per cent annual tax credit for five years on capital expenditure, replacing the old Pioneer Status Incentive (PSI). The validation process remains unclear and potentially bureaucratic.

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10. According to Dr. Vincent Chikwendu[61] "The challenge of monitoring small businesses to ensure they do not artificially split operations to remain *below tax thresholds* will require sophisticated enforcement mechanisms that Nigeria's tax administration my lack. Similarly, ensuring that priority sectors' benefits translate into genuine economic development rather than mere tax avoidance will demand careful monitoring and evaluation capabilities.

11. Another glaring omission according to Chiwuike Uba is the 'lack of a statutory tax expenditure reporting framework'. While the law mandates individual companies to *file tax incentive returns (Section 28),* Nigeria still lacks a comprehensive, government-wide tax expenditure reporting framework – one that discloses, aggregates, and evaluates the full cost of tax incentives across sectors annually[62]. Furthermore, Nigeria still lacks a *national annual tax expenditure statement* – common in countries like South Africa, Kenya and Canada.

12. Also concerning is the *treatment of tax refunds. Section 55 of the Tax Administration Act* provides for a refund mechanism, but fails to specify mandatory timelines or automated triggers. This ambiguity could discourage voluntary compliance and hurt legitimate businesses – particularly *exporters* and large buyers with input tax credits[63].

13. Likewise, many local government areas lack even the most *basic infrastructure: no broadband, no trained personnel, no digital systems.* The gap between high-performing states like Lagos and digitally barren regions could widen inequities[64].

FINDINGS AND RECOMMENDATIONS

Having identified the key challenges, legal ambiguities, public distrust and limited administrative capacity militating efficient tax laws and sustainable growth and development, the followings are recommended as

59. *Ibid. P. 18.*

60. *NIGERIAN NEWS DIRECT. Tuesday, July 1, 2025, p. 2.*

61. *BUSINESSDAY. Wednesday 16, July 2025 p. 8.*

62. *The Guardian. Wednesday, July 9, 2025 p. 17.*

63. *Ibid. P. 17.*

64 . *Ibid. P. 17.*

basic steps for the realisation of effective, accountability, transparency and sustainable taxation regime in Nigeria.

1. Sustained public awareness campaigns, the training of tax officials, and improved digital infrastructure to ensure compliance and prevent arbitrary levies.

2. The government to ensure that tax administrators are well-equipped and that business operators are properly educated on the new tax code.

3. The government should public monthly reports on subsidy savings and FX gains, showing exactly where the funds are going[65].

4. Independent bodies should be empowered to monitor reform related spending.

5. A greater share of revenue must go into productive infrastructure, roads, power and schools and not administrative overheads.

6. Any future reform must be *people centred* before, not after, implementation and reform must be inclusive.

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7. The revenue conversation must shift beyond oil. Reform is *sustainable only when Nigeria grows and taxes a broad-based economy from agriculture t services and technology*[66].

8. Government revenue should be a levr form transformation, not a tool to preserve the status quo.

9. The hard-won gains of the new tax regime laws must ensure that revenue earned or saved, is used to deliver the promise of reform to the people.

10. For the new tax regime laws to be effective and sustainable[67], the government must demonstrate a clear commitment to utilising the revenues derived responsibly, by investing in crucial areas such as *education, infrastructure, and health care, thereby creating tangible benefits for all Nigerians*.

11. Equally important is engagement. For reforms to succeed, government must communicate clearly and consistently. Dialogue with key stakeholders – especially SMEs, *labour unions, and civil society* can pre-empt resistance and foster a sense of collective ownership[68].

12. Leadership must be accountable to the ideals of fairness, simplicity and equity that the new tax regime promised[69].

13. Office of the *Tax Ombud* must be resourced and empowered to provide redress and oversight mechanisms must function independently[70].

14. The government as a matter of urgency must strengthening institutions, ensuring transparency in resource management. Anti-corruption initiatives and tax reforms are necessary to create an environment where businesses can thrive and citizens can trust their governments to act in the public interest[71].

15. There should be positive links between export growth and sustainable development. Export-led development is now regarded as a major route to prosperity for Nigeria, but the country is constrained by barriers to trade notably in agricultural development of Nigeria due to problems of *insecurity.*

16. The need for the country to balance the need for a *secured investment regime (to attract and retain foreign capital).*

17. Achieving sustainable taxation regime requires deep structural changes and new ways of working in all areas of economic, social and political life. Economic growth patterns that actively favour the *poor should be promoted.*

65. *Editorial in BusinessDay Wednesday 30 July, 2025, p. 12.*

66. *Ibid. P. 12.*

67. *BusinessDay Tuesday 22 July, 2025, p. 11.*

68. *Saturday Telegraph. 12 July 2025, p. 27.*

69. *The Nation Friday, July 18, 2025 p. 25.*

70. *Ibid. P. 25.*

71. *BusinessDay, Monday 03, March 2025, p. 10.*

18. Issues of *inequality and inequity of access to governance and resources* need to be confronted in a more *open and progressive manner.*

19. The need for cross-sectoral and *participatory institutions and integrating mechanisms* which can engage governments, civil society and the private sector in developing shared visions, planning and decisionmaking.

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20. The new tax regime should incorporate monitoring, learning, commitment and improvement, to be on clear indicators and built into strategies to steer processes, track progress, distil and captor lessons and signal when a change of direction is necessary.

21. The need for strategic economic reforms to combat power outages, dilapidated roads, out-dated ports, corruption and poverty, inequality, unemployment, governance and institutional inefficiencies[72] and the promotion of fiscal tax regimes to checkmate the over-reliance on oil which dangerously exposed the country to unpredictable swings of global oil prices and global financial crises.

While Nigeria possesses abundant oil reserves, it is imperative to move beyond a resource-dependent model and embrace taxation fiscal policy as major source of revenue.

22. The need for the creation of a National Tax Fraud Investigation and Forensic Oversight Framework, to improving Nigeria's tax system, to deepen forensic investigations and improve tax compliance and enforcement. The framework would target high-risk sectors such as telecommunications, oil and gas, banking, construction, maritime, and import trade[73].

CONCLUSION

The ambition behind Nigeria's new tax laws is commendable. Aligning the tax system with global standards, broadening the tax base, and reducing oil dependence are all worthy objectives[74]. However, for these reforms to be *successful*, they need to work in real-world conditions.

The true test of these reforms will not be the immediate revenue they generate but whether they create an environment where businesses can thrive, workers can afford basic goods and more individuals are motivated to enter the formal sector. Anything less would be a missed opportunity for meaningful economic transformation.

Likewise, for the economy to grow, taxation must not be a burden but a partnership. Government must earn the trust of taxpayers through transparency, fairness and results[75].

Likewise, it should be clearly stated: tax justice is not a privilege to be granted at will. It is a fundamental right.

In a nation where economic inequality is entrenched, progressive taxation is not a luxury but a necessity. The tax reform must dismantle structures that concentrate on wealth and marginalise the poor[76].

72. Imperatives of strategic economic reforms in Nigeria's quest for sustainable economic development (1) in *Daily Sun, Wednesday, July 16, 2025 p. 20.*

73. *Daily Trust.* Friday, August 8, 2025, p. 20.

74. *BUSINESSDAY, Monday 28 July, 2025 p. 18.*

75. *NIGERIAN TRIBUNE, Wednesday 23 July, 2025 p. 11*

76. *NIGERIAN NEWS DIRECT. Tuesday, July 1, 2025, p. 2.*