EVALUATING THE EFFECTIVENESS OF THE NEW TAXATION REFORM STRUCTURE IN REDUCING TAX EVASION AND INCREASING COMPLIANCE IN NIGERIA

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Abstract

The historical limitation to the revenue ability of Nigeria has been tax evasion and inadequate voluntary tax compliance, which has resulted in poor fiscal sustainability and the provision of public goods by the state. Due to the ongoing deficit of revenues and the dynamism of the economic environment, the administration of President Bola Ahmed Tinubu has introduced a new tax system that is supposed to increase the tax base, tighten compliance, improve efficiency by digitizing, and increase compliance with taxes. This paper critically reviews the success of these new tax reforms in alleviating tax evasion and improving compliance in Nigeria. As part of the fiscal policy framework of the Tinubu administration, the paper will look at the legal, institutional and administrative aspects of the new taxation structure and how it has been designed and implemented in accordance with general tenets of good tax governance. The article questions the scope of reforms of deep-seated structural imbalances like informality, inability to enforce laws, mistrust in taxpayers, and coordination between the federal and state tax systems through doctrinal and policy analysis. This paper contends that, though the new taxation reform structure regime constitutes a wanted change in that the new regime constitutes a transition to a more modern and compliance-oriented tax administration, the long-term success of the new regime is dependent on institutional capacity, transparency and the legitimacy of the people. This article contributes significantly to modern tax scholarship in Nigeria by providing a context-sensitive assessment of ongoing reforms. It highlights the critical factors necessary to achieve sustainable improvements in tax compliance under the current administration.

Keywords: Nigeria; Taxation Reform; Tax Evasion; Tax Compliance; Fiscal Policy; Revenue Mobilization.

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1. Introduction

Taxation has become a pillar of fiscal policy and national development as it allows governments to mobilize the resources needed for public services, infrastructure and other socio-economic programmes. Taxation in Nigeria has been a secondary yet vital contributor to financing the state in the past, where revenue contribution by crude oil has been the biggest contributor to government receipts. Nevertheless, the tax-to-GDP ratio of Nigeria has remained significantly lower than the global and regional rates, and it is indicative of fundamental revenue collection and management issues. However, recent statistics show that the tax collection of the nation has been considered as one of the lowest in the world, in reference to its ability to finance sustainable development and fiscal security.[1]

Tax evasion refers to the intentional under-reporting of earnings or evasion of tax burdens, which denies the government vital revenue.[2] Revenue losses arise when there is low compliance, where the taxpayers neglect to meet the requirements of reporting or payment. Structural weaknesses, including overlapping jurisdictions of tax collection, a divided tax collection system, legal loopholes, limited enforcing capacity and an overall low tax morale have precipitated these phenomena.[3] These issues have been aggravated by the thin tax base and extensive informal sector in Nigeria, and thus proper tax administration has been an old policy agenda.

The current administration, which assumed office in 2023, came up with a radical plan to reform the taxation administration system in Nigeria. The government realized the importance of effective taxation as a means of bridging revenue losses and minimizing reliance on fluctuating oil revenues and created a Presidential Committee on Fiscal Policy and Tax Reforms to reform the taxation structure and eliminate structural inefficiencies.[4] The result of this effort was the

[1] Shakede Sanni Philip, Cyril Obomeile and Musa Abdulai Aliakhue, ‗Tax Evasion and Its Implications on the Nigeria Economy' (2024) 3(1) *Glorious Vision University Journal of Management and Social Sciences* 12 accessed 14 October 2025.

[2] J Alm, 'Measuring, Explaining, and Controlling Tax Evasion: Lessons from Theory, Experiments, and Field Studies' (2012) Tulane Economics Working Paper Series No 1213, 12.

[3] Public Finance Database, ‗How Digital Tax Reforms Can Transform Nigeria's Revenue Challenges into Fiscal Successes' (2025) *Public Finance Review* https://www.publicfinancedatabase.org/reports/digital-tax-reforms-nigeria accessed 11 November 2025.

[4] State House Nigeria, ‗President Tinubu Sets up Committee on Tax Reforms' (State House Release, 7 July 2023) https://statehouse.gov.ng/news/president-tinubu-sets-up-committee-on-tax-reforms/ accessed 5 December 2025.

enactment and signing of a series of tax legislations, such as the Nigeria Tax Act (NTA) and other fiscal regulations aimed at modernizing tax administration and operations, simplifying the tax collection system, and digitizing the system to broaden the tax base.[5] The reforms also aim at streamlining the tax regime by addressing overlapping taxes, rationalizing rates and developing incentives for voluntary compliance.

The review of the new tax structure is necessary in order to evaluate the effectiveness of the new tax regime in curbing evasion and enhancing compliance. The initial fiscal indicators, e.g., improvement in revenue collections and administrative restructuring efforts, indicated progress towards these objectives. However, the size and magnitude of the Nigerian tax issues need stern evaluation to know what has transformed, what has been set back, and how the reforms have been carried out in response to the underlying behavioural and institutional limitations. In addition, since most of the requirements will only be fully implemented in 2026, the assessment offers useful information to policymakers, stakeholders and the taxpayers.

In line with this, the research is informed by some critical research questions and objectives:

i. To determine the structural factors of the new tax regime meant to decrease evasion and increase compliance.
ii. Ascertain the degree to which these reforms have impacted taxpayer behaviour and revenue levels.
iii. To explore the current issues which still impede effective taxation despite the reforms.

These goals can result in such critical questions as: How has the new taxation structure changed compliance incentives? How do we measure the effects in terms of tax revenue and reporting accuracy? How restrictive have administrative innovations been on evasion?

This study will cover the nature of federal taxes in Nigeria, which include the personal income tax (for certain categories of taxable persons), corporate tax and value added tax. It will also consider the significant changes in the frameworks and administration that affect the ways taxes are levied and received. Although the tax dynamics at the state level are also acknowledged, the

[5] National Assembly of Nigeria, ‗Nigeria Tax Act and Related Legislation' (2025) 12(2) *National Assembly Legislative Digest* 45 https://nass.gov.ng/documents/legislative-digest-2025 accessed 18 December 2025.

focus of attention is on the national framework and the reforms of the current administration. The importance of the research is in the fact that it is expected to inform further academic discussion of the effectiveness of tax policies, as well as practical policy improvement, providing evidence-based recommendations that will help to support the Nigerian fiscal architecture and enhance the outcomes of the public finances.

2. Conceptual and Theoretical Framework

2.1. Concept of Taxation and Tax Compliance

In its simplest form, taxation is the mandatory financial duty which is levied on individuals and organisations by the state to finance government spending on goods and services which serve the general populace.[6] Taxation is a fundamental fiscal instrument of government because it helps governments fund infrastructure, social services and economic stability. The design of a tax system is usually based on the balance between equity, efficiency and administrative practicability. Ultimately, the goal of the tax system is to maximize revenue and minimize economic distortions.[7] Tax compliance can be used to refer to the level at which taxpayers comply with their legal duties to properly declare income and remit the due tax within the stipulated time.[8] Compliance also means acting in accordance with the letter and spirit of the tax laws, requiring the total reporting of income, proper record keeping and timely remittance.[9] Tax evasion, on the other hand, is the unlawful action of spreading, distorting, or withholding information to pay less tax, including underreporting income, creating deductions, or not filing

[6] Joseph E Stiglitz and Jay K Rosengard, *Economics of the Public Sector* (4th ed., WW Norton & Company 2015) 55; Revenue Statistics. Organization for Economic Co-operation and Development. (2021). OECD Publishing.

[7] LA Franzoni, ‗Tax Evasion and Tax Compliance' in *Encyclopedia of Law & Economics* (University of Bologna 1999) https://reference.findlaw.com/lawandeconomics/literature-reviews/6020-tax-evasion-and-tax-compliance.html accessed 12 October 2025.

[8] Michael Allingham and Agnar Sandmo, ‗Income Tax Evasion: A Theoretical Analysis' (1972) 1(3-4) *Journal of Public Economics* 323; Alm, James, 1996. ‗What Is an "Optimal Tax System'? National Tax Journal, National Tax Association; National Tax Journal, vol. 49(1), pages 117-133, March.

[9] Joshua Commey, ‗Conceptualizing Tax Evasion and Tax Compliance Strategies' (2023) 10(8) *International Journal of Research and Scientific Innovation* 169 https://rsisinternational.org/journals/ijrsi/articles/conceptualizing-tax-evasion-and-tax-compliance-strategies/ accessed 4 November 2025.

returns at all.[10] Tax evasion compromises the ability of the state to raise revenue, enhances fiscal deficits, and overworks the honest taxpayers.

In Nigeria, tax evasion often takes the form of under-reporting of business revenue, exaggerated business expenses, failure to register a business and misuse of tax code loopholes.[11]These practices have resulted in a low tax-to-GDP ratio and increased tax gaps across sectors. Tax evasion in Nigeria is such a complex phenomenon that it involves economic, administrative, and infrastructure issues, poor implementation, and corrupt or ineffective services to taxpayers. Inadequate knowledge of taxpayers and low institutional integrity have also been identified as the forces of non-compliance, especially in the informal sector.[12]

2.2. Theoretical Perspectives

In a bid to examine the behaviour patterns of tax compliance and the effects of tax reforms, scholars such as Michael G. Allingham, Agnar Sandmo, James Alm, Betty R Jackson, Adam Smith and John Stuart Mill have come up with many theories. There are three influential theories, and these are the Deterrence Theory, the Fiscal Exchange Theory, and the Ability-to-Pay/Benefits Theories.

According to Deterrence Theory,[13] taxpayers are rational individuals who consider the perceived gains of tax evasion against the risk of being caught and the resultant punishment. The theory, which built upon Gary Becker's economic model of crime to establish that tax compliance behavior is heavily dictated by enforcement, audit probabilities, and penalty rates using classical economic models of crime, was formalized by Allingham and Sandmo in the context of tax compliance studies, and posits that compliance should be greater when enforcement mechanisms, which include audits, fines and legal actions, are credible and consistently

[10] S Olika, ‗Taxation and Human Rights: Towards a Sustainable Realisation of Minimum Core Obligations in Nigeria' (2024) 24(1) *African Human Rights Law Journal* 33 https://scielo.org.za/pdf/ahrlj/v24n1/03.pdf accessed 18 November 2025

[11] Robert Dibie and Raphael Dibie, ‗Analysis of the Determinants of Tax Policy Compliance in Nigeria' (2020) 10(2) *Journal of Public Administration and Governance* 34 https://www.macrothink.org/journal/index.php/jpag/article/view/16934 accessed 15 December 2025.

[12] Public Finance Database, ‗How Digital Tax Reforms Can Transform Nigeria's Revenue Challenges into Fiscal Successes' (2025) *Public Finance Review* accessed 11 November 2025.

[13] Michael G Allingham and Agnar Sandmo, ‗Income Tax Evasion: A Theoretical Analysis' (1972) 1(3-4) *Journal of Public Economics* 323.

enforced.[14] Within the Nigerian context, enforcement difficulties, insufficient institutional capacity and deterrence mechanisms have not aided in deterring evasion. However, the concept of deterrence continues to dominate as one of the primary prisms by which policymakers judge the formulation of punitive measures and audit policies.[15]

Taxpayers and the government have a reciprocal relationship in the Fiscal Exchange Theory.[16] According to this view, voluntary compliance is more probable where taxpayers find that the state has provided a fair and tangible exchange between the taxes paid and the services or goods offered to the taxpayers.[17] This theory states that taxpayers will be happier to pay their taxes when they believe that the government is spending the money on infrastructure, healthcare, education and security as a legitimate reward for their investments. In Nigeria, the exchange is undermined by low levels of public trust and perceptions of inefficient service delivery on the part of the government, which in turn undermines voluntary compliance.

The Ability-to-pay and Benefit Theories[18] deal with the issue of equity and welfare in taxation. The principle of ability-to-pay holds that taxpayers must contribute to the general revenue according to their economic capabilities. This encourages the idea of vertical equity, in which higher-income individuals contribute a higher percentage of the tax load.[19] The benefit principle, on the other hand, proposes that the load to be paid in taxes should match benefits derived from government services, similar to the user-pays mode of financing in government. These theories

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[14] Christopher Oche, ‗Deterrence and Tax Morale: Examining the Implications of Tax Enforcement on Compliance in Nigeria' (2024) 7(2) *GPH Journal of Social Science and Humanities* 45 accessed 18 October 2025.

[15] Shakede Sanni Philip, Cyril Obomeile and Musa Abdulai Aliakhue, n 1.

[16] James Alm, Betty R Jackson and Michael McKee, ‗Fiscal Exchange, Collective Decision Institutions, and Tax Compliance' (1993) 22(3) *Journal of Economic Behaviour & Organization* 285 https://econpapers.repec.org/article/eeejeborg/v_3a22_3ay_3a1993_3ai_3a3_3ap_3a285-303.htm accessed 14 November 2025.

[17] Emmanuel Vance, ‗Fiscal Exchange Theory: An Overview of Taxpayer Perceptions of Public Goods and Voluntary Compliance Incentives' (2025) 9(10) *International Journal of Research and Innovation in Social Science* 6218 accessed 22 November 2025.

[18] Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (Edwin Cannan edn, Modern Library 1937) 777.

[19] Richard A Musgrave and Peggy B Musgrave, *Public Finance in Theory and Practice* (5th edn, McGraw-Hill 1989) 221.

emphasize normative reasoning on equity in tax design to help policymakers adjust the tax levels and forms to reduce evasion and enhance adherence.[20]

These theories provide a thorough base on which the effects of the tax system reform, in particular, taxpayer behaviour, can be analyzed. The control of the risk is affected by deterrence mechanisms, the perception of the fiscal exchange is valued in terms of voluntary compliance, and the equity-based principles are used to design the rates and incentives. These views are important in determining whether the new taxation system can improve compliance and reduce tax evasion in Nigeria.

3. The Nigerian Tax System Prior to the Tinubu-Led Administration

Prior to the implementation of the tax reforms of the Tinubu-led administration, the taxation system in Nigeria was defined by a complicated system of federal, state, and local taxation, duplicate taxes, and several implementation and enforcement issues. At the federal level, the Federal Inland Revenue Service (FIRS),[21] an independent body, was the main tax collection agency, which assessed, collected, and accounted for federal taxes such as Companies Income Tax (CIT), Personal Income Tax (PIT) in non-state territories, Value Added Tax (VAT), withholding tax (WHT), and other statutory federal taxation.[15] Added to that was a fiscal convolution of states and local government taxes and levies, with states retaining independent revenue bodies.[22]

To supplement federal tax revenues, the State Internal Revenue Services (SIRS) of the individual states were granted powers to tax personal income (on the residents of areas they served), business premises taxes, and other tax revenues on the state level.[23] The state internal revenue services were established to reinforce national revenue generation and control.[24] These agencies

[20] Richard A Musgrave, ‗Ability-to-Pay Principle in Taxation‘ (1987) 1(1) *Journal of Economic Perspectives* 113. Accessed 3 December 2025

[21] The FIRS was formed in 1943 and became fully autonomous under the FIRS (Establishment) Act.

[22] Federal Inland Revenue Service (Establishment) Act 2007, Cap F36, Laws of the Federation of Nigeria 2010

[23] Federal Inland Revenue Service, ‗Navigating Nigeria‘s Fiscal Challenges Through Tax Reform: Background on FIRS Performance and Revenue Trends‘ (FIRS Progress Report 2025) https://www.firs.gov.ng/reports/fiscal-challenges-2025 accessed 14 October 2025

[24] Kwara State Internal Revenue Service, ‗Overview of KWIRS Structure and Its Strategic Role in State Taxation‘ (KWIRS Institutional Profile 2025) https://kw-irs.com/about-us accessed 15 October 2025

were charged to expand the income base of the state governments and to lessen the excessive dependence on federal funding. However, this has resulted in the fragmented administration of taxes, inconsistency in the application of tax policies, and an overlap of fiscal mandates.

Another characteristic of the former tax system is a chain of major vulnerabilities that strangled optimum performance. To begin with, the system was marred by multiple taxation and complexity as taxpayers were being hit with numerous taxes, levies, and charges by the federal, state and local government. This multiplicity brought about confusion and prohibitive compliance costs, which deterred voluntary compliance, especially among small and medium enterprises (SMEs) and incited avoidance or underground operations.[25] Second, the small tax base also created a major constraint on revenues. Since the large informal economy contributed an estimated high percentage of the GDP and operated largely outside the formal tax nets, most economic players were not taxed or were under-taxed, reducing the successful mobilization of fiscal resources.[26]

Third, the endemic corruption and poor enforcement systems undermined the reputation of the tax authorities. Long-standing inefficiencies in FIRS and SIRs, along with poor technological infrastructure, impeded the effective monitoring, detection, and chastisement of non-compliant taxpayers. These administrative weaknesses, combined with the cases of collusion between the officials and the taxpayers, encouraged evasion and weakened the credibility of the tax authorities.[27] Furthermore, lack of education and awareness among taxpayers implied that a significant number of citizens did not have any clear knowledge of their responsibilities and thus underreported and violated the tax policies.

These behavioural and structural factors over time formed historical patterns of non-compliance and tax evasion. Despite the government's periodic application of reforms, including the Voluntary Assets and Income Declaration Scheme (VAIDS) and e-taxation programs, which were

[25] Rivers State Internal Revenue Service, ‗Overview of RIRS Mandate and Subnational Revenue Collection' (RIRS Corporate Policy Document 2025) https://rirs.ng/overview accessed 15 October 2025.

[26] Chinedu Opara, ‗The Difficulties Nigeria Faces in Collecting Taxes: Evaluating Multiple Taxation Complexity and Enforcement Barriers' (2024) 8(2) *Nigerian Journal of Fiscal Studies* 114.

[27] Aminu Abubakar, ‗Analysis of Nigeria's Tax Mobilization Challenges: The Informal Economy Impact and Narrow Revenue Base' (2024) 11(3) *Journal of Tax Administration and Development* 89.

targeted to enhance compliance, there were small gains in comparison with the magnitude of the issues. The ratio of tax to GDP was still low.[28] The informal businesses were mostly not registered for taxation, and big companies were also known to take advantage of the law to cut expenses. All these tendencies emphasized the fact that the former fiscal system was not able to transform economic activity into sustainable revenues, and it required a complete reform.

4. The New Taxation Structure

Policy reformation and legislative amendments.

Nigeria has embarked on a complete transformation of its tax regime in order to improve revenue collection and compliance and in order to bring its fiscal regime more in line with international standards. At the heart of this structural change is the Nigeria Tax Act (NTA) 2025, which was signed into law as one of a range of legislative tools to harmonize, modernize, and rationalize the tax landscape in the country.[29] The NTA reformed previous tax legislations, such as the Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), Value Added Tax (VAT) Act, Capital Gains Tax (CGT) Act, Petroleum Profits Tax (PPT) Act and Stamp Duties Act, to a single regime that is aimed at ending fragmentation and ambiguity in tax administration.

The reform of the key elements of the taxes, including Value Added Tax (VAT), Company Income Tax (CIT), Personal Income Tax (PIT), and the taxation of the digital economy, is one of the most innovative elements of the new framework. While the VAT remained at 7.5 per cent, the NTA increased a number of taxable supplies but exempted certain commodities and essential goods and services such as food, healthcare, education, agricultural inputs, and exports, and thus balanced revenue objectives and social equity issues.[30] Under the regime, the PIT of individuals who earn ₦800,000 or less yearly income are wholly exempted, while the tax brackets have now increased up to 25 per cent among higher earners, enhancing equity and rendering the tax

[28] Olumide K Ajayi, ‗Building a Sustainable Tax System in Nigeria: Corruption and Enforcement Inefficiencies in Tax Administration' (2024) 5(1) *Covenant University Journal of Law and Administration* 45.

[29] Shakede Sanni Philip, Cyril Obomeile and Musa Abdulai Aliakhue, n 1 and 11.

[30] Ernst & Young Global, ‗Nigeria Tax Act 2025: Key Highlights and Implications' (EY Global Tax News Report, 15 January 2025) https://globaltaxnews.ey.com/news/2025-5016 accessed 20 October 2025.

progression regime in Nigeria in line with international standards.[31] Corporately, medium and large firms are subject to a reduced tax rate of 25 per cent, down from the previous structure, in conjunction with a Development Levy of 4 per cent on assessable income, which brings a number of the previously overlapping taxes (including the Tertiary Education Tax and NASENI tax) into a single payment, easing administrative compliance.[32]

The key innovation in the NTA is the introduction of the Minimum Effective Tax Rate (ETR) of 15 per cent for multinational groups that surpass the specific turnover standards, which corresponds to the international taxation principles, including Pillar 2 of the OECD on global minimum taxation. This is aimed at preventing the shift of profits and base erosion by the transnational companies doing business in Nigeria, and hence expanding the Nigerian corporate tax base and putting the situation in the corporate tax landscape on a par with fairness.[33] In addition, the capital gains tax has been reorganized to align corporate and individual interests, and capital gains in corporations are now subject to tax rates that are equal to CIT and the disposal of digital and virtual assets is expressly included in the tax bracket.[34] All these reforms point to the direction of the modernization of the Nigerian tax code and the minimization of redundancies, improvement of predictability, and adherence to global best practices in domestic taxation.

Interest in the innovations and the administrative and technological divisions is combined in a single section (4.2). In addition to the substantive policy and legislative changes, administrative change and technological modernization have been touted as the essential elements of the new taxation system. One of these is the digitalization of tax administration, which seeks to streamline operations, increase transparency and limit chances of corruption or evasion. The new

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31 Baker Tilly Nigeria, ‗Nigeria‘s 2025 Tax Reform Acts Explained: Key Features of VAT, Personal and Corporate Tax Reforms‘ (Baker Tilly Tax Alert, February 2025) https://bakertilly.ng/tax-reform-acts-2025 accessed 22 October 2025.

32 Mondaq Legal Analysis, ‗The Nigeria Tax Reform Act 2025 and Its Effect on Businesses: VAT Treatment, Development Levy, and New Tax Brackets‘ (Mondaq Business Briefing, 12 March 2025) https://www.mondaq.com/nigeria/tax-reform-act-2025 accessed 25 October 2025.

33 Nigeria‘s Tax Reforms Set Lowest VAT Rate Among African Peers‘ *BusinessDay NG* (Lagos, 18 March 2025) https://businessday.ng/news/nigeria-tax-reforms-lowest-vat accessed 25 October 2025

34 PwC Nigeria, ‗The Nigerian Tax Reform Acts: A Technical Review of Development Levy and Minimum Effective Tax Rate Provisions‘ (PwC Tax Watch, April 2025) https://www.pwc.com/ng/tax-reform-acts-review accessed 1 November 2025.

regime has also brought about a system of mandatory electronic invoicing (e-invoicing) and a real-time VAT reporting system, which means that a business has to issue and send tax-compliant invoices through electronic systems endorsed by the tax authorities. The mechanism of fiscalization improves real-time monitoring of transactions, VAT collection and reduces incidents of under-reporting and tax fraud.

Another important administrative innovation is the reinforcement of the use of the Taxpayer Identification Number (TIN) system. The new tax regime has sought to ensure that data is shared across jurisdictions by encouraging the use of a single national database of individuals and corporate taxpayers, including linking it to business registries and the national identity system, which will reduce duplication, enhance data quality and enhance tracking compliance across jurisdictions.[35] This is complemented by an increased cooperation between agencies, including the Corporate Affairs Commission (CAC), the Nigerian Customs Service (NCS) and the National Identity Management Commission (NIMC), all of which facilitate automated data exchange and decrease irregularities that have historically helped with evasion.

Improved technologies have also assisted in the wider implementation of enforcement regulations. As an example, automation tools and data analytics are increasingly being used to identify patterns of non-compliance, initiate audits, and verify the filings submitted by taxpayers. These inventions and capacity-building trainings indicate a mindset of being more proactive with tax administration as opposed to a traditional reactive method of enforcement. The new taxation system aims to minimize human error and judgment in the collection of taxes, and to create a more predictable and efficient system for both the taxpayers and the administrators through the utilization of technology and data integration.[36]

The legislative reformation and administrative innovations signify a radical change in the former taxation systems, which place the taxation system in Nigeria on its way to becoming more

[35] Federal Ministry of Finance, ‗Nigeria Tax Reform Acts: PDF Overview of E-Invoicing, Electronic Reporting, and VAT System Modernization' (Official Gazette Summary, May 2025) https://finance.gov.ng/tax-reform-acts-pdf accessed 1 November 2025.

[36] Nigeria's Business Competitiveness and the New Tax Regime' *AllAfrica* (Lagos, 22 May 2025) https://allafrica.com/stories/202505220114 accessed 4 November 2025; ‗Tinubu's Fiscal Reforms: TIN Expansion and Inter-Agency Collaboration for Taxpayer Identification Modernization' *Vanguard* (Lagos, 5 June 2025) https://vanguardngr.com/tinubus-fiscal-reforms-tin-expansion accessed 4 November 2025.

efficient, equitable, and stable. The effects on the reduction of evasion and enhancement of compliance are key to the overall assessment of the effectiveness of the new taxation structure as these measures become fully effective.

5. New Taxation Structure on Tax Evasion

With the adoption of the new taxation system in Nigeria, the tax administration system is witnessing new trends in tax evasion, the intensity of tax enforcement, and the behaviour of taxpayers. Though it is too early to have full comprehensive outcome data because the reforms are still relatively new, the first indications are that both structural reforms and administrative innovations are affecting the natural manifestation and response to tax evasion in the sectors.

Among the most remarkable changes that have been witnessed after the reform is the contribution that digitalization and real-time reporting are making to preventing evasion. The transition to electronic invoicing and fiscal reporting systems for large taxpayers, and gradually to medium and smaller enterprises, has created real-time visibility of the data on sales and transactions, reducing the possibility of intentional under-reporting that used to dominate large parts of the formal economy.[37] Live reporting of VAT, bank verification of Taxpayer Identification Numbers (TINs) and automatic cross-checking tools have begun to close the compliance gap between reported tax amounts and third-party financial information, especially in sectors where electronic tax infrastructure has reached its full development.[38] These electronic interventions represent a great change towards manual reporting systems that were prone to manipulation, missing data, and administrative procrastination.

To strengthen enforcement mechanisms and penalties, the new regime has come up with punitive measures that aim at discouraging evasion. The sanctions include fines for failure to register for payment of taxes or incorrect or incomplete filing, failure to maintain accurate records, and recurrent infractions.[39] Tax avoidance also attracts a fine or, in serious cases, a jail term. These

[37] National Assembly of Nigeria, ‗Legislative Digest Summarizing Reforms, Real-Time E-Invoicing, and Tax Database Integration' (2025) 12(3) *National Assembly Legislative Digest* 14.

[38] Charles Ibe, ‗Analysis of Tax Reform Impact on Revenue and Compliance: Noting Digital System Adoption Effects' (2025) 9(2) *International Journal of Economics and Financial Management* 76.

[39] Tunde Bakare and Chidi Nwosu, ‗Nigeria's 2025 Tax Reforms: Implications for Businesses and Individuals regarding Fines and Imprisonment Penalty Provisions' (2025) 6(1) *Nigerian Law Intellectual Quarterly* 54.

measures are intended to enhance the deterrent effect - a major element in decreasing intentional evasion - where non-compliance becomes numerically and qualitatively expensive to the lawbreaker.

The reforms also target the informal sector, which traditionally lies outside the formal tax net and is a major concern in tax evasion. Through presumptive taxes and increased digital registration, authorities aim to bring historically informal economic participants into compliance frameworks, even where traditional accounting records are missing.[40] Nonetheless, the informal economy still poses challenges; in particular, small traders and rural operators have limited access to digital tools, so compliance may take longer to materialize and will require reliance on complementary taxpayer education and staged enforcement policies.

The other notable category is high-net-worth individuals (HNWIs) and corporate taxpayers. Before the reform, there was an indication of very low compliance rates among the richest taxpayers in Nigeria, and some reports indicated that as many as 99 percent of wealthiest taxpayers in this country were evading their tax bill, thus creating a relatively huge discrepancy in the revenue.[41] Although the full publication of post-reform compliance data related to this cohort has not yet been made public, the increased scope of taxation of digital assets and the global minimum effective tax requirements under the new legislation are indicators that these hitherto hard-to-reach sources of revenue are going to be better captured under the new legislation.

Emerging data from tax audits, legal prosecutions, and financial leaks indicate a decisive shift toward more aggressive regulatory enforcement. This trend is best illustrated by recent high-profile litigation in the cryptocurrency industry aimed at recovering substantial back taxes and compliance penalties. Scholarly literature on digital transformation supports this approach,

[40] PwC Nigeria, ‗A Strategic Analysis of Nigeria‗s 2025 Tax Reform Penalties and Statutory Enforcement Mechanisms' (PwC Regulatory Alert, June 2025) https://www.pwc.com/ng/tax-penalties-enforcement accessed 11 November 2025.

[41] Oxfam Nigeria and Tax Justice Network Africa, ‗Taxing the Gods: Estimating Pre-Reform Compliance Disparities Among High-Net-Worth Individuals in Nigeria' (Joint Sectoral Report, July 2025) https://nigeria.oxfam.org/reports/tax-justice-hnwi accessed 11 November 2025.

demonstrating a strong correlation between advanced electronic tax administration and enhanced capabilities in both evasion detection and overall compliance.[42]

However, these effects are not equal. The level of compliance differs greatly depending on the region, industry, and the level of digital capabilities of taxpayers and tax officials. The lack of fully integrated systems in small businesses may cause transitional barriers that can slow down their compliance rates, but bigger firms with digital infrastructure can act faster to meet the reporting requirements.[43] It is also observed by external observers that the audit capacity and the enforcement infrastructure should be expanded to make the most of the legislative and technological tools provided, especially in the long-term reduction of evasion, which should be maintained not just in terms of first-time compliance benefits.

Overall, the newly implemented tax system has begun altering evasion trends through a combination of digital enforcement technologies, expanded administrative coverage, and heightened penalties. Although a comprehensive assessment of the system's capacity to detect, deter, and remediate evasion remains premature, preliminary indicators suggest that Nigeria is successfully building institutional capacity to combat non-compliance, particularly among formal-sector participants and highly visible economic stakeholders. However, persistent challenges within the informal sector, coupled with resource constraints in enforcement, underscore the critical need for continuous refinement and expansion of existing compliance mechanisms.

6. Impact of the New Regime on Tax Compliance

The introduction of the new taxation structure aims to not only reduce evasion but also increase revenue through voluntary compliance, expansion of the tax base and taxpayer education on the perception of fairness and trust. Although detailed empirical data on the full effect of the reform process is still developing, there are early signs of improvement and adaptability to the new regime.

[42] Federal Government Steps Up Legal Action Against Cryptocurrency Entities Amid Ongoing Tax Disputes' *The Guardian Nigeria* (Lagos, 14 August 2025) https://guardian.ng/news/legal-action-cryptocurrency-tax accessed 15 November 2025.

[43] Post-Reform Reality: Evaluating Enforcement Challenges and Institutional Audit Capacity Gap' *The Guardian Nigeria* (Lagos, 28 August 2025) https://guardian.ng/business/post-reform-reality-audit-capacity accessed 15 November 2025.

Central to the current fiscal reforms is the enhancement of voluntary tax compliance, thereby mitigating the reliance on costly enforcement mechanisms. Pre-reform compliance in Nigeria was chronically depressed by low tax morale, institutional distrust, and a tax system perceived as inequitable, which systematically disincentivized formalization.[44] The Nigeria Tax Act (NTA), alongside concurrent legislative amendments, seeks to dismantle these barriers by harmonizing taxes under a singular regime and optimizing reporting workflows. Empirically, interventions such as simplified tax returns for small businesses and minimized compliance overheads for low-income demographics serve as key mechanisms to encourage formal economic participation.[45]

Analysts believe that with the kind of expansions being targeted by the reforms, the Nigerian tax-to-GDP ratio could potentially increase substantially in a nation that has long been at historically low levels.[46] Fiscal authority estimates and private sector projections indicate that at total implementation, the tax-GDP ratio would attain better levels, enhance revenue collection and assimilate a larger number of economic participants into the formal tax net.[47]

Taxpayer education and awareness programmes have been given a lot of attention in the reforms. Good compliance requires not just obedience to the law, but knowledge of the rights and responsibilities of taxpayers. The reforms include the introduction of the Taxpayer Bill of Rights and the Office of Tax Ombudsman, which ensures access to clear information, a fair hearing process, as well as better procedural guidelines that can convince and instill trust in taxpayers.[48]

The attitude towards fairness, transparency, and trust in the government is a central factor which influences compliance behaviour. Even the best-prepared tax codes may fail when it is not trusted by taxpayers. The issues of corruption, inconsistency in enforcing the laws, and the lack

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[44] Digital Integration and Its Broader Implications for Broadening Micro-SME Compliance‘ *Punch Nigeria* (Lagos, 5 September 2025) https://punchng.com/digital-integration-tax-compliance accessed 18 November 2025.

[45] Tax Reforms: New Law Ushers in Clarity, Broader Base, and Enforced Compliance‘ *THISDAYLIVE* (Lagos, 19 September 2025) https://thisdaylive.com/index.php/tax-reforms-new-law-clarity accessed 18 November 2025.

[46] Public Finance Database, ‗Administrative Bottlenecks and Historical Low Tax Morale Constraining Voluntary Compliance‘ (Nigeria Strategy Report 2025) https://www.publicfinance.ngf.org.ng/reports/administrative-challenges accessed 22 November 2025.

[47] Nigeria‘s New Tax Reforms Signed by Tinubu: Streamlining Filing Frameworks for Projected Revenue Growth‘ *The Gazette Nigeria* (Abuja, 3 October 2025) https://gazetteng.com/tinubu-signs-new-tax-reforms accessed 22 November 2025.

[48] National Assembly of Nigeria, ‗Codified Taxpayer Rights, the Establishment of the Tax Ombudsman, and Institutional Dispute Resolution Enhancements‘ (2025) 12(4) *National Assembly Legislative Digest* 30.

of reciprocity between the payment of taxes and perceived returns from the government have been long-standing issues in Nigeria. The civil society organisations have highlighted that as long as these issues of governance are not addressed, the reforms will only create resistance and undermine voluntary compliance in the long run.[49] In fact, there is still skepticism about expansion measures and enforcement powers, and stakeholders have been warned that transparency and accountability should be prioritized in addition to legal requirements to maintain compliance gains.

Additionally, analysts observe that perceived fairness—particularly equity in the levying and administration of taxes—significantly influences taxpayer willingness to comply.[50] For instance, while progressive tax brackets and tax exemptions for low-income earners are designed to promote equity, their ability to drive actual compliance depends heavily on consistent application and the visibility of public benefits. Experts warn that when taxpayers fail to see tangible returns on their contributions, compliance incentives diminish. This erosion of trust is particularly pronounced among small businesses and informal sector operators attempting to transition into the formal tax system.[51]

Despite such difficulties, the initial results indicate a positive, though irregular, change in the compliance patterns. Coherent filing systems, streamlined processes and better statutory schedules decrease the friction in the compliance procedures, easing the burdened taxpayers to fulfil their obligations and the authorities to control the performance systematically. Nevertheless, it is probably only through continuous endeavours in the area of technology adoption, support through taxpayer services, transparency initiatives, and trust-building efforts that the social contract between the state and its citizens and the realization of sustained improvements in voluntary compliance will be achieved.

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[49] Nigeria: EiE – Tax Reforms Must Be Anchored on Trust, Transparency' *AllAfrica* (Lagos, 14 October 2024) https://allafrica.com/stories/202410140415.html accessed 18 November 2025.

[50] Brad Nathan, Ricardo Perez-Truglia and Alejandro Zentner, ‗Paying Your Fair Share: Perceived Fairness and Tax Compliance' (2024) *SSRN Electronic Journal* https://www.nber.org/papers/w32588 accessed 3 December 2025

[51] Nigeria's New Tax Laws Test Its Structural Revenue Strategy Amid Severe Informal Sector Trust Deficits' *Punch Nigeria* (Lagos, 29 October 2025) https://punchng.com/new-tax-laws-test-revenue-strategy accessed 25 November 2025.

7. Data Analysis and Empirical Evidence

To determine the level of success of the new taxation system introduced by the Tinubu administration, it is necessary to scrutinize the changes in revenue performance, the ratio of taxes to GDP, and the case-specific trends that indicate changes in compliance behaviour and financial results.

Total tax revenue collection is one of the most reported fiscal performance indicators. The Federal Government of Nigeria also announced a significant 43 per cent growth in tax collections, with tax collections going up to N14.27 trillion in H1 2025 in comparison to N9.98 trillion in H1 2024.[52] The non-oil revenue, which is part of the focus of the diversification strategies, is up by 44.2 percent, which means that the push to diversify the tax base and enhance compliance is giving some tangible results.[53] These numbers are an indication of structural improvements in enforcement and modernization of the tax administration.

Although these are gains, the tax-to-GDP ratio of Nigeria is relatively low when compared to previous years, though gradual gains can be traced. In 2023, OECD Revenue Statistics in Africa put the tax-to-GDP ratio of Nigeria at 8.2 per cent, showing a small decrease compared to its 2022 ratio of 8.3 percent and a lot less than the average tax-to-GDP ratio of South Africa at 16.1 percent. In 2023, the tax-to-GDP ratio of Nigeria was 8.2 per cent, compared to its 2022 ratio of 8.3 percent and it means that even though collections have increased in nominal terms, the revenue has not so far grown as quickly as compared to the national output- a process that can be explained by some structural and behavioral barriers in the field of tax compliance and the economy as a whole.[54] It is also worth noting that the ratio of taxes that the country pays to the GDP has been on the decline, compared to that of other countries like South Africa and Morocco,

[52] ‗FG‘s Half-Year Tax Revenues Jump 43% to N14.27 Trillion Reflecting H1 2025 Performance Baseline‘ *THISDAYLIVE* (Lagos, 12 July 2025) https://thisdaylive.com/index.php/fgs-half-year-tax-revenues-jump accessed 25 November 2025

[53] 43% Spike in Tax Revenue Spurs Hope for Fiscal Recovery: Assessing the Structural Composition Between Oil and Non-Oil Sources‘ *The Guardian Nigeria* (Lagos, 15 July 2025) https://guardian.ng/business/revenue-spike-fiscal-recovery accessed 28 November 2025.

[54] ECD/AUC/ATAF, *Revenue Statistics in Africa 2024* (OECD Publishing 2024) https://www.oecd.org/en/publications/revenue-statistics-in-africa-2024_28e3b1c6-en.html accessed 11 November 2025.

which have ratios above 25 per cent, reflecting how deep the fiscal loopholes are that need to be filled in the long run through the reforms.[55]

Another lens that can be used to assess the lag between reform enactment and full fiscal effect is comparative, according to international institutions. An illustration is that tax policy changes, such as enhancing VAT systems and minimum corporate taxes, as projected by the International Monetary Fund (IMF), would bring an extra 4.2 per cent of GDP in revenue over time, but this would not be achieved in the same accounting period and would only come with time as the administrative systems become stronger and the degree of compliance increases.[56] These estimates help highlight the fact that initial revenue numbers should be taken with a grain of salt since reforms do not affect the overall economic state and have lagging behavioural adjustments.

A recent article that evaluated the effects of tax reforms on the Nigerian revenue system discovered that there is a substantial positive correlation between reform actions and revenue collection results, indicating that structural adjustments, such as digitalization, expanded tax definitions, and increases in enforcement, play a role in increasing efficiency in revenue collection.[57] Although the research only explains that a certain amount of variance in the revenues is to be explained by certain reforms (the intricacy of the Nigerian fiscal ecosystem), it confirms the positive directional effect of a modernized tax policy on the collection results.

Empirical patterns are also elaborated by sector-specific data as well as case studies that are sub-national. To illustrate, in the case of internally generated revenue (IGR) data of 2023, states such as Lagos were far behind compared to other countries, with over 33 per cent of the national IGR attributed to it, whereas other major economies such as the Federal Capital Territory (FCT) and Rivers State had much smaller shares. Such trends underscore the asymmetrical allocation of tax filing and tax collection across the states - a trend that is being addressed by the reform efforts to harmonize reporting and increase the digitalization.

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[55] Organization for Economic Co-operation and Development, ‗Revenue Statistics in Africa 2025: Nigeria Country Note' (OECD Publishing 2025) https://www.oecd.org/countries/nigeria/revenue-statistics-africa-nigeria.pdf accessed 28 November 2025.

[56] IMF Endorses New Tax Law, Flags Potential Structural Delay in Long-Term Revenue Impact' *Africa Tax Review* (Nairobi, November 2025) https://africataxreview.org/imf-endorses-nigeria-tax-laws accessed 1 December 2025.

[57] Kingsley Ighodaro, ‗An Assessment of the Impact of Tax Reforms on Nigeria's Revenue Performance' (2026) 11(1) *Account and Financial Management Journal* 22.

However, despite the revenue indicators showing that the performance is improving, the problem of quantifying compliance and evasion still exists. The constraints of data, lags in reporting and changing aspects of the tax administration make disaggregating the particular impact of policy changes and general economic trends challenging. An example is the effect of simultaneous macroeconomic changes, e.g. GDP rebasing that averted the reported national output by nearly 30 per cent, which can affect tax-to-GDP ratios without depending on compliance behaviour, and therefore makes longitudinal analysis difficult.[58] Also, variation in data collection criteria and coverage in agencies may blur the actual size of informal sector taxation, which is one of the key areas where compliance measurement is at a crossroads.

The other problem is the difference between the increase in the nominal revenue and the outcome of behavioural compliance. Higher concentrations may indicate better enforcement or a short-term factor in the economy, but not long-term voluntary compliance, and it may be necessary to be cautious when interpreting the trends over a long period. Such complexity is especially relevant in areas with a strong influence of informal operations or those with an immature digital infrastructure to facilitate tax reporting.[59]

To conclude, there is currently empirical evidence that the new tax regime under the Tinubu regime is linked to a significant revenue increase and the direction towards greater compliance, but all effects on tax evasion and long-term compliance will be noted only with further monitoring and incorporation of more data in the future.[60] The combination of comparative tax-to-GDP analysis, sectoral revenue trends, and academic literature suggests some improvements, but also shows that there are still issues with measurements that need to be established to holistically estimate the effectiveness of the reforms.

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[58] International Monetary Fund, ‗Simplifying Tax Procedures to Enhance Voluntary Compliance in Emerging Market Economies' (IMF Fiscal Affairs Department Technical Note, 2025) https://www.imf.org/en/publications/technical-notes/simplifying-tax-procedures accessed 2 January 2026.

[59] Erich Kirchler, Erik Hoelzl and Ingrid Wahl, ‗Enforced versus Voluntary Tax Compliance: The "Slippery Slope" Framework' (2008) 29(2) *Journal of Economic Psychology* 210 https://ideas.repec.org/a/eee/joepsy/v29y2008i2p210-225.html accessed 14 November 2025.

[60] Uchenna Maryjane Anushiem, ‗An Appraisal of the Legal Framework for Taxation of Companies' Income in Nigeria' (2025) 2(2) *COOU Journal of Commercial and Property Law* 23 https://journals.ezenwaohaetorc.org/index.php/COOU-JCPL/article/view/3466 accessed 10 January 2026.

8. Problems and Drawbacks of the New Taxation Structure

Although the reforms envisaged by the Tinubu administration are ambitious, the new taxation framework has some serious challenges and limitations, which could hinder its efficiency in decreasing tax evasion as well as enhancing compliance. These problems are caused by administrative, behavioural, economic and socio-political factors that interact with the specific fiscal and institutional environment in Nigeria. Some of these challenges are examined below.

8.1. Constraints in Administrative Capacity.

The main restriction of the new system of taxation is the ability of the tax administration agencies to make the reforms effective. Although the Nigeria Revenue Service (NRS) and the State Internal Revenue Services (SIRs) have digitized and integrated certain operations using data, human and technical resources remain a constraint.[61] Competent individuals are needed to administer more complicated audits, support electronic platforms and oversee adherence in various industries, yet the lack of staffing and the lack of training equally hamper complete implementation. Further, the technological infrastructure differences between urban and rural areas may introduce implementation gaps, in which taxpayers in under-resourced areas remain on the outside of the formal infrastructure.[62] Such capacity limitations can slow down enforcement, decrease audit coverage and inhibit detection and punishment of non-compliance.

8.2. Opposition among Taxpayers and Businesses.

Other major obstacles include resistance on the part of taxpayers and businesses, especially in industries that will keep on feeling the impact of new reporting regulations and greater standards of transparency. The widened digital reporting, TIN verification and minimum effective tax requirements are viewed as intruders by some high-net-worth individuals and corporate entities,

[61] World Bank, ‗Federal-State Tax Coordination in Nigeria: Reducing Institutional Overlaps and Enhancing Subnational Revenue Mobilisation' (World Bank Policy Research Working Paper, 2025) https://documents.worldbank.org/en/publication/federal-state-tax-coordination-nigeria accessed 5 January 2026.

[62] Tax Reforms Bill: Righting Wrongs of Unjust Distribution of Subnational Revenue?' *Tribune Online* (Ibadan, 14 December 2025) https://tribuneonlineng.com/tax-reforms-bill-revenue-distribution accessed 20 December 2025; PwC Nigeria, ‗Challenges in Implementing Nigeria Tax Act 2025: Administrative Realities and Human Resource Limitations' (PwC White Paper, December 2025) 12 https://www.pwc.com/ng/challenges-implementing-tax-act accessed 20 December 2025.

which results in a pushback or efforts to circumvent the rules.[63] Compliance requirements, especially among small and medium enterprises and in the informal sector, can be seen as burdensome, especially when coupled with other mandatory financial requirements and do creates reluctance or a slow pace of adapting to the new system.[64] This resistance of behaviour underscores the persistence of these issues surrounding matching perceptions and incentives of taxpayers to the aims of a policy, despite the presence of obvious legal frameworks.

8.3. The hegemony of the Informal Economy.

The informal economy has also continued to pose a significant bottleneck to tax reforms in Nigeria. Boundless economic activities take place in the informal sector, especially among retailers, small-time traders, rural businesses, and the participants of the gig economy. Currently, due to the fact that these actors may not have access to formal accounts or digital reporting platforms, it is difficult per se to enforce tax compliance.[65] Though presumptive taxes and digital registration programs seek to take informal operators into the tax bracket, not all of them are covered. Moreover, informal actors do not seem to be aware of the obligations or have low trust in authorities, and this situation once again restricts the effectiveness of compliance measures. The prevalence of informal economic operation has a direct impact on the scope as well as the scale of the tax base and restricts the collection of revenue, even with innovation in legislation and administration.

8.4. Political, Social, and Economic Forces that Influence Results.

Lastly, political, social and macroeconomic forces also determine the success of the new tax structure. Political interference or a sense of injustice in the enforcement process can destroy confidence in the system, whereas social factors like low civic participation, the cultural hostility to formal taxation or regional differences in service provision may destroy voluntary

[63] Jude C Onah, ‗Digitalization of Tax Administration and the Challenges of Technical Capacity in Nigeria' (2025) 7(4) *International Journal of Public Sector Management* 142 http://ijpsm.org.ng/index.php/ijpsm/article/view/304 accessed 22 December 2025.
[64] World Bank, ‗Subnational Revenue Mobilization in Nigeria: Addressing Regional Disparities in Infrastructure and Enforcement capacity' (World Bank Nigeria Development Update, 2025) https://documents.worldbank.org/en/publication/subnational-revenue-nigeria accessed 22 December 2025.

[65] Taxpayer Resistance to New Digital Reporting Formats and E-Invoicing Regimes in Nigeria' *BusinessDay Nigeria* (Lagos, 18 November 2025) https://businessday.ng/exclusives/taxpayer-resistance-digital-reporting accessed 26 December 2025.

compliance.[66] Taxpayers are also influenced by economic factors such as inflation, currency volatility and changing business profitability, which pose a particular challenge to small businesses and informal operators in terms of their ability to pay.[67] All these interrelated, complicated factors make it clear that the effectiveness of tax reform is not only based on the law and the administration, but on the socio-economic environment in general.

To conclude, although the reforms proposed by the Tinubu administration are an important step towards the tax policy environment in Nigeria, they are limited by the administrative aspect, opposition of the taxpayer, pre-eminence of the informal sector, and the broader socio-political and economic influences. These limitations must be identified and tackled in order to maintain the reform benefits, tax base growth, and minimize evasion in the long-term perspective. The constant investment in capacity building, stakeholder participation and comprehensive policy formulation is of the essence in making the legal and technological innovations produce the desired results.

9. Policy Implications and Recommendations

The assessment of the new taxation system in Nigeria under the Tinubu government reflects the significant policy inferences and points of advancement. Although reforms have enhanced the legal and technological infrastructure in revenue collection, compliance, enforcement, and interaction with taxpayers continue to be a challenge. These challenges may be addressed through a multi-pronged approach that is based on institutional, behavioural and structural interventions.

9.1. Empowering Tax Administration and Enforcement.

One of the recommendations, which is that a critical revision should be carried out, is the strengthening of the administrative capacity of federal and state tax authorities. Human resources, training and expertise in technology have to be invested to be able to manage the

[66] Chartered Institute of Taxation of Nigeria, ‗SME Compliance Challenges, Operational Hardships, and Perceptions of Regulatory Burden' (CITN Tax Advisory Series, 2025) https://citn.org.ng/publications/sme-compliance-challenges accessed 26 December 2025.

[67] United Nations Economic Commission for Africa, ‗Informal Sector Taxation in Nigeria: Practical Barriers and Strategic Opportunities' (UNECA Policy Brief, 2025) https://www.uneca.org/publications/informal-sector-taxation-nigeria accessed 28 December 2025

audit, compliance and complex tax rules.[68] Human resources, training and expertise in technical expertise should also be invested so that the officers can manage and undertake audits, compliance, and interpret complex rules on tax. Moreover, the enforcement coverage, leakages, and corruption possibilities can be minimized by seeking to expand digital infrastructure, such as e-filing, real-time reporting, and integrated databases, which can enhance coverage of these systems. Frequent performance audits and monitoring systems should be institutionalized to measure the level of enforcement and the need to improve.[69]

9.2. Increasing the level of Trust and Accountability of the Taxpayers.

The focus of enhancing voluntary compliance is to establish trust between taxpayers and authorities. The lack of perceptions of unfairness and increased legitimacy can be achieved through policies that guarantee transparency in how tax revenues are used, communicate clearly the rights of taxpayers, and provide a dispute resolution mechanism that is accessible to them.[70] Introducing services that are easy to deal with through specific support centres, online education portals and regular feedback loops will promote compliance and enhance civic responsibility. Reporting effective prosecution of evasion cases and an evident delivery of publicly benefiting commodities that are paid by tax income will strengthen the mutual relationship that the Fiscal Exchange Theory is based on, and will result in more people joining the tax system.[71]

9.3. Streamlining of Taxation Laws and Processes.

Tax law is still too complex, and it continues to be a challenge to individuals and businesses. Streamlining tax laws and processes is then important. Among the recommendations are harmonization of overlapping taxes, simplification of filing and easier instructions on how SMEs

[68] Political and Social Factors Influencing Macro Tax Compliance Trends in Nigeria' *AllAfrica* (Lagos, 3 December 2025) https://allafrica.com/stories/202512030412 accessed 28 December 2025.

[69] International Monetary Fund, ‗Nigeria: Economic Shocks and Tax Capacity in the Reform Era' (IMF Country Report No 25/114, 2025) https://www.imf.org/en/publications/cr/issues/nigeria-economic-shocks-tax-capacity accessed 29 December 2025.

[70] PwC Nigeria, ‗Enhancing Tax Administration Capacity and Systemic Governance in Nigeria Post-2025 Reforms' (PwC Thought Leadership Insights, December 2025) https://www.pwc.com/ng/enhancing-tax-capacity-post-2025 accessed 29 December 2025

[71] World Bank, ‗Digitalization and Tax Compliance: Operational Lessons and Pathways for Nigeria' (World Bank Public Sector Brief, 2025) https://documents.worldbank.org/en/publication/digitalisation-tax-compliance-nigeria accessed 30 December 2025.

and informal sector players should file their accounts.[72] Advancing towards full digitization and the use of user-friendly filing systems can lower the compliance expenses and decrease the number of errors, making the process of compliance with tax requirements less heavy and more efficient. Transparency in regulations and the uniformity in interpreting the regulations by the tax authorities will decrease the cases of ambiguity in the law that lead to evasion.

9.4. Enhancement of Interstate Federal and State Tax Coordination.

The presence of federal and state tax agencies, though required in the fiscal federalism in Nigeria, has in the past resulted in duplication, confusion and jurisdiction wrangles. To ensure the development of a coherent system in which the responsibilities, data sharing, and enforcement procedures are coordinated, it is necessary to strengthen the coordination of FIRS and State Internal Revenue Services (SIRS).[73] Multiple and conflicting obligations can be avoided by joint audits, interoperable data systems and harmonized tax policy guidelines, which reduce redundancies, improve compliance monitoring and enhance the taxpayer experience.

9.5. Summary and Prospectus.

Evaluations of the reforms by the Tinubu administration offer a good platform through which Nigeria's long-term issues over tax compliance and evasion can be addressed. Nonetheless, in order to make sustainable improvements, the authorities should pay attention to capacity building, the development of trust, simplification, and coordination with other agencies. In this way, Nigeria will be able to anticipate a more extensive, fairer tax base, a better level of voluntary compliance and a closer correspondence of the fiscal policy goals to economic growth. To ensure that policy interventions are always relevant and effective, future assessments must still be conducted based on comprehensive, sector-specific data and further observe how both formal and informal economic activities are changing to keep up with the changing dynamics of the reforms.

[72] Chartered Institute of Taxation of Nigeria, ‗Building Taxpayer Trust, Fiscal Morale, and Structural Transparency through Collaborative Reform Advocacy' (CITN Communiqué, 2025) https://citn.org.ng/publications/building-taxpayer-trust accessed 30 December 2025

[73] ‗Fiscal Exchange and Citizen Compliance: Empirical Evidence from Nigeria's Structural Overhauls' *AllAfrica* (Lagos, 27 December 2025) https://allafrica.com/stories/202512270089 accessed 2 January 2026.

10. Conclusion

This research paper has also measured the success of the novel tax system under the Tinubu government in minimizing tax evasion and enhancing adherence in Nigeria. It can be seen that the analysis shows a complex imagery influenced by legislative change, administrative innovation, adoption of technology and behavioural process.

The main results suggest that all three stages of consolidating tax regulations with the adoption of the Nigeria Tax Act 2025, the implementation of electronic reporting solutions, and the enhancement of the enforcement system have already started yielding tangible outcomes in terms of revenue collection, and the initial information reveals that tax revenues grow, and the formalization of economic operations is becoming more widespread. The focus of the reform on digitalization, unified Taxpayer Identification Numbers (TINs), and reporting in real-time has increased transparency, better monitoring, or increased ability of the state to identify and remedy evasion. Moreover, the policies addressing high-net-worth individuals, the digital economy, and informal sectors in the past are evidence of the desire by the administration to expand the tax base and increase equity in the system.

Although these gains exist, the study shows that challenges still persist. The limited administrative capacity, disproportionate use of technology, opposition by some taxpayers and the persistence of the informal sector are some of the factors that restrain the potential of reform implementation. Compliance behaviour is also affected by social, political and economic factors, i.e. lack of trust, macroeconomic volatility, which explains the significance of complementary policy changes in addition to legal and technological innovations.

Altogether, the new taxation structure is still in its developmental stage; it has shown signs of progress in the areas of revenue mobilization and compliance but enduring success will be achieved through the institutional constraints, enhancing the inter-agency coordination, abridging the procedures, and developing the trustworthiness of taxpayers. Those reforms provide a timely opportunity to improve the fiscal sustainability of Nigeria, to decrease reliance upon the oil revenues, and to build a more robust and balanced tax system.

Future research areas may involve longitudinal studies of the trends in voluntary compliance, the long-term effect of digitalization on taxation in the informal sector, as well as comparative studies of the effectiveness of implementation on a state level. Research on the perception of taxpayers, behavioural reaction, and interaction of fiscal policy and economic growth will also contribute to evidence-based strategies to maintain the gains of reforms.

To sum up, tax reforms under Tinubu administration is a major move towards the modernization of the fiscal system in Nigeria. Though there are still difficulties, the groundwork has been laid towards a more effective, fair, and viable tax system that can be able to sustain long-term national development interests.