TAX REFORM BILLS 2024: ALIGNING LEGAL FRAMEWORKS WITH ECONOMIC REALITIES FOR MAXIMUM BENEFIT*

Abstract

The Tax Reform Bills 2024 represent a pivotal step in overhauling Nigeria's tax system to address longstanding inefficiencies, such as the multiplicity of taxes and the complexity of existing laws. This research examines the legislative framework proposed by the Nigeria Tax Bill, Nigeria Tax Administration Bill, Nigeria Revenue Service (Establishment) Bill, and Joint Revenue Board (Establishment) Bill, with a focus on their alignment with Nigeria's economic realities. It highlights the transformative potential of these reforms, which aim to simplify tax compliance, promote equity, and foster a conducive environment for businesses, particularly small and medium-sized enterprises (SMEs). Special attention is given to provisions that protect vulnerable populations, such as the exclusion of essential goods and services from Value-Added Tax (VAT) and the expansion of turnover thresholds for corporate tax exemptions. This research underscores the importance of public and legislative acceptance of the bills, emphasizing the long-term fiscal stability and socio-economic benefits they promise to deliver. By shifting the discourse from skepticism to constructive engagement, this study advocates for the embrace of the bills as critical instruments for national development.

Keywords: Tax Reform Bill 2024, Economic Realities, Maximum Benefits, Nigeria

1. Introduction

Taxation is a cornerstone of every nation's fiscal policy, serving as a key instrument for revenue generation and socio-economic development. In Nigeria, however, the tax system has been marred by inefficiencies, complexities, and a lack of coherence, which have hampered its effectiveness and placed undue burdens on businesses and individuals. The Tax Reform Bills 2024, transmitted to the National Assembly by President Bola Tinubu, mark an ambitious attempt to address these challenges and align Nigeria's tax regime with contemporary economic realities. Comprising the Nigeria Tax Bill[1], Nigeria Tax Administration Bill[2], Nigeria Revenue Service (Establishment) Bill[3], and Joint Revenue Board (Establishment) Bill[4], these legislative proposals seek to codify and simplify existing tax laws, eliminate multiple taxation, and create a more business-friendly environment. The proposed reforms are not only rooted in economic pragmatism but also reflect the recommendations of the Presidential Committee on Fiscal Policy and Tax Reforms. Their overarching goal is to establish a fair, transparent, and efficient tax system that supports entrepreneurship, reduces administrative bottlenecks, and promotes fiscal sustainability.

This study delves into the key provisions of the bills, such as the unification of tax laws into a comprehensive Nigeria Tax Act, the reclassification of businesses to provide greater tax relief to SMEs, and the exclusion of essential goods and services from VAT. It also explores how these measures are designed to mitigate the unintended consequences of multiple taxation, enhance voluntary compliance, and stimulate investment. Furthermore, it situates the reforms within a broader regional and global context, noting Nigeria's relatively low VAT rate compared to peer nations. Despite their potential benefits, the bills have sparked mixed reactions among Nigerians, with concerns about possible tax rate increases and fears of additional burdens on citizens. This research challenges these perceptions by demonstrating that the reforms prioritize equity and economic relief, particularly for vulnerable populations and small businesses. It argues that the long-term benefits of the bills far outweigh any initial adjustments, making them indispensable for Nigeria's fiscal and economic stability. By providing a comprehensive analysis of the Tax Reform Bills 2024, this study aims to shift the discourse from apprehension to informed advocacy, urging legislators and the public to embrace these reforms as transformative tools for national development.

2. Tax Reform Bills 2024

The four fiscal reform bills were transmitted to the National Assembly by President Bola Ahmed Tinubu on October 3, 2024. These bills were the outcome of the work of the Oyedele Committee on Fiscal Policy and Tax Reform, which

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[1] Nigeria Tax Bill, 2024 A Bill For An Act To Repeal Certain Acts On Taxation And Consolidate The Legal Frameworks Relating To Taxation And Enact The Nigeria Tax Act To Provide For Taxation Of Income, Transactions And Instruments, And For Related Matters, HB 1759 with proposed commencement date of 1st January, 2025.

[2] A Bill For An Act To Provide For The Assessment, Collection of, And Accounting For Revenue Accruing To The Federation, Federal, States And Local Governments; Prescribe The Powers And Functions of Tax Authorities, And For Related Matters, HB 1756.

[3] A Bill For An Act To Repeal The Federal Inland Revenue Service (Establishment) Act, No.13, 2007 And Enact The Nigeria Revenue Service (Establishment) Act To Establish The Nigeria Revenue Service, Charged With Powers Of Assessment, Collection Of, And Accounting For Revenue Accruable To The Government Of The Federation, And For Related Matters, HB 1757.

[4] A Bill For An Act To Establish The Joint Revenue Board, The Tax Appeal Tribunal And The Office Of The Tax Ombud, For The Harmonization, Coordination And Settlement Of Disputes Arising From Revenue Administration In Nigeria And For Related Matters, HB 1758.

was inaugurated by the President on Tuesday, 8th August 2023. The Committee's report was submitted to the President on 25th August 2023 and, later, to the Federal Executive Council for approval. Although select recommendations of the reports were revealed to the media, the complete report was never made public, nor were the most fundamental changes that touched on Nigeria's federal system. Indeed, it was only after the bills transmitted to the National Assembly were published in the National Assembly Journal on 4th October, 2024 that the general public became aware of some of the most fundamental changes the president is proposing. What the bills seek to achieve are not just changes to Nigeria's tax structure, but also fundamental changes to the revenue distribution, thus, a fundamental change to Nigeria's federal system. These bills represent the first major attempt at changing the structure of Nigeria's federal system since the return of democracy in 1999[5], with many of its provisions requiring constitutional review[6].

The four bills submitted to the National Assembly[7], are the most comprehensive, far-reaching and fundamental changes to the tax and revenue administration in the Nigerian federation's history. These bills are 'The Nigeria Tax Bill, 2024 ('A Bill for An Act to Repeal Certain Acts on Taxation and Consolidate the Legal Frameworks Relating to Taxation and Enact the Nigeria Tax Act to Provide for Taxation of Income, Transactions and Instruments, and for Related Matters')[8]' and 'The Nigeria Tax Administration Bill, 2024, which has three bills ('An Act to Provide for The Assessment, Collection of, and Accounting for Revenue Accruing to the Federation, Federal, States And Local Governments; Prescribe The Powers And Functions Of Tax Authorities, And For Related Matters')'[9]. These four bills are comprehensive in their objectives to re-structure the economic foundation of Nigeria's federalism. The transmittal letter to the National Assembly read on 3rd October 2024, requested that the bills be sent for consideration and quick passage. In line with this directive, the first reading was conducted on 3rd October, 2024, was quickly followed by the second reading on 28th November 2024. The Presidential Fiscal Policy and Tax Reforms Committee came up with these objectives as the rationale for the Tax Reform Bills 2024;

i. Do away with nuisance taxes with very low revenue yield, high cost of collection and ultimate burden on the poor and small businesses.
ii. Focus on high revenue yielding taxes, that are broad-based and relatively ease to collect. Nigeria Tax Bill Proposed single digit number of taxes.
iii. Merge taxes and levies that are imposed on the same or substantially similar tax base.
iv. Keep the total number of taxes across all level of government to a single digit.
v. Institutionalize the tax harmonization reform to ensure sustainability[10].

Below are detailed discussions on the provisions of the Bills:

2.1. Nigeria Tax Bill[11]

Overview of the Bill

This bill seeks to repeal certain acts on taxation and consolidate the legal frameworks relating to taxation and enact the Nigeria Tax Act to provide for taxation of income, transactions and instruments, and for related matters. The bill sets out the following:

- Chapter 1 - Objectives and application
- Chapter 2 (Parts i-xi) - Taxes of income of persons (Imposition of tax on income, profits or gains; Resident persons, Non-resident persons, Rates of tax, Development levy, Specialized trade)
- Chapter 3 (Parts i-iv) - Taxation of income from petroleum operations (Hydrocarbon tax, PPT, Deep offshore and inland basin production sharing contract)
- Chapter 4 - Relief for Double Taxation
- Chapter 5 (Parts i-iii) - Imposition of stamp duties, Chargeable instrument, Miscellaneous provisions
- Chapter 6 (Parts i-ii) - Value Added Tax (Imposition, Remittances & recovery of tax)
- Chapter 7 - Excise duty on services
- Chapter 8 (Parts i-iv) - Tax Incentives (Income tax exemptions, Economic development tax incentive, Exemption from stamp duties, Exemption from VAT)
- Chapter 9 - General provisions (Business restructuring, Transfer Pricing, Transition provisions, etc)
- Schedules - Capital allowance, Export Processing & FTZ entities, Individual income tax rates, Dutiable instruments, Excise duty on services, List of priority sectors etc

[5] Since the Okigbo's Committee of 1980
[6] MAFC's submission 5
[7] These bills were published in two NASS Journals (Vol. 21, Nos. 72 & 73, dated 4th Oct. 2024)
[8] Published in the *National Assembly Journal* Vol. 21, No. 73.
[9] Published in the *National Assembly Journal* Vol. 21, No. 72.
[10] The Presidential Fiscal Policy and Tax Reforms Committee, *Overview of Tax Reform Bills,* p. 17, November, 2024.
[11] Nigeria Tax Bill, 2024 A Bill For An Act To Repeal Certain Acts On Taxation And Consolidate The Legal Frameworks Relating To Taxation And Enact The Nigeria Tax Act To Provide For Taxation Of Income, Transactions And Instruments, And For Related Matters, HB 1759 with proposed commencement date of 1st January, 2025.

Key Amendments/Innovations of the Bill

A thorough review of the provisions of the Bill reveals that the Bill have so many innovations that will be beneficial to both business owners and individuals in Nigeria. Here are some of the salient innovations sought to be introduced by the bill;

i. Elimination of minimum tax on loss making company and introduction of top up tax up to 15% effective tax rate for multinationals and large domestic companies.
ii. Incentive of up to N200k for honest declaration of rent paid by a tenant.
iii. Capital gains to be taxable as part of income tax subject to deduction for losses and certain exemptions e.g. personal dwelling and two vehicles.
iv. CGT exemption on shares up to N150m proceeds and not more than N10m gain in any 12 consecutive months.
v. Reduction in company income tax rate from 30% to 25% over the next 2 years.
vi. Introduction of development levy at 4% to harmonize and phase out earmarked taxes.
vii. Review and harmonization of tax incentives with clear framework to prevent abuse.
viii. Introduction of priority sector incentive to replace the current pioneer status regime for better transparency and curb abuse.
ix. Unilateral relief for double taxation provided income or profit is brought into Nigeria through approved channels.
x. Simplified stamp duties regime with clarity on chargeable instruments, manner of denoting, obligation to stamp, timing of payment etc.
xi. Reduction in VAT rate to 0% and exemption on most essential consumptions, rates for other items to be increased to 10% by 2025, 12.5% by 2029 and 15% by 2030.
xii. Introduction of electronic invoicing and fiscalization for VAT.
xiii. Grant of input VAT credit on assets and services in addition to goods consumed by businesses to lower the cost of production.
xiv. Deductible donations for specific bodies listed by type whether of capital nature or not, not exceeding 10% of PBT for the year. Deduction for R&D allowed but not exceeding 5% of turnover for the year.
xv. Disallowable interest on loan to be limited only to excess interest of 30% EBITDA in respect of related parties' loans.
xvi. Changes to export processing and free trade zone tax rules to prevent abuse and economic distortion - fully exempt if 100% exports, at least 75% export to pay tax proportionately, more than 25% sales to customs territory to be taxed in full and lose all other reliefs.
xvii. Increase in small business exemption thresholds from N25m to N50m or N250m assets.
xviii. Supremacy of the law on taxes and prohibition of similar taxes on any income or profits, gains, assets or transactions which are chargeable to tax under this act on the same taxpayer or tax base

Comparison between the Present Value Added Tax/Personal Income Tax Regimes and the Proposed Nigerian Tax Bill

i. Under the current VAT regime, many essential items constituting 82% of the total consumption of an average household attract VAT while some are exempt whereas under the bill, there is a proposal for 0% VAT on food, education, healthcare. Exempt rent, transport etc. There is an increase rate on non-essential items to partly offset reduction on essential items.
ii. Also, under the present tax regime, many small businesses are required to charge VAT on their sales however, under the proposed bill, over 97% of SMEs will be exempted from charging VAT on their sales.
iii. Moreso, VAT refunds under the present tax regime requires extensive tax audits and take a long time to process whereas VAT refunds under the proposed bill will be faster without the need for extensive tax audits to help business cash flows.
iv. Furthermore, Sharing of VAT revenue to and among states is contentious in the present tax regime, whereas Sharing of VAT revenue to and among states as proposed by the bill is to be more equitable, new method of derivation, fair distributions.
v. Also, export of services and intellectual properties under the present tax regime bear VAT making their export less attractive whereas export of services and intellectual properties under the proposed Bill will attract 0% VAT to facilitate export growth.
vi. Under the present tax regime, there is high level of evasion and under-declaration whereas the proposed bill seeks the introduction of fiscalization, electronic invoicing and non-deductibility for income taxes
vii. Under the present tax regime, S.40 VAT Act[12] provides the sharing formula as follows: (a) 15% to the Federal Government; (b) 50% to the State Governments and the Federal Capital Territory, Abuja; and (c) 35% to the Local Governments. This is not so under the proposed bill, S.77[13] provides the sharing formula as follows:

[12] Value Added Tax Act, Cap V1, Laws of the Federation of Nigeria, 2004.
[13] Nigeria Tax Bill, 2024.

(a) 10% to the Federal Government; (b) 55% to the State Governments and the Federal Capital Territory; and (c) 35% to the Local Governments. Provided that 60% of the amount standing to the credit of states and local governments shall be distributed among them on the basis of derivation.

viii. Under the present tax regime, the sharing formula of VAT revenue is – Equality 50%, Population 20% whereas under the proposed bill, Equality 20%, Population 20%.

ix. Under the present Personal Income Tax regime, there is fiscal drag regarding taxable income band and rates pushing the poor to pay more taxes whereas under the proposed bill, there is tax exemption for minimum wage earners, lower tax for other low-income earners, progressively higher tax for high income earners.

x. Unfair tax burden on small businesses and self-employed individuals under the present PIT regime whereas under the proposed bill, there is extension of tax reliefs to entrepreneurs and self-employed individuals.

xi. The present PIT tax regime had uncompetitive provisions for remote workers which makes it unattractive to hire Nigerians in Nigeria within the global business process outsourcing whereas under the proposed bill, there are clear and competitive framework for remote workers and digital nomads.

2.2 Nigeria Tax Administration Bill[14]

Overview of the Bill

This Bill cover assessment, collection, and accounting for revenue accruing to the federation, federal, state and local governments. It prescribes the powers and functions of revenue authorities. The bill sets out the following:

- Chapter 1 - Objectives and Jurisdiction of Tax Authorities, and Taxpayer Registration.
- Chapter 2 - Returns, Assessments and Payments including Compliance, Tax Refunds and Enforcement.
- Chapter 3 - General and Administrative Provisions including Deployment of Technology.
- Chapter 4 - Offences and Penalties.
- Chapter 5- Miscellaneous Provisions including Settlement of Dispute, Confidentiality, Supremacy of the Act and Transitional Arrangements.
- Schedules

The major highlights of this bill include:

Key Amendments/Innovations of the Bill

A critical review of the bill revealed that the bill proposed the following amendments/innovations viz;

i. Under this bill, a tax authority may with the approval of the relevant government delegate its authority to administer taxes within its jurisdiction to another.

ii. Also, Tax ID to be issued upon request or explanation of non-issuance within 2 working days. Tax ID may be issued to a taxable person who fails to apply or register.

iii. Furthermore, under the bill, Midstream Companies engaged in liquified natural gas to submit estimated returns for the purpose of income tax.

iv. Also, under this bill, the relevant tax authority may issue guidelines for simplified income tax return by low-income earners or persons in the informal sector.

v. Deployment of technology for the real time filing of returns as may be prescribed by the Service and introduction of VAT fiscalization system.

vi. All taxable persons are to submit annual tax incentives returns covering income tax and any incentive not generally available to all taxpayers.

vii. Taxpayers to disclose tax planning designed to obtain a tax advantage to the relevant tax authority.

viii. Accreditation of tax agents representing a taxpayer for a fee by relevant tax authorities.

ix. Exchange of information between tax authorities and legal framework for joint audits.

x. Payment of monthly instalment tax on gas income based on estimates.

xi. Taxpayer to pay any portion of tax that is not under dispute while resolving disputed matters.

xii. Tax refund to be made within 90 days of decision post audit with option of set-off against any tax liability of the taxpayer. AGF/S to open dedicated accounts for each tax-type to pay money for tax refunds based on estimates provided by relevant tax authority.

xiii. Establishment of state IRS to be autonomous in its financial, technical, professional and administrative affairs.

xiv. Supremacy of the NTAB to take precedence over any other laws with regards to administration, assessment, collection, accounting and enforcement of taxes.

[14] A Bill For An Act To Provide For The Assessment, Collection of, And Accounting For Revenue Accruing To The Federation, Federal, States And Local Governments; Prescribe The Powers And Functions of Tax Authorities, And For Related Matters, HB 1756.

2.3 Nigeria Revenue Service (Establishment) Bill[15]

Overview of the Bill

The bill seeks to repeal the Federal Inland Revenue Service (Establishment) Act, No.13, 2007 and enact the Nigeria Revenue Service (Establishment) Act to establish The Nigeria Revenue Service, charged with powers of assessment, collection of, and accounting for revenue accruable to the Government of the Federation, and for related matters. The bill sets out the following:

- Part I - Objective and Application
- Part II - Establishment of the Nigeria Revenue Service
- Part III - Establishment and Composition of the Governing Board of the Service, etc.
- Part IV - Management and Staff of the Service.
- Part VI - Miscellaneous Provisions
- Part V - Financial Provisions
- Schedules

The Objectives of the bill includes;

i. To ensure the harmonization of revenue administration in Nigeria.
ii. To provide a framework for collaboration between and among revenue agencies across the 3 tiers of government including optional power to delegate tax collection functions between themselves.
iii. To promote accountability and transparency in revenue administration and publication of annual reports online.
iv. To progressively reduce the cost of revenue collection to international benchmark.
v. To adopt more digital options for correspondences between taxpayers and the revenue service.
vi. To address existing challenges regarding non remittance of revenues collected by government and MDAs.

Key Amendments/Innovations of the Bill

A critical review of the bill revealed that the bill proposed the following amendments/innovations viz;

i. Nigeria Revenue Service to administer taxes and revenue under any law made by NASS.
ii. The NRS or any state or local government may request assistance from one another to collect or administer a tax.
iii. The NRS shall publish its annual report including audited accounts on its website within 30 days after presentation to FEC and NASS.
iv. Service of documents on the NRS may be delivered by registered post, courier service, designated email or other electronic means.
v. Accountant General of the Federation shall deduct any unremitted revenue due from government or MDA from the budgetary allocation or any other money accruing to such government or MDA and remit to the NRS.

2.4 Joint Revenue Board (Establishment) Bill[16]

Overview of the Bill

This bill seeks to establish the Joint Revenue Board, the Tax Appeal Tribunal and the Office of Tax Ombud, for the harmonization, coordination, promotion of the rights of taxpayers and tax dispute resolution, and related matters. The bill contains the following:

- Part I- Objectives and application
- Part II- Establishment of the Joint Revenue Board
- Part III- Management and staff of the Board
- Part IV- Financial provisions
- Part V- Establishment of Tax Appeal Tribunal
- Part VI- Establishment of the Office of the Tax Ombud
- Part VII- Miscellaneous provisions
- Schedules- Proceedings of the Board, procedure of the TAT, procedure of the Office of Tax Ombud

[15] A Bill For An Act To Repeal The Federal Inland Revenue Service (Establishment) Act, No.13, 2007 And Enact The Nigeria Revenue Service (Establishment) Act To Establish The Nigeria Revenue Service, Charged With Powers Of Assessment, Collection Of, And Accounting For Revenue Accruable To The Government Of The Federation, And For Related Matters, HB 1757.

[16] A Bill For An Act To Establish The Joint Revenue Board, The Tax Appeal Tribunal And The Office Of The Tax Ombud, For The Harmonization, Coordination And Settlement Of Disputes Arising From Revenue Administration In Nigeria And For Related Matters, HB 1758.

Key Amendments/Innovations of the Bill

A critical review of the bill revealed that the bill proposed the following amendments/innovations viz;

i. Establishment of the Joint Revenue Board with expanded functions and membership to replace the current JTB.
ii. Maintain database of taxpayer ID in collaboration with NRS, States IRS, and LG Revenue Committee.
iii. Provide guidance for the accreditation of tax agents.
iv. Establishment of the Tax Appeal Tribunal with jurisdiction to settle tax dispute arising from any tax laws made by NASS or the House of Assembly of a state.
v. Establishment of the Office of the Tax Ombud to serve as an independent and impartial arbiter, conduct enquiries, institute legal proceedings on behalf of a taxpayer, watchdog against any arbitrary fiscal policy.
vi. Tax Ombud may report relevant agencies to NASS or state House of Assembly for oversight in the event of failure to implement recommendations with satisfactory reason.

3. Strengths of the Tax Reform Bills 2024

The transmission of four bills that aim to overhaul Nigeria's tax system to the National Assembly two weeks ago by President Bola Tinubu has sparked debates in the polity about the purpose of the bills. Some have expressed fears that the bills may encapsulate proposals calling for a raise in tax rates in a way that will further burden the citizens. Some Nigerians have received the news with mixed feelings, while others have chosen to wait for details before commenting on the development[17]. There is no basis to entertain any fear about these bills. If anything, Nigerians will commend Tinubu for laying a solid foundation that will ensure the fiscal stability of the country. When Nigerians get to know the details of the documents, they will know that the president is working to bring relief to them and their businesses. The four executive bills seek to tidy up the fiscal policy and legislation environment in the country. They are Nigeria Tax Bill[18], Nigeria Tax Administration Bill[19], Nigeria Revenue Service (Establishment) Bill[20], and Joint Revenue Board (Establishment) Bill[21]. These bills seek to translate the recommendations of the Presidential Committee on Fiscal Policy and Tax Reforms, chaired by Taiwo Oyedele[22], into an implementable legislative framework for the benefit of Nigerians. It is common knowledge that one factor that has continued to impede efficiency in Nigeria's tax system and has negatively impacted revenue is the multiplicity of taxes. Tinubu, in his inauguration speech, had pledged to address the issue of multiple taxation and remove all hurdles against investment in the country. The myriads of taxes are one of the issues that the Nigeria Tax Bill seeks to end. This will certainly bring ease to corporate Nigeria. Imposition of tax by more than one agency or level of government, without a shadow of a doubt, constitutes a chokehold on businesses, especially micro and small businesses and individuals.

How do these bills address multiplicity of taxes? In Nigeria today, laws dealing with various aspects of taxation are disorganized and disseminated into different legislations. Some of these laws are: Companies Income Tax Act[23], Personal Income Tax Act[24], Capital Gains Tax Act[25], Value-Added Tax Act[26], Stamp Duties Act[27], Petroleum Profits Tax Act[28], Tertiary Education Fund Act[29], Petroleum Industry Act[30], and so on. In addition to the tax-specific laws, there are many tax provisions in non-tax laws such as the NLNG Act[31], Tertiary Education Trust Fund Act[32], NASENI Act[33], Lottery Act[34], Companies and Allied Matters Act[35], etc. The list is seemingly endless. In enforcing these disparate tax provisions, unintended multiple taxation occurs and this is one of the things that the bill seeks to address. The Nigeria Tax Bill aims to codify all of the taxing provisions into one single document, to be known as the Nigeria

[17] Dare Adekanmbi, *how tinubu's tax reforms will ease citizens burdens*, the punch newspaper, 28th october, 2024. Retrieved Online from https://punchng.com/how-tinubus-tax-reforms-will-ease-citizens-burdens/. Accessed on 28th December, 2024.
[18] Op. cit.
[19] Op. cit.
[20] Op. cit.
[21] Op. cit.
[22] Mr. Taiwo Oyedele is the Chairman of the Presidential Committee on Fiscal Policy and Tax Reforms set up by President Bola Ahmed Tinubu with a broad mandate to carry out critical reforms bothering on Fiscal Governance, Revenue Transformation and Economic Growth Facilitation.
[23] Cap C21, Laws of the Federation of Nigeria, 2004.
[24] Cap P8, Laws of the Federation of Nigeria, 2004.
[25] Cap C1, Laws of the Federation of Nigeria, 2004.
[26] Cap V1, Laws of the Federation of Nigeria, 2004.
[27] Cap S8, Laws of the Federation of Nigeria, 2004.
[28] Cap P13, Laws of the Federation of Nigeria, 2004.
[29] Tertiary Education Trust Fund (Establishment, Etc.) Act, 2011.
[30] Petroleum Industry Act 2021.
[31] Nigeria Liquified Natural Gas Act 1990.
[32] Tertiary Education Trust Fund (Establishment, Etc.) Act, 2011.
[33] The National Agency for Science and Engineering Infrastructure (NASENI) Act, Cap N3 Laws of the Federation of Nigeria, 2004.
[34] National Lottery Act, 2005.
[35] The Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004.

Tax Act when passed into law. In the bill, chapters are devoted to the various tax types in a simplified format. The proposed tax law is also written in a simple language that anyone with basic literary education can read and understand. The complexity of the extant law, for instance, is such that it will be pretty difficult for a Professor of Mathematics to compute his personal income tax on his own because of all the inter-twinning provisions that will confuse him, as to what income is taxable or what deduction is allowable. All these complications and complexities have been removed in the new proposals. In the proposed law, companies doing business within the country have been re-classified into two: small and large. This is based on the companies' respective turnover thresholds. A company will be deemed small if its turnover is N50m or less in a year[36]. Under the extant law, any company which records a turnover of N25m or less is not required to pay Companies Income Tax[37]. In the new tax bill, companies with a yearly turnover of up to N50m will not pay CIT. As regards large companies, that is, those whose turnover thresholds are above N50m, there is a proposal in the bill to give some relief to them. The objective of this concession for such companies is attuned to Tinubu's avowed commitment to protect small businesses and eliminate inhibitions that negatively impact entrepreneurship in the country.

Perhaps the game-changer among the several pleasant provisions of this document is what the bill seeks to do with VAT. It is an eloquent testimony to the fact that Tinubu has listened and harkened to the complaints by Nigerians, particularly the ordinary Nigerians who are bearing the substantial brunt of the initial pain of the government's economic reformation policies. In the proposed law, VAT will not be charged on all items that have a direct existential impact on the common people. Items such as food, medicals, education, transport business, and agriculture are not chargeable to VAT[38]. For instance, tuition fees or rent paid by proprietors or purchases made by school owners for the business of educating Nigerians will be free from VAT. It is the same for owners of hospitals, those in agricultural business, and those who buy vehicles for transportation. These are the areas where the lives of the common people will be positively affected, especially given the temporary pain of the ongoing reforms. In addition, certain input VAT which hitherto is not possible to claim under the current law can now be claimed. Another relief the president has put in the bill is that VAT refunds will be made within 30 days upon completion of paperwork by such companies or entities[39]. Already VAT is not being charged on diesel and petrol. The president had in July this year directed the suspension of duties, tariffs, and taxes on importation of food commodities as part of measures to arrest the rising cost of living.

Aside Nigeria Tax Bill, the table of tax rates for individuals has been restructured in a way that brings huge respite to low-income earners. It is worth mentioning that the Federal Inland Revenue Service does not collect taxes from individuals. It is within the jurisdiction of states' revenue authorities to collect such income tax from individuals. The only individuals who pay personal income tax to FIRS are members of the Armed Forces, members of the diplomatic corps, and foreigners earning income in Nigeria. In the new bill, individuals whose annual income is N800,000 after the deductions of pension and deductible items will not be required to pay personal income tax. However, the elite who earn fat annually will pay more. This conforms with the global principle of progressive taxation which takes more tax from the high earners and a little lower tax from middle earners, while low-income individuals pay very little. The pledge of Mr. President is that his administration's fiscal policy will tax prosperity and not poverty.

The second bill, the Nigeria Tax Administration Bill, basically seeks to consolidate administrative provisions for all taxes. This bill harmonizes all tax administration issues such as registration, filing, payment, dispute resolution, etc. for all tax types and revenue authorities. It also clearly delineates the roles and objectives of all tax authorities in the country and their relevant jurisdictions. The bill aims to promote the ease of tax administration, lessen tax compliance burden on the citizens, and improve the ease of doing business in the country. As for the proposed Joint Revenue Board (Establishment) Bill, this is seeking to replace the Joint Tax Board which has been wobbly since its establishment because it was built on quicksand. The proposed replacement not only addresses the glaring shortcomings in JTB but also retains the joint control of the body by the federal and state governments. It also seeks the creation of the office of Tax Ombuds to resolve all complaints that may arise from the operations of JRB. Today, we cannot shy away from the cryptocurrency ecosystem because it is the trend. But as it stands in Nigeria today, no law regulates cryptocurrency operations. One key highlight of the Nigeria Tax Bill is to seek legislation to regulate the digital currency market said to be worth $1trillion globally. The bill, when passed into law, will arrest the revenue the country has lost in the sector. It will be recalled that some executives of one of the biggest cryptocurrency platforms, Binance, are in court for non-payment of taxes among other offences.

The Nigeria Revenue Service (Establishment) Bill primarily proposes a change of name for the Federal Inland Revenue Service to the Nigeria Revenue Service. This bill seeks to correct the error of 2007 when Nigeria's apex tax authority, FIRS, became autonomous as an operational arm of the Federal Board of Inland Revenue. The mandate of

[36] Nigeria Tax Bill 2024, section 56.
[37] Ibid
[38] Nigeria Tax Bill 2024, ss. 187 – 188.
[39] Nigeria Tax Bill 2024, s. 154(2).

FIRS is to administer tax laws to assess, collect, and account for revenue accruable to the federation and not the Federal Government. When we consider the current sharing formula on VAT revenue, only 15 percent goes to the Federal Government. The remaining 85% is shared between the states and the local government areas. Today, tax revenue from FIRS is the main reason the 36 states and the local government councils smile to the banks monthly during their Federation Account Allocation Committee meeting. A total of N17.8 trillion accrued to the Federation Account between January and July this year. FIRS tax revenue alone contributed N11.7 trillion, representing 65.8 percent of the total money disbursed to the federal, state, and local government councils to meet their needs. Giving such a critical agency an appellation that suggests it is collecting tax solely for the Federal Government is improper and must be corrected. Another error in the current name is contained in the word ‘Inland’ which restricts the agency to the collection of taxes within the interior territory of the country. Nigeria has huge revenue to collect from offshore transactions, only a repeal of the FIRS (Establishment) Act 2007 to pave the way for the Nigeria Revenue Service (Establishment) Act can make that happen. Those lamenting that the proposed name change will translate to other revenue agencies being subsumed or merged with NRS need to get copies of the bill to clear their doubt.

The general principle of the four tax bills is not just to modernize the tax system in the country, but also to ensure that relief is created for ordinary Nigerians and businesses. And so, for insulating the poor from VAT payment through exemptions of goods and services that directly impact their lives, for making VAT neutral for businesses through enabling deduction of input tax from our VAT, Tinubu has demonstrated fidelity to his commitment that government policies must allow the poor to breathe and not suffocate. Tinubu deserves to be applauded as a leader who listens to the yearnings of the citizens. The Tax Reform Bills 2024 represent a transformative opportunity to reshape Nigeria’s fiscal landscape in alignment with the country’s economic realities. By addressing persistent issues such as the multiplicity of taxes, complex tax laws, and administrative inefficiencies, the bills lay the groundwork for a more equitable, transparent, and business-friendly tax system. The unification of various tax laws into a comprehensive Nigeria Tax Act and the emphasis on protecting vulnerable populations through VAT exemptions on essential goods and services underscore the inclusive and forward-thinking nature of the reforms. These legislative proposals are not only designed to alleviate the burden on businesses, particularly small and medium enterprises (SMEs), but also to stimulate investment and entrepreneurship. By raising turnover thresholds for tax exemptions, simplifying compliance procedures, and codifying previously fragmented tax laws, the reforms aim to foster a conducive environment for economic growth while ensuring fiscal sustainability.

4. Legal and Political Implication of Passing the Tax Reform Bills 2024

Passage of this Reforms Bills are not without implications. They may come with some harsh consequences. However, what we are saying in this article is that the benefits of passing the bills outweighs the disadvantages, hence our solicitation that the bill be passed. In their totality, if passed into law, these bills;

1. It will provide the legal foundation for fundamental changes to the several core economic and political institutions, including providing the legal basis for Resource Control, the So-called ‘True Federalism’ the economic foundation for the return to the 1963 political and regional administrative structure, University Financial Autonomy, Personal Income Tax Administration, etc.;
2. It will lead to Scrapping of some agencies and retrenchment of staff. The bill abrogates the Tetfund by 2030. The Bill also abrogates NASENI and NITDA by moving their allocations to Self[40], these organizations will have no funding and will have to close down. Again, this is a practical way of closing down these agencies because if their funding is put on the annual budget, it will be a matter of time before they are viewed as unnecessary burdens on the government’s budget and closed down. There will be retrenchment of staff as federal civil service may not be able to re-absorb the released labour from Tetfund, NASENI and NITDA
3. It will force further constitutional amendments since some provisions seek to alter some constitutional provisions. For instance, only the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) has the constitutional mandate to produce formulae for revenue sharing, including VAT, among the three tiers of government. Section 162(2) of the 1999 constitution[41] empowers the commission to determine the formula for the equitable sharing of revenue amongst the three tiers of government. It will also trigger the amendment of the following provisions of the constitution to reflect the reforms sought to be implemented viz: Implementation of treaties[42]; Qualification for election[43]; Authorization of expenditure from Consolidated Revenue Fund[44]; Ministers of the federal government[45]; Distributable pool account[46]; Allocation of other

[40] Part X, 59(3-5), Nigeria Tax Bill 2024
[41] Constitution of the Federal Republic of Nigeria, 1999 (As Amended).
[42] Ibid, section 12.
[43] Ibid, sections 65, 135 & 177.
[44] Ibid, sections 81 & 121.
[45] Ibid, section 147.
[46] Ibid, section 162.

revenue[47]; Presidential pardon[48]; Jurisdiction[49]; Legislative List[50]; Revenue Mobilization and Fiscal Allocation Commission[51], amongst other key provisions.

5. Challenges to the Implementation of the Tax Reform Bills 2024

The Nigeria Tax Reform Bill 2024, though ambitious and well-intentioned, has raised significant criticisms from various stakeholders due to its potential socio-economic implications and implementation challenges. Below are the most pressing concerns:

Timing amidst Economic Strain: The reform comes at a time of significant economic hardship, characterized by inflation, rising fuel and electricity prices, and general cost-of-living increases. Introducing higher taxes, especially through VAT and corporate taxes, risks exacerbating economic pressures on households and businesses, potentially reducing public support for the reforms.

Regressivity of VAT Increases: While VAT exemptions for essential goods are included, the general increase from 7.5% to 15% by 2030 disproportionately affects low-income households, who spend a higher percentage of their income on consumption. This undermines the progressivity intended by the personal income tax reforms.

Potential for Regional Disparities: The rejection of the bill by Northern governors and traditional leaders reflects concerns about uneven impacts across Nigeria's diverse regions. The North, with its lower average incomes and less industrialized economy, may bear a disproportionate burden of the tax changes compared to the more economically active South.

Impact on Small and Medium-Sized Enterprises (SMEs): While the exemption threshold for corporate income tax (CIT) has been raised, the introduction of development levies and higher VAT rates could negate these benefits. SMEs, often operating on thin profit margins, may find these additional costs challenging to absorb, potentially stifling growth and innovation.

Bureaucratic and Institutional Challenges: The proposal to create a Joint Revenue Board and a Tax Ombudsman raises concerns about the efficiency and coherence of their integration with existing federal and state structures. Past efforts at centralizing tax administration have faced significant resistance due to entrenched bureaucratic inefficiencies and lack of trust among stakeholders.

Sector-Specific Impacts: The excise tax on gaming and telecommunications could stifle growth in these sectors, especially as telecom services are important for digital inclusion and economic transformation under the AfCFTA framework. Also, the incremental VAT on industries like electricity generation and crude petroleum exports, while exempted in some cases, could have unintended ripple effects across value chains.

Insufficient Stakeholder Engagement: The lack of comprehensive consultation with key stakeholders, including regional leaders, businesses, and civil society, risks alienating important actors who are essential for successful implementation and compliance. For example, resistance from traditional rulers and subnational entities highlights the need for a more inclusive approach.

Risk of Evasion and Non-Compliance: The bill's success hinges on the government's ability to enforce compliance. Nigeria's historical challenges with tax evasion, particularly among high-net-worth individuals and large corporations, may limit the anticipated revenue gains.

6. Conclusion and Recommendations

Criticisms and apprehensions surrounding potential tax rate increases are understandable but largely unfounded when viewed through the lens of the bills' provisions. Rather than imposing new burdens, the reforms seek to provide relief and fairness. Ultimately, the success of the Tax Reform Bills 2024 hinges on their acceptance by legislators and the public. Embracing these reforms will not only stabilize Nigeria's fiscal environment but also create a foundation for sustainable development and enhanced public trust in the tax system. This work calls on all stakeholders to approach the bills with open minds and a willingness to engage in constructive dialogue, recognizing their potential to catalyze a brighter economic future for Nigeria.

To address the concerns with the Nigeria Tax Reform Bill 2024 and ensure its successful implementation, the following expanded recommendations outline specific, actionable steps:

Phased Implementation: it is pertinent that the Government should introduce VAT and corporate tax increments gradually, tied to measurable economic recovery indicators such as GDP growth, inflation rates, and employment levels. Government should also begin with limited implementation in economically resilient sectors or regions, evaluate impacts, and make necessary adjustments before nationwide rollout. It is further suggested that government should provide businesses, particularly SMEs, with a clear timeline and guidelines to adapt their financial planning and operations to the new tax regime.

[47] Ibid, section 163.
[48] Ibid, section 175.
[49] Ibid, section 251.
[50] Ibid, Second Schedule, Parts I & II.
[51] Ibid, Third Schedule, Part I(N).

Expand Social Safety Nets: It is recommended that the government should use additional VAT revenues to subsidize essential goods and services for low-income households, including food, transportation, and healthcare. Also, the government should implement cash transfer programmes for vulnerable populations, funded by a portion of the development levy. It is further suggested that the government allocate a larger share of the development levy to rural and underserved communities to ensure equitable access to education under the Student Education Loan Fund.

Engage Stakeholders: it is further recommended that the government should host town halls and roundtable discussions with governors, traditional rulers, and regional leaders to address regional disparities and concerns. It is also very important that the government develop multilingual campaigns through media and community networks to educate citizens and businesses on the benefits and responsibilities under the new tax regime. Furthermore, in rolling out tax policies or carrying out tax reforms, it is important that government collaborate with trade associations and chambers of commerce to design tax policies that align with business needs while achieving revenue targets.

Strengthen Institutions: it is recommended that training be conducted for Joint Revenue Board staff in modern tax administration practices, including digital tools for registration, filing, and compliance monitoring. Also, the government should invest in unified digital platforms that connect federal, state, and local tax authorities to streamline processes and reduce corruption. It is further advised that the government establish the Ombudsman's office as an independent entity, funded through a percentage of tax revenues, with the authority to mediate disputes and ensure taxpayer fairness.

Monitor Socio-Economic Impacts: it is recommended that the government conduct annual reviews of the tax reform's effects on key economic indicators, such as income inequality, business growth, and regional disparities. The government should also set up a feedback mechanism for taxpayers to report challenges, complemented by periodic surveys to gauge public sentiment and compliance levels. Furthermore, the government should use data from assessments to adjust tax rates, exemptions, and enforcement strategies dynamically.

Promote Equity in Taxation: it is recommended that the government re-assess VAT exemptions to ensure essential goods and services critical for low-income households remain tax-free. The Government should also introduce tax credits or deductions for industries like telecommunications and gaming to offset the impact of excise taxes, encouraging innovation and growth. Moreover, the government should direct a portion of additional state revenues to underdeveloped regions to foster balanced economic growth.

Encourage Compliance and Reduce Evasion: for the tax reform bills to garner wide acceptance, there is need to develop user-friendly e-filing systems for both individuals and businesses, reducing barriers to compliance. There is also the need to increase penalties for tax evasion and invest in auditing technology to identify and address non-compliance efficiently. Further, the government can offer temporary tax discounts or amnesty programmes to encourage voluntary compliance among defaulters.

Foster Economic Diversification: it is recommended that the government channel a portion of the increased revenues into infrastructure, technology, and industrial development projects to stimulate economic diversification. It is also important to provide tax breaks, grants, or low-interest loans for small businesses to counterbalance the effects of increased indirect taxes. It is further recommended that government coordinate tax policies to enhance competitiveness under the AfCFTA, encouraging cross-border trade and investment in emerging sectors.