THE TAX REFORM BILL AND THE NIGERIA REVENUE SERVICE: NEEDS, NECESSITY AND NATIONAL INTEREST

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Abstract

On October 3, 2024, the President of the Federal Republic of Nigeria, Bola Ahmed Tinubu, transmitted to the National Assembly, the Tax Reform Bill for consideration. The Tax Reform Bill comprising Nigerian Tax Bill (NTB) 2024; the Nigerian Tax Administration Bill (NTAB) 2024; the Nigeria Revenue service Establishment Bill (NRSEB) 2024, and the Joint Reserve Board Establishment Bill (JRBEB) 2024 seeks to consolidate multiple Tax laws in Nigeria into a single Act, thereby promoting efficient tax administration. The Nigeria Tax Bill vests upon the Nigeria Revenue Service powers to collect all national taxes, including royalties which is being collected by the Nigerian upstream Petroleum Regulatory Commission (NUPRC) and excise duties, import VAT etc. which is being collected by Nigeria Customs Service. This paper examined the need, necessity and the national interest of the bill, the prospects and the pitfalls of a single tax net for Nigeria. This paper finds that the imperfect nature of our current tax administration has made this reform not only a need but a necessity to promote National interest. This paper noted that there are surmountable challenges no doubt, but the payoff outweighs the challenges. This paper employs a doctrinal method of legal research which involves desk and library research. It recommends among others a strategic public awareness of the importance of the bill and massive investment in technology to actualize the lofty objective of the bill.

***Keywords**:* Tax Reform Bill, Nigeria Revenue Service, National Interest

3. Introduction

Taxation in the Nigerian economy is a significant system that helps in the generation and redistribution of revenue to provide public services and improve the economy. Nigeria enacted laws that govern and regulate taxation in the different sectors of the economy. Before now, the Nigerian Government and International bodies[1] have described the Nigerian Tax system as one

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[1] Edori Daniel Simeon, EdoriIniviei Simeon, Idatoru Alapuberesika Roberts Issues and Challenges Inherent in the Nigerian Tax System. *American Journal of Management Science and Engineering*. Volume 2, No. 4, 2017. Pp. 52-57. Doi:10.11648/j.ajmse.20170204.11. Accessed 6 January 2025

riddled with inefficiency, low compliance rate and a narrow tax base.[2] To drive the tax reform, on October 3, 2024, the President of the Federal Republic of Nigeria, Bola Ahmed Tinubu, transmitted the Tax Reform Bills to the National Assembly for their consideration.[3] The aim of the Tax Reform Bill among other are to promote uniform procedure for efficient tax administration, facilitation of tax compliance and streamlining of tax laws.[4] These bills are the Nigerian Tax Bill (NTB) 2024; the Nigerian Tax Administration Bill (NTAB) 2024; the Nigeria Revenue service Establishment Bill (NRSEB) 2024, and the Joint Reserve Board Establishment Bill (JRBEB) 2024.

The Nigeria Revenue Service bill seeks to replace the Federal Inland Revenue Service (FIRS) The Nigeria Revenue Service bill among other duties is saddled with the responsibility of assessing persons including corporations, companies, partnerships enterprises and individuals chargeable with tax; collect or recover tax assessed, enforce payment of taxes and remit tax collected under the provisions of this Act or any other law, into designated accounts; account for all revenue accruing to the Government[5] etc. This paper shall discuss The Tax Reform Bills with emphasis on the need and necessity of the Reform in the National interest. The first part shall discuss the conceptual framework for Tax Reform bills 2024, the second part shall discuss the Tax Reform Act and the need for a single revenue collection agency, the third part shall discuss the prospects and pitfalls of the bill, the fourth part shall be the conclusion and recommendations.

4. CONCEPTUAL FRAMEWORK FOR THE TAX REFORM BILL 202

2.1 OVERVIEW OF THE TAX REFORM BILL

The Nigeria Tax bill is a legislation whose objective is to provide a unified fiscal legislation governing taxation in Nigeria.[6] It sets out to streamline all taxes in the Country administered by various laws and consolidates them into a single law. The Nigeria Revenue service will be a centralized agency for tax collection nationwide.[7] Some provisions of the bill are stated hereunder.

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[2] https://www.elibraryimf.org "Nigeria's Tax Revenue Mobilization: Lessons from Successful Revenue Reform Episodes: Nigeria "Assessed on 21st April, 2025

[3] Businessday.ng "President Ahmed Tinubu Transmitted the Tax Reform Bills to National Assembly for consideration in October 2023" Assessed on 21st April, 2025

[4] https://ng.andersen.com "Nigeria Tax Reforms: Analysing the Revised Tax Laws and Potential impact on Businesses and Individuals" Assessed on 21st April, 2025

[5] Nigeria Revenue Service (Establishment) Bill, 2024. S. 4(1) (a – t)

[6] Nigeria Tax Bill, 2024. Clause.1

[7] The Nigerian Tax Administration Bill 2024. Clause.3

The Bill adjusted the personal Income Tax by providing for 0% Personal Income Tax for incomes under ₦800, 000. and progressive rates with a maximum of 25% for earnings above ₦50 Million. [8]The bill also provided for Company Income Tax exemption for Small and Medium Enterprises with turn over below ₦50 million.[9] The Bill provides for a gradual VAT increase from 7.5% to 15% by 2030, imposed development levy on corporations and Excise taxes on telecommunications, gaming and lotteries.[10]

The bill further exempts an individual from paying tax on the proceeds of the sale of his residential property or land adjoining his residential property or land up to a distance of 1 acre.[11] The Bill exempts compensation paid to individuals for personal injuries, such as loss of employment, defamation, libel slander, etc, from capital gains tax once the amount is ₦50 Million or below. Above ₦50 Million, only the excess constitutes chargeable gains.[12]

The Bill indirectly reduces the taxable income of companies by increasing the deductions allowed from the company's gross earnings before ascertaining the company's profit, which is eventually taxed. The bill also eliminates a minimum income tax of around 1% of gross earnings hitherto imposed on companies that did not declare profit.[13] Financial institutions are now mandated to furnish tax authorities with details of individuals whose monthly cumulative transactions amount to ₦25 million or more so as to bring in more people into the tax net[14] A supremacy clause was inserted which will make the bill when it comes into force the Nigeria's supreme legislation on Tax.[15] The Tax Administration Bill proposes a centralized system for registration, filing, and dispute resolution to reduce bureaucratic inefficiencies. The Joint Revenue Board Establishment Bill replaces the Joint Tax Board with Joint Revenue Board and introduces a Tax Ombudsman to ensure fairness.[16]

[8] Nigeria Tax Bill, 2024. Clause.58
[9] Nigeria Tax Bill, 2004. Clause.13 (2) (a)
[10] Ibis, s 59
[11] Ibid s 51
[12] Ibid. s.50
[13] Ibid Clause.20(1) (a)-*i)
[14] Ibid Clause. 51
[15] The Nigerian Tax Bill. Clause.20
[16] The Revenue Board of Nigeria Establishment Bill. 2024 s.3

The Nigerian Revenue Service Bill provides for the Nigerian Revenue Service that will function like the FIRS. It also adjusts revenue – sharing formula as follows (10% for federal government, 55% for State government and 35% for local government)[17]

2.2 THE NIGERIA REVENUE SERVICE BILL.

This bill seeks to replace the Federal Inland Revenue Service Act, No. 13, 2007 and establish the Nigeria Revenue Service with the responsibility of assessing, collecting and accounting for Federal revenues. It is a centralized agency for tax collection nationwide. A brief discussion of the Federal Inland Revenue Service may provide insight into the operations of the Nigeria Revenue Service.[18] The FIRS was established by the Federal Inland Revenue Service (Establishment etc.) Act of 2007. This body took over from the former Federal Board of Inland Revenue (Established under (CITA) 1990)[19] which was dissolved by the Act[20]. The FIRS is the Federal Government's operational agency in charge of assessing and collecting relevant taxes for the Federal Government. The functions[21] of the FIRS as prescribed in the Act include among others:

(c) To collect, review and pay to the designated account, any tax recognised by the Act or any other law or enactment

(d) To assess persons including companies, enterprises and individuals chargeable with tax

(e) To assess, collect and enforce payment of taxes as may be done to the government or any of its officials

(f) To collaborate with relevant ministries and agencies, for the review of the tax regimes and promote the application of tax revenue for the stimulation of economic activities and development

(g) To make, from time to time , a determination of the extent of financial loss, such other losses by government arising from tax evasion and fraud and such other losses (or revenue forgone) arising from tax waivers sand other related matters.

[17] The Nigerian Tax Administration Bill. Clause.77
[18] Federal Inland Revenue (Establishment etc) Act 2007. s. 1
[19] Companies Income Tax Act 1990. s.1
[20] Ibid. s. 62
[21] Federal Inland Revenue (Establishment etc) Act 2007. s. 8

The FIRS also has a Board, whose power is to provide general policy guidelines relative to the function of the service, among other related matters.[22] The Nigeria Revenue service on the other hand will be a centralized agency for tax collection nationwide. The Nigeria Tax Bill vests upon the Nigeria Revenue Service powers to collect all national taxes, including royalties which is being collected by the Nigerian upstream Petroleum Regulatory Commission (NUPRC) and excise duties, import duties, etc. which is being collected by Nigeria Customs Service. It provides a framework for collaboration among revenue agencies across the three tiers of government including optional powers to delegate tax collection functions among themselves. It also empowers the Accountant General of the Federation to deduct any unremitted revenue due from government to ministries, department and agencies and from the budgetary allocation.[23]

Under Federal Inland Revenue Act, taxpayers are required to file their returns manually or electronically through a designated tax office. The FIRS relies heavily on physical documentation such as bank statement and receipts, to verify income and expenses. This process can be time – consuming and prone to errors, particularly for small businesses and individuals who may not have access to sophisticated accounting software. The coming into force of the Nigeria Revenue Service as the centralized agency for collecting of revenue may be the answer to the logistics difficulties in revenue collection in Nigeria.

2.3 NIGERIA TAX ADMINISTRATION BILL

The objective[24] of the Bill is to provide a uniform procedure for a consistent and efficient administration of tax laws in order to facilitate tax compliance by taxpayers and optimize tax revenue.

The preamble to the Bill proposes the enactment of legislation aimed at standardising the assessment, collection, and accounting of revenue accruing to the federation, federal, State and local government. It prescribes the powers and responsibilities of tax authorities and addresses related matters.

[22] Ibid. s.7
[23] Nigeria Revenue Service (Establishment) Bill, 2024. Clause (6)
[24] Nigeria Tax Administration Bill 2024. Clause 1

The bill consolidates administrative provisions from existing tax laws, including Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), Petroleum Profits Tax Act (PPTA), Value Added Tax Act (VAT), Stamp Duties Act, and Capital Gains Act (CGT) Act. When the bill becomes law, it will serve as the primary legislation for the administration of the Nigeria Tax bill.[25]

HIGHLIGHTS OF THE BILL

The bill provides for mandatory registration of all tax payers with the relevant tax authority and obtaining of Tax payer Identification Number (Tax ID)[26] and this must be issued within two working days[27], or an explanation for the delay must be provided. This provision imposes a strict deadline on the tax authority and places a burden on them to be efficient.

The bill proposes a revised VAT Distribution Formula. It proposes 10% for federal government, 55% for State government and the Federal Capital Territory, 35% for local government. 60% of the state and local government allocation will be distributed based on derivation linked to actual consumption within each jurisdiction.[28] To operationalize this, companies filing VAT returns will be required to submit a detailed sales schedule providing a state-by state breakdown of sales. This reform is designed to create a fairer and more consumption based distribution of VAT revenue.[29] This position has not gone down well with some states. It has been vigorously opposed especially on the issue of derivation, arguing that it may not be beneficial to them. Alternative proposals for the sharing formula are discussed by the relevant stakeholders.30

The bill proposed increase in VAT rate from the current 7.5% to 10%, and ultimately to 15% by 2030.[31]

The reform also increases the VAT exemption threshold for small businesses from ₦25 million to ₦50 million,[32] removing VAT obligations for a larger segment of businesses and directly benefitting their low-income customer base. The VAT rate increase will apply only to 18% of

[25] Ibid
[26] Ibid. Clause 4 % 5
[27] Ibid. Clause 7(2)
[28] Ibid Clause 77
[29] The Nigeria Tax Administration Bill. Clause 22(2)
[30] Dailytrust.com "Northern Reps raise Fresh concerns over Tax Reform Bills" Assessed on 21st April, 2025
[31] Nigeria Tax Bill. Clause 59
[32] The Nigeria Tax Administration Bill. Clause 22

consumption items, primarily targeting luxury goods such as beverages, entertainment, and cars which are usually consumed by higher income earners.

The Tax Nigeria Tax administration bill made provision that is aimed at expanding the tax net and increasing tax revenue. This it seeks to achieve by the introduction of mandatory tax registration by all taxable persons and the issuance of a tax identification card.[33] The tax identification card is intended to replace tax identification number and would be a requirement to open or operate an account with bans, stocking broking firms or other financial institutions.[34] The Tax authorities are empowered to independently register and assign a Tax Identification Number) TIN) to any person obligated to obtain a TIN who fails to do so. This grants the tax authority the discretion to on its own volition, register such individuals for tax purposes, ensuring compliance with registration requirements.[35]

The Bill also provides that a taxable person shall notify the relevant tax authority of a change in its particulars within 30 days of the occurrence of the change. Such notification is required for a change in name, including trading name, location of business, telephone numbers or e-mail address, and registered address.[36] Failure to notify the tax authority of a change in address within 30 days of such change, or where a taxable person gives a wrong address or fails to comply with the requirement for notification of permanent cessation of trade or business would occasion an administrative penalty.[37] This position may discourage foreign investment in Nigeria.

Also in addition to the existing obligation for employers to remit income taxes and file returns under the Pat-As-You-Earn (PAYE) scheme, the Nigeria Tax Administration Bill introduces a requirement for employees to file annual tax returns on their total income. Unlike PAYE returns, which cover only employment income, these returns will capture both employment and non-employment income, thereby contributing to increased tax revenue. The bill also seeks to introduce

[33] The Nigeria Tax Administration Bill, Clause 4
[34] Ibid. clause 8
[35] Ibid clause 7
[36] Ibid clause 9
[37] Ibid clause 106

monthly returns for non-resident Airlines and Shipping Companies.[38] It made provision for a comprehensive anti-avoidance measures aimed at curbing tax avoidance schemes.[39]

Also, the bill seeks to mandate relevant tax authorities to share relevant tax information with each other and conduct joint audits.[40] This will harmonise tax enforcement efforts by relevant tax authorities and assist in effective tax enforcement.

The bill seeks to empower the Nigerian Revenue Service, [41] to introduce an electronic fiscal system for the purpose of recording taxable supplies, and taxable persons would be mandated to deploy any such system introduced by the NRS.[42] This will enable the NRS t efficiently track taxable supplies and collect VAT.

The Bill provides for filing of returns by taxable persons enjoying incentives administered by the relevant tax authorities, including incentives provided under chapter eight and clause 60 of NTB. In addition to annual returns, shall submit Annual Tax incentives returns in the form prescribed by the Service covering income tax and any incentive other than those which are generally available to all taxpayers[43]

The Bill provides for Administrative penalties for a taxable person who fails or refuses to register for tax. Such a person will be liable to pay a) ₦50,000 in the first month in which the failure occurs; and b) ₦25,000 for each subsequent month in which the failure continues. Where a company awards a contract to an unregistered person, such a company shall be liable to pay an administrative penalty of ₦5,000,000.[44]

The Bill further provides that a a person who has an obligation to collect, deduct or withhold tax under the relevant tax laws, and fails to collect, deduct or withhold the tax due is liable to an administrative penalty of 40% of the amount not deducted. It is presently 10%[45]

[38] The Nigeria Tax Administration Bill, Clause 18
[39] Ibid, clause 29
[40] Ibid, clause 47
[41] The Nigerian Revenue Service is to be established by the Nigerian Revenue Service Bill to replace the Federal Inland Revenue Service.
[42] The Nigeria Tax Administration Bill, Clause 23
[43] Ibid. clause 26
[44] Ibid, clause 95
[45] The Nigeria Tax Administration Bill, Clause 100

The bill encourages an amicable resolution of tax disputes between tax payers and tax authorities provided that the guiding principle set out in the Nigeria Tax Administration bill for the resolution of such disputes are adhered to by the parties.

2.4 JOINT REVENUE BOARD (ESTABLISHMENT) BILL

The objectives of the bill is to

(a) Provide for a legal and institutional framework for the harmonisation and coordination of revenue administration in Nigeria;

(b) Provide a mechanism for efficient dispute resolution; and

(c) Promote the rights of the taxpayers.[46]

The joint Revenue Board (Establishment) bill proposes the establishment of the joint Revenue Board (JRB) to replace the current Joint Tax Board.[47]

The JRB will have expanded functions and membership, focusing on marinating a centralized taxpayer identification database in collaboration with the National Revenue Service, state internal revenue services and local government revenue committees[48]. It will also guide the accreditation of tax agents, promoting uniform standards across the nation.[49]

SOME HIGHLIGHTS OF THE BILL

The bill establishes the Appeal Tribunal (TAT)[50] with a mandate of adjudicating disputes arising from tax laws. It will replace the provisions of the Federal Inland Revenue Service Act (FIRS) when it is repealed. The transition ensures continuity with current tribunal members and ongoing proceedings seamlessly integrated into the JRB Framework

The bill expands the jurisdiction of TAT to include disputes arising from any tax laws enacted by the National Assembly or a state House of Assembly.[51] This marks a significant improvement over

[46] Joint Revenue Board of Nigeria (Establishment) Bill, 2024. clause 1
[47] Ibid. Clause 3
[48] Ibid Clause 5 (a –o)
[49] Ibid. Clause 9
[50] Joint Revenue Board of Nigeria (Establishment) Bill, 2024. clause 23
[51] Ibid. Clause 23

the previous framework, where the TAT's jurisdiction was limited to tax laws administered by the FIRS, which primarily covered federal laws. This broadened scope is acceptable since it promotes a more inclusive and harmonised approach to tax dispute resolution across all levels of government.

The bill created the office of the Tax Ombud[52]. The tax Ombud is charged[53] with addressing taxpayer complaints against tax authorities. The Ombud's functions include;

(a) Serve as an independent and partial arbiter to review and resolve complaints relating to tax, levy, regulatory fee and charges, customs duty, or excise matters,

(b) Review complaints against tax officials and authorities and resolve; it through mediation or conciliation by adopting informal, fair, and cost effective procedures;

(c) Receive and investigate complaints lodged by taxpayers regarding the actions or decisions of the tax authorities, agencies or their officials; and

(d) Enter and inspect any premises or place where any tax authority agency or official performs any functions or duty under any law imposing taxes, levies, charges and fees for the purpose of carrying out investigation.

The Tax Ombud will operate as an independent and impartial body, [54]offering services to taxpayers. However, its role[55] is largely cantered on resolution of complaints and does not extend to interpreting tax laws other than to the extent that it relates to operational, procedural, or administrative issues arising from the application of the provisions of the relevant tax law. Where agencies fail to implement recommendations without satisfactory justification, the Tax Ombud may report such matters to the National Assembly to exercise oversight functions over such recommendations.

[52] Ibid. Clause 35
[53] Ibid. Clause 37
[54] Ibid. Clause 40
[55] Ibid 40 (a- i)

2.5 Structure of Nigerian Tax System

Taxes have been defined as 'a charge, usually monetary imposition by the government on persons, entities and transactions to yield public revenue'[56]Taxes are compulsory levies that individuals and businesses must pay to the government to generate revenue for government. Nigeria operates a decentralized tax system where each level of government is independently responsible for the administration of taxes within its jurisdiction. Nigeria generate revenue to fund government expenditure through a pool of taxes from each tier of government.

Taxation is enforced by three tiers of government, the Federal, State and Local Government with each having its sphere clearly set out in the Constitution of the Federal Republic of Nigeria. The Constitution[57] clearly delineates legislative powers between the Federal Government of Nigeria and the State Government of Nigeria by providing for the legislative lists which are the exclusive legislative list and the concurrent legislative list.[58] The Federal government of Nigeria through the National Assembly has exclusive powers to make laws with respect to matters contained in the Exclusive legislative list,[59] it also has concurrent powers with the State government to make laws with respect to any matter contained in the concurrent legislative list to the extent provided by the Constitution.[60] The Federal government also has powers to make laws on any other matters as may be prescribed by any specific substantive provision of the Constitution.[61] It also exercises legislative powers with respect to the Federal Capital Territory Abuja.[62] The State governments through the State Houses of Assembly have powers to legislate on matters contained in the concurrent legislative list to the extent prescribed therein. They can also legislate on matters as may be prescribed by the provisions of the Constitution. They also have exclusive powers to legislate on matters that are not contained in either the exclusive or concurrent list (residual list). The powers to tax a subject matter is naturally ancillary or supplementary to the powers to legislate on the subject matter.

[56] https://en.wikipedia.org "Tax" Assessed on 21st April, 2025
[57] The 1999 Constitution of the Federal Republic of Nigeria (as amended)
[58] The exclusive list is set out in part 1 of the second schedule to the constitution and the concurrent lists is set out in the part 11 of the second schedule to the constitution
[59] The CFRN. (as amended) s. 4(3)
[60] Ibid s. 4 (4) (a)
[61] Ibid s.4(4) (b) and 4 (4) and part 11 of the second schedule to the constitution
[62] *Fasakin Foods (Nig) Ltd v Shosanya* (2006) 4 KLR (Pt 216) 1447

Nigeria operates a progressive tax system where an individual with a higher income pays higher taxes.[63] Taxes are levied on income, property, goods and services, and other economic activities. Taxes are a good source of revenue for the government and it is used in running the cost of governance. The Tertiary Education sector have been immensely supported through Education tax. Funds derived from the tax are used for rehabilitation, restoration and consolidation of tertiary education in Nigeria by the Tertiary Education fund. (TETFUND).[64] Also the Health sector benefits from taxes as various funding for various aspects of healthcare, including infrastructure development, personal training and service provision. These funds are important for expanding access to healthcare.[65] Taxation enables to government to plan and execute beneficial projects for the country. Taxation provides employment opportunities for the country thereby supporting economic development. A country therefore with weak tax system is a retrogressive country with poor economy and attendant lack of development.

3.0 NEEDS AND NECESSITY FOR TAX REFORM BILL

Oyedele[66] aptly captured the condition of the Nigerian Tax system and its administration in one of his statements on the condition of Nigeria's Tax system.

> *Nigeria's tax system has over time become complex, stifling growth and unable to generate the required revenue for development. This largely due to lack of policy clarity and inconsistency, obsolete and ambiguous tax laws, weak and fragmented revenue administration.*[67]

On the objectives of the reform he stated as follows:

> *The main objective of the reform is to redesign the system to support growth by addressing current challenges such as multiplicity of taxes, ambiguous and obsolete*

[63] https://cowrywise.com 'Types of Taxes in Nigeria' Cowrywise Blog. Accessed on 5 January 2025 inappropriate reference

[64] https://www.firs.gov.ng "Education Tax" Assessed on 21st April, 2025

[65] https://www.researchgate.net "Tax Revenue and Infrastructural Development of Health Sector in Nigeria" Assessed on 21st April. 2025

[66] Chairman Presidential Committee on Fiscal Policy and Tax Reform, 2023 – to date

[67] https://x.com>taiwoyedele> Taiwo Oyedele on X: Tax ReformBills-10 Most Frequently: Asked Questions. Accessed 6 January 2025

provisions, reduce tax burden in individuals and businesses while promoting the ease of doing business to facilitate.

Scholars over the years have stressed the moribund and non-efficacious nature of our present Tax system. It has been noted that the Nigerian tax system is confronted with many issues and challenges such as multiplicity of taxes, bad administration, non-availability of database, tax touting , complex nature of the Nigerian tax laws, minimum tax, commencement, change of accounting date and cessation, and non-payment of tax refunds.[68] Similarly, Ololade[69] emphasizing the unacceptable nature of our current tax system, noted that there is a gap in the knowledge of information technology required for effective tax administration in Nigeria. Digitization of the tax system was suggested as a way to efficiently administer Tax laws in Nigeria and optimize revenue. Prof. Umenewke[70] in the same vein noted that tax avoidance and evasion pose significant challenges to tax authorities, leading to loss of revenue and undermining the integrity of the Nigerian tax system. The need therefore to reform our tax laws to bring it in line with the realities of the times cannot be overemphasized.

The conflicting decisions of the Court in matters between the Federal Government and State government over who reserves the powers to impose and collect VAT reflects the dire need and necessity to reform and streamline our Tax laws for clarity which ultimately brings about productivity. The competence of State Government to impose consumption tax and the validity of the Value Added Tax[71] (VAT ACT) have been the subject of judicial decisions. In ***A.G Ogun State v Aberuagba,***[72] the Supreme Court held that State Government are only empowered to impose Sales Tax (a form of consumption tax) on intra- State transactions, without more. The implication

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[68] Edori Daniel Simeon, EdoriIniviei Simeon, Idatoru Alapuberesika Roberts Issues and Challenges Inherent in the Nigerian Tax System. *American Journal of Management Science and Engineering*. Volume 2, No. 4, 2017. Pp. 52-57. Doi:10.11648/j.ajmse.20170204.11. Accessed 6 January 2025, https://www.sciencepublishinggroup.com> 'Issues and Challenges Inherent in the Nigerian Tax System'. Accessed 7 January, 2025

[69] https://journals.unizik.edu.ng "An Overview of the Imperatives and Challenges of Nigeria Tax System" Assessed on 21st April, 2025

[70] https://journals.ezenwaohaetoric.org : Tax Avoidance and Evasion in Nigeria: A critical Examination of the

[71] Cap VI LFN 2004 (as amended by the value Added Tax (Amendment)Act 2007, the Finance Act 2019 and the Finance Act 2020

[72] (1985) 1 NWLR (Pt 3) 395

of the Supreme Court's decision is that State governments cannot validly[73] impose Sales tax on inter-state or International transactions both of which are matters exclusively reserved to the Federal Government on the Exclusive Legislative list. The Supreme Court therefore struck down the Sales Tax law of Ogun State because it imposed Sales tax on international and inter- state trade and commerce.

In ***A.G of Lagos State v Eko Hotels***,[74] the Supreme Court considered whether a conflict exists between the provisions of the VAT Act and the Sales Tax Act of Lagos State. The 1st Respondent Eko Hotels Limited) was required under both legislations to collect tax at the rate of 5% on the price of the goods and services offered to its customer, and to further remit same to the relevant tax authorities. The 1st Respondent argument was that it was not proper and would be difficult to satisfy the provisions of both statutes, as it would amount to double taxation. It was noted by the Court that both VAT Act and Sales Tax Law of Lagos State provide for the collection of consumption Tax on same consumable items and that the rates upon which charges were made under both laws were similar. The court held that VAT Act has fully provided on consumption tax in Nigeria and therefore the Lagos Tax law was void. The court reasoned that applying both laws simultaneously would amount to double taxation, with the consumers bearing the burden of both statutes. It has been argued by Afolabi[75]that there is conflict in decision of the Supreme Court concerning the two cases reviewed. This is because the court did not take into cognisance the dichotomy of legislative powers between the Federal Government and the State Government as enshrined in the Constitution.

Powers to legislate on International and Inter-State trade and commerce including incidental or supplementary matters thereto vests in the Federal Government of Nigeria[76]. On the other hand, intra-state trade and commerce are residual matters which are within the legislative competence of the State Government.[77] The implication of the above position is that the powers to impose

[73] https://www.banwo-ighodalo.com> "Does the Federal Government have the Constitutional Powers to Legislate on VAT" Accessed 7 January 2025.
[74] (2017) LPELR- 43713 (SC)
[75] https://lelalegal.com "Tussle: A Review of Attorney General of Lagos State v Eko Hotels % Another" Assessed on 23rd April, 2025
[76] The 1999 CFRN (as amended) s 4(3) and paragraph 62 and 68 of Exclusive Legislative list
[77]

consumption tax is effectively shared between the Federal Government of Nigeria and State Government of Nigeria. The taxation powers of the Federal Government on consumption is limited to International and Inter-State trade and Commerce while the consumption taxation powers of the State Government are limited to intra-State trade and commerce. It therefore becomes imperative to evaluate the capacity of the proposed Nigeria Revenue Service to handle taxes in the concurrent legislative lists and avoid overlapping roles and ensure accurate reflection in the consolidated revenue fund in line with the constitution.

4.0 TAX REFORM ACT AND WORKABILITY OF THE SINGLE REVENUE COLLECTION AGENCY CONCEPT

Revenue collection in Nigeria at the federal level is carried out by government agencies such as the Customs service, Federal Inland Revenue Service and the Nigerian Upstream Petroleum Regulatory Commission.[78] There are other agencies that collect tax for both the state and the local government. Some types of taxes in Nigeria include personal income tax, Company income tax, value added tax, withholding tax, Petroleum profits tax, Education tax, Capital gains tax, Stamp duties[79]etc as we have shown earlier. The significant increase in the cost of revenue collection by the FIRS, NCS and NUPRC and all other tax collecting agents at the state and local government levels has sparked calls for a review of the Revenue collection mechanism from state finance commissioners[80]

During a stakeholder consultation with Public policy analysts and journalist in Abuja, the Presidential Fiscal and Tax Reforms Committee, led by T. Oyeldele recommended reducing the cost of revenue collection to one percent, aligning with global best practices where even high – revenue countries like South Africa spend less than one percent on Revenue collection.[81]

The huge collection cost of revenue incurred by the different revenue generation agencies has made it imperative for a single agency to undertake the task. This will ultimately cut cost of collection and provide the necessary efficiency needed to undertake the task.

[78] https://businessday.ng.'Nigeria to scrap roles of NUPRC. Customs, others in Tax collection'Assessed 7th January 2025
[79] https://reinvest.com 'Types of Taxes in Nigeria- Money Rise- Reinvest. Accessed 7 January 2025
[80] https://punching.com 'Three FG Agencies spend N533bn on Revenue Collection 'Accessed on 5 January
[81] Ibid

5.0 PROSPECTS AND PITFALL OF THE TAX REFORM BILL

The president of the senate, Senator Akpabio while speaking in Abuja at a roundtable discussion on the four tax reform bills organised by National Institute for Legislative and Democratic Studies (NILDS) reaffirmed the legislature's commitment to modernising Nigeria's tax system.[82] He described the bills as a critical step towards achieving the goal, noting that their passage into law would promote a fairer distribution of the tax burden among Nigerians. Akpabio emphasized that the proposed reforms are designed to enhance efficiency, boost revenue generation, and pave the way for a stronger and more prosperous Nigeria.

There is no doubt that it is in the national interest to pay attention to the proposed bills. It has implication for both local and foreign investors and indeed for the nation at large. The capacity of the bills to reposition the country for prosperity, growth and development cannot be over-emphasized. As we have shown, no country can thrive with obsolete and disorganised tax laws. It is hoped that the tax reform bills when passed into law will turnaround tax administration in Nigeria for the benefit of all.

The Tax reform Act has been lauded by some as having the potential to revolutionize our tax system. Some of the prospects of the bill are as follows:

9. The simplification and Harmonisation of the Nigerian Tax Law is a step in the right direction. This will go a long in ensuring a smoother administration of Federal taxes in Nigeria. The huge cost of generating the tax will be reduced as one agency now undertakes the task of ensuring compliance as opposed to three agencies with attendant huge cost of doing so.

10. The bill showed fairness and Equity by exempting low-income earners and small businesses. The Bill adjusted the personal Income Tax by providing for 0% Personal Income Tax for incomes under ₦800, 000. and progressive rates with a maximum of 25% for earnings above ₦50 Million. The bill also provided for Company Income Tax exemption for Small and Medium Enterprises with turn over below N50 million.

[82] https://nilds.gov.ng> 'Nass Committed to protecting Nigerian's Interests, says Akpabio' Assessed on 6th of January 2025

11. The bill also will enhance revenue efficiency. The Centralization of tax administration minimizes leakages and enhances transparency. The bill seeks to ensure equity among States. The model of distributing rewards their actual economic contributions, replacing the current system that benefits states hosting corporate headquarters where VAT remittances are typically made.

12. The bill will bring about Tax accountability and Transparency. The establishment of the Tax Ombudsman taxpayers are protected as they can grievances will be looked into. This ultimately ensures equity and fairness in tax administration. The bill aligns with Global best practises. Progressive tax rates and robust enforcement mechanisms reflect international best practises.

PITFALLS OF TAX REFORM BILL 2024

Though the bill is praiseworthy, it has its drawback. It has been described as reform without relief.[83] Some of the draw backs of the bill are:

(6) High level of Poverty in the land is a major pitfall for the bill. There is significant economic hardship, high inflation rate, rising cost of fuel and electricity process, the cost of living is way too high. Introducing higher rates, especially through VAT and corporate taxes, puts pressure on businesses and households and could ultimately lead to rejection of the reforms and worsen poverty if the proceeds of the new reform is channelled towards creating jobs through support for the manufacturing industry.

(7) Much as the bill provided for Company Income Tax exemption for Small and Medium Enterprises with turn over below N50 million, the introduction of development levies and higher VAT rates could work hardship on SME's whose margin of income is usually low. This ultimately could retard the growth of the SME's or wipe them off.

(8) The importance of telecommunication companies in digital inclusion and economic transformation of the Country cannot be over-emphasized. The imposition of Excise tax on gaming and telecommunications could stifle growth in these sectors,

[83] Dataphyte.com.' Editorial: Reforms without Relief: the Burdens of the 2024 Tax Reform Bills and why it is a Hard sell 'Assessed on 6th of January 2025.

6.0 CONCLUSION

The Tax reform bill has the potential to transform the Nigeria tax system positively and place it at par with world best practices. The consolidation of Tax laws of Nigeria into a single document, the centralization of administration and other fair provisions are germane to national growth and development. There are however challenges with the bill as we have shown but they are not insurmountable.

7.0 RECOMMENDATIONS

This paper recommends extensive capacity building for the stakeholders so as to achieve the lofty aim of the bill. The staff of the Nigeria Revenue Service should be carefully selected and properly trained for smooth transition from FIRS operations.

There should also be a thorough and holistic public awareness campaign on the need and necessity of the bill to the Nation. This will clear a lot of doubts among both the literate and the illiterate. The average Nigerian will only buy into a project that he is sure of the benefits in the long run. This will ultimately reduce tax evasion and ensure compliance.

Nigeria should invest massively in technology to achieve the aim of the bill. The tax bill framework cannot work without technology. A robust software that will take into consideration the overlapping nature of some our tax matters especially those in concurrent list will serve the country best. Transparency and accountability in the system will definitely clear misconceptions about the bill.

The bill proposed increase in VAT rate from the current 7.5% to 10%, and ultimately to 15% by 2030. This will lead to higher inflation and an increase in the prices of goods. This ultimately will further impoverish the poor and render the economy comatose. A review of this provision is recommended.

The Tax Adminisration Bill proses that where a company awards a contract to an unregistered person, such a company shall be liable to pay an administrative penalty of ₦5,000,000. This amount is rather too high and may deplete the financial capacity of such a company. Though the offence is such as to cause loss of revenue to the government, the penalty is too high and could defeat the purpose of the Act.