

SUSTAINABILTY OF TAX REFORMS AMIDST EXTREME POVERTY: THE NIGERIAN EXPERIENCE

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Abstract: This research reviews the tax overhaul being recently proposed in Nigeria that recommends a decrease in tax rates among other amendments. It uses content analysis and observes that the reforms, as currently proposed, might not address the extreme poverty that is confronting Nigeria currently. Rather, it will probably deepen destitution and increase income imbalance in the country. The study recommends that the public authority reviews its approach, focusing not just on the rates of taxes but on comprehensive fiscal policies that are pro-poor.

Keywords: Sustainability, Tax reform, Extreme poverty.

1.0 Introduction

For decades, petroleum has remained Nigeria's leading export, accounting for most government revenue. However, with declining oil revenues, the Nigerian government is increasingly looking to tax to finance its activities. Unexpectedly, Nigeria has remained in distress for insufficiency of revenue. The production volume of oil which persistently remains a major avenue for generating revenue in Nigeria totaled an average of 1.3mbarrels daily between 2021 and 2024, compared with peak outputs of 2.5m barrels in a day two decades ago.

Nigeria has continued to implement tax reforms, one after the other, as a strategy for beefing up revenue and aligning its tax rules with international trends. The cardinal objectives have ever been to harmonize taxes, revenue offices, processes and technology, intelligence and audit and reporting. Undeniably, tax is an essential tool for national development. Apart from being a fundamental avenue that government uses to finance the provision of crucial goods and services for its population, tax policies play essential role in escalating growth and creation of employment.

Overhauling the system of taxation to increase efficiency and reduce income inequality is necessary for ensuring that public revenues are optimal. For several decades before 2018, efforts several organizations made frantic efforts to lift many persons from abject poverty globally. That brought down the extreme destitution persistently for some decades Unfortunately, this urge to end poverty began to suffer significant setback from 2019 the moment big challenges like COVID-19 menace, violent disputes and change in climate took a center stage globally.

Nigeria is considered as one of the countries in sub-Saharan Africa (SSA) worst hit by the menace of indigence.

The destitution situation in the country has equally become so worrisome that, for some years now, it has attracted the attention of the general public and several successive administrations (Siwu et al., 2021). The poverty rate in Nigeria has kept on increasing, notwithstanding the attempts made by public authority to bring it down.(Nyako,2024).

As indicated by Aibieyi and Dirisu (2010), information on Nigeria's poverty rate shows that by 1960, the level of penury in Nigeria covers about 15% of the inhabitants and by 1980, it grew to 28.0%. In 1985, the level of poverty was below 46%but dropped to 43% by 1992 and rose to about 55% in1996. Nigeria's poverty rate has kept on increasing even as its GDP is rising (Siwu et al., 2021). Ozigbu (2018) reported that the incidences of penury in the country deepened between2000 and 2015. The trend of poverty incidence has continued to be unfavorable even up to the year 2025 when 129 million Nigerian people have been estimated to be living below the poverty line (PwC,2025). Given the escalating incidence of poverty in Nigeria as highlighted above, it is pertinent to review tax the reforms, currently proposed with a view to finding out the extent to which they would be capable of address the menace.

After reviewing the related literature in section 2, section 3 is dedicated to evaluating the extent use to which tax over hall in the past had boosted revenue collection in Nigeria Section 4 ex-rays the reforms being proposed. Section5 evaluates the sustainability of the reforms given the prevalent high incidence of poverty. Section5 recalls the attempts made in the past to alleviate poverty. Section 6 highlights the critical issues involved in the reforms with regard to Nigeria's poverty headcount ratio. Section 7 narrates how the changes in Nigeria's tax policies have reduced indigence and income imbalance while section 8 concludes the research and proffers policy recommendations.

2.0 Conceptual and theoretical review

2.1 Taxation

Several authors like Anyanwu (1997) and Song (2002) and Agbo (2023) have defined taxation all in different ways. All the same, the central message about tax is that it is a levy imposed by a public authority through its agents to achieve some developmental goals.

The major essence collecting tax is to generate enough funds to enable government to carry out its statutory responsibilities for the financial benefit of the society (Appah, 2004; Azubuike, 2009).

2.1.1 Internally generated revenue (IGR)

IGRs are receipts by public authority from all sources, other than loans and borrowings (Ihimodu, 1995). Nigerian states collect IGR from five sources, namely pay as you earn(PAYE), direct assessment, road taxes, other taxes and receipts from ministries, departments and agencies.

2.1.2Consolidated Revenue Code (CRC)

A key strategy for making revenue mobilization efficient and reducing the figure of 'nuisance' taxes is through establishing a CRC (Nabena et al.,2022).

2.1.3 Tax Reform

Tax reform is a process that governments employ to ameliorate the economic, social and political circumstances

in a nation. It is an approach for changing the manner that taxes are generated and managed by a public authority. Several works like Aminu and Eluwa (20214) and Oriakhi and Ahuru (2014), have investigated different aspects of tax reforms and how they affect revenue collection in Nigeria.

2.1.4 Characteristics of tax reforms in Nigeria

Since the middle of 1980s, tax over hall has been an aspect of the Structural and Extended Structural, Adjustment Facilities (SAF & ESAF) which IMF and World Bank have sponsored (Gemmell & Morrissey, 2007). These would typically involve both a short-run aspect, with reform designed plummet immediate fiscal and balance of payments imbalances, and longer-term changes with the intention of delivering more lasting efficiency improvements in taxation and the wider economy. Because several early packages were concerned with the immediate requirements of stabilization and trade reform, tax aspects concentrated on trade taxes. Hence, the outcomes for overall revenues were often given only little consideration.

Poverty impacts were usually ignored. More radical and holistic tax reforms accompanying attempts to re-jig the economy generally, usually addressed revenue outcomes explicitly (though still with little attention to poverty/inequality shocks).

2.1.5 Tax reform theories

The theoretical basis of tax reform is

best obtained through the supply-siders - groups of economists that argue that higher marginal tax rate will not only cause disincentive to working, investing and saving but it will also encourage tax avoidance and evasion which both decrease publicly generated revenue. The groups maintain that an optimal tax rate exists which becomes an incentive to savings, investment and labor supply and simultaneously encourages tax compliance. This implies that any tax rate that is above the optimum rate will be harmful to economic activities. This work follows Nwalla and Gimba (2019) in adopting this theory of tax reform as its foundation.

2.2.1 Extreme poverty

Kamruzzaman, (2021) explains extreme poverty as an extended real-life experience of being incapable of affording basic food, not being able to sponsor little ones to school, not possessing fundamental well-being maintenance and not possessing shelter above one's head. It is probable to vary in different social, cultural, economic, and country contexts(Sen and Hulme,2006). Extreme poverty will achieve the smallest on a mixture of the items that express fundamental states for personal life existence (Oyen,2008).

2.2.2 International poverty line

This refers to the universal poverty threshold. It was modernized in 2022, with the purchasing power parity (PPP) in place (World Bank Report,2022). The prevailing threshold is \$2.13 daily. It succeeds \$1.90 which was anchored on the PPP of 2017 (World Bank Report,2022).

2.2.3 Causes of poverty

Destitution has no single cause or single determinant. Instead, several complex factors drive poverty (Ajakaiye & Adeyeye,2002). Some of the causes of poverty are low or adverse growth in the economy, macroeconomic policies which are inappropriate, deficiencies in the market place which bring about limited job growth, abysmal

productiveness and wages in the informal sector and sluggish movement in development (Ajakaiye & Adeyeye,2002).

2.2.4. Multidimensional Poverty Measure (MPM) MPM is an indicator which shows the fraction of the population in a country nation which are denied with respect to three dimensions of well-being, namely monetary poverty, education and fundamental services (World Bank Report,2022). Its computation takes into account numerous dimensions humanity over and above monetary poverty. Its purpose is to comprehend poverty over and above financial dispossessions.

2.2.5 Challenges to eliminating abject poverty Three major issues militate against eradicating abject poverty. They comprise the deepness of poverty that continues to exist, the inconsistency in common well-being as well as the tenacious discrepancies in the non-financial dimensions of growth. (Cruz et al.,2015). a. The deepness of poverty. Poverty has remained very high and deep, particularly in SSA. The issue is that even though poverty census rates provide information concerning the spatial spread of indigence and the degree of progress over time, it does not provide a sufficient insight concerning significant disparities amid the extremely poor regarding the deepness of poverty.

b. The inconsistency in common well-being There is some obvious disparity common well-being. Added to elimination of abject destitution, the goal of common well-being incorporates an essential goal of World bank (Cruz et al,2015). However, the occasional and delayed accessibility of family statistics makes the appraisal of the worldwide performance on general well-being difficult.

c. The tenacious discrepancies in the non-financial dimensions of development.

2.2.6 Poverty theories

Different groups of scholars have divergent perspectives concerning poverty (Davis & Sanchez-Martinez (2015). Over time, different groups of scholars define poverty in manners that reflect some digressions from the monetary dimension to broader concerns like participation in politics and exclusion from the society. Bradley (2018) categorizes majority of indigence theories into three families, namely, neoclassical, classical and Keynesian/neoliberal theories.

(a) The classical and neo-classical theories are economic theories of poverty that posit that human beings are ultimately accountable for being indigent (Davis and Sanchez-Martinez,2015). The classical theorists contend that the outcomes of the give-and-take happening in the market place are efficient. As such, the wages paid to persons perfectly reflect their productivity. Thus, the wrong choices made by individuals may lead them into poverty net. Neoclassical theorists recognize more embracing causes of indigence which surpass the control of individuals (particularly, market failures). Both the classical and neo-classical theorists assert that government has limited part to play in eradicating poverty

(b) Keynesian/neoliberal theory: This group of economists are more concerned with the forces of macro-economy. They lay emphasis on the responsibility of the public authority stabilize the economy and make public goods available. They consider indigence to be mainly created by unemployment and not voluntary.

c. Marxian theory This poverty theory considers discrimination among classes and groups as majorly responsible

for indigence. It assigns an essential role to the public authority in regulating the market place. This study is anchored on both the Marxian and Keynesian theories as both of them propose that government has crucial responsibility in stabilizing the economy, providing public goods and services and eradicating poverty.

3.0 Revenue collection performance by the federal government

The economy of Nigeria has not been impressive at the moment times as manifested by its wobbling and dwarfish comparative GDP accomplishment, increasing debt profile and diminishing revenue generation (Nnamani et al.,2023). Nnamani et al. (2023) report that, on the average, Nigeria's GDP grew at the rate of 7% per year from 2000 to 2014. The growth rate dropped to 2.7% and - 1.6% during 2015 and 2016 respectively due to the crash of the country's oil price between 2014 and 2016 as well as some adverse production upset. In 2020, the growth rate of gross domestic product further shrank to - 1.8% mostly owing to the COVID-19 parlaver (NBS,2021). World Bank (2022) reports that Nigeria's per capita growth rate and GDP per capita for 2020 and 2021 were 3.4% and \$2097.1 respectively. The latter statistics that is less than the threshold of \$2700 relegates Nigeria into the list of developing nations with low income (Nnamani et al., 2023) For 33 countries in Africa, the average tax-to-GDP ratio was 15.6% in 2020 as well as 2021. The tax-to-GDP ratio of OECD was 34.1%. While that of Tunisia was 32.5%, that of Nigeria was 10.86 % in2021. In 2022and 2023, it plummeted to 7.9% 9.4% respectively the tax-to-GDP ratio of Nigeria in 2020(5.5%) was below the average for 31 countries in Africa (16%) (OECD, 2022). In addition, has one of the smallest revenue-to-GDP ratios globally – a situation that makes its financial position unsafe to shocks (II Jung,2023). Nigeria's revenue in 2021 was 7.3 per cent of her GDP in 2021.This is below half of the average for ECOWAS countries and nearly one-third of the average for the SSA. At the moment, Nigeria is ranked as 191st out of 193 countries in the globe (IIJung,2023) and has fiscal revenue that shows a declining trend.

3.1 Tax incentives

Among all the SSA countries, Nigeria is most notorious in offering huge amounts of fiscal incentives. These incentives have destroyed the income base of the country (IIJung,2023). For instance, the 2021 Tax Expenditure Statement reveals that the tax revenue foregone by Nigeria as tax expenditures was about 4 per cent of GDP (N6.8 trillion). This has made Nigeria among the costliest tax expenditures countries in SSA.

3.2 Implications of tax reform activities for Nigeria

Incompliance with the advice given in IIJung (2023), Nigeria is at the moment taking some steps to alter narrative. It has submitted some tax over hall proposals to its parliament concentrating attention mainly on indirect tax reforms and tax holiday rationalizations. The government is seen taking fiscal steps for ameliorating tax compliance by strengthening taxpayer segmentation and automation.

3.3 Rationale behind tax reform

Tax reform constitutes a basic plan for improving the efficiency of a country's tax administration (Abomaye-Nimenibo et al.,2019). However, tax administration does not work excellently in several nations. This results in manipulation of the purpose of tax laws. According to Pellechio and Tanzi (2017), it is an implied admission of

the organizational failure in the tax administration systems of several countries that necessitated the conduct of tax reforms. Tax reforms are justified by the following reasons:

- (a) when there is a need to modernize tax authority as part of a broad fiscal reform strategy in response to observed inadequacy, inefficiency and ineffectiveness in the tax system; (b) as an answer to the dictates of a growing economy, in which an enlargement of the tax net is imperative to embody the tax payers that were yet to be captured, and
- (c) when the essentials of modern ICT and applications as well as alterations in macroeconomic policies and law make tax reforms compelling (Silvani & Baer, 2018).

3.4 Historical Development of tax reforms in Nigeria

In recognition of the little budgetary space that Nigeria possesses and the urge to be at par with her peer countries, especially those in the SSA, the government has been implementing fiscal reforms since Nigeria obtained her independence. The tax reforms have witnessed several transformations since 1958 when Nigeria set up the Raisman Fiscal Commission. to help prepare the base for fiscal policies. The commission's report in 1958 became the basis of the tax system in Nigeria. The implementation of these Commission's recommendations climaxed in the enactment of five (5) legislations which include: (i) The Petroleum Profit Tax Act (PPTA), 1959 (ii). The Stamp Duty Act (SDA), 1959 (iii) The Company Income Tax Act, (CITA), 1961(iv). The Income Tax Management Act (ITMA), 1961 (v). The Personal Income Tax Lagos Act (PITLA) 1961. Other reforms followed up to the Finance Act 2022. Most recently, the federal authorities had developed modified Strategic Revenue Growth Initiative having four major objectives, namely to (i) raise revenue –to-GDP ratio to 15 percent by 2025; (ii) enlarge the tax base; (iii) combat tax dodging and encourage the payment of tax by nationals; and (iv) increase transparency in the fiscal system.

Most recently, the Nigerian government inaugurated a tax reform group for the purpose of (i) accelerating improvement in delivering service to the people(ii)boosting revenue generation from sources outside petroleum(iii) persistently analyzing the tax rules to check the existence of tax dodging and avoidance and (iv)ameliorating the tax administration. On receiving the report, President Tinubu directed that the recommendations be implemented without delay (The Cable,2023). As a follow-up, the Nigerian parliament decided think about a legislative action to simplify the county's fiscal system by bringing all financial collections under one agency. Their proposal which aims at facilitating the compliance of taxpayers with tax legislations are expected to address various fiscal and economic issues.

4.0 Provisions of the proposed tax reforms

Four tax overhaul bills were sent by the Nigerian president to lawmakers in2024 which capture the size and extent of the intended reforms (Mbachu,2025). The bills are the Nigeria Tax Bill (NTB),Nigeria tax Administration Bill, Nigeria Revenue Service Establishment Bill (NRSEB),and the Joint Revenue Board Establishment Bill(JRBEB). The NTB brings under one roof a number of eleven previous laws intended to be repealed. The aim if to facilitate harmonization of multiple taxes and address certain economic and social behaviors

4.1 Companies income Tax (CIT)

The NTB is intended to bring all taxes in Nigeria together and reduce CIT from 30 to 25 percent in the next two years and exempt small firms from CIT. The latter have now been regrouped as companies whose annual turnover is within the limit of N50,000,000.00. In addition, it intends to eliminate minimum tax on loss-making firms and others with low profit margins.

There is also a proposal by the NTB to introduce a new development levy of 4 percent to be gradually brought down to 2 per cent in the next 5 years. This will be used to finance infrastructural and developmental projects throughout Nigeria.

Company income tax is alsoob2 decreased from 30 to 25 percent for medium-sized and large enterprises. The multiple levies that added another 4 percent to taxes are brought down to a 2.5 percent single levy, which is to be dedicated to funding student loans from 2030.

4.2 Personal Income Tax (PIT)

The NTB intends to overhaul the PIT regime of Nigeria by first rearranging its rates and brackets on the levels of income. Further, the NTB intends to encourage distant work and digital nomads through providing that the income earned from employment in Nigeria by persons residing outside Nigeria will be subjected to taxation only if the services are provided physically in Nigeria. It increases the cut-off mark for those whose incomes are low-such persons shall be exempted from taxation up to 800,000 naira for one year. The verge below which low tax rates apply was raised to N50 million from the previous limit of 3.2million naira, while a 25% rate would now apply to those with income above this new threshold. A similar relief is offered small enterprises with only those that earn above N50million per year revenue being obliged to pay tax. The reforms are extended to the structure as well as the application of the withholding tax law. Foreigners buying Nigerian bonds and shares have to pay higher withholding tax rate of 15 percent. Local investors have to pay 5 percent as professional services fee and 2 percent for goods and construction service instead of 10percent paid by foreign and domestic investors previously. Not requiring any legislation, these new rules were put into effect on 1 January by the FIRS.

Nigerian residents who make lottery winnings have to pay 5percent tax, while foreigners pay 10%; this regulation replaces the one made in 1997 that excluded them. The only transactions exempted from being subjected to withholding tax are those done “across-the-counter” – where parties should not possess any pre-existing or established contractual relationship, and payment ought to be made immediately, in cash or electronically – and insurance premiums. Also. enterprises having yearly gross sales below 25m naira and those making transactions under 2m naira are not required to pay it.

The proposed reform regarding PIT and its implications for tax payers

According to Anderson (2025), the provisions of the proposed reforms on PIT and their implications for individual taxpayers are as follows:

(i) Adjusted Tax Band

A new tax band and a progressive rate has been introduced. While low incomes are either exempted or taxed at lower rates, high incomes are subjected to taxation at higher rates. It is likely that this change will reduce the tax

burden of low income tax payers and increase their disposable incomes.

a) Exemption threshold for PIT

The proposed tax reform exempts employees who earn taxable income of N800,000 per year from pay-as-you-earn tax. In addition, the taxpayers with annual taxable income of N1,000,000 and rent relief of as much as N200,000 are also to be exempted from PAYE tax deductions. This will result in higher disposable income.

b) Introduction of Rent Relief to replace Consolidated Relief Allowance

Rent relief was introduced in the tax reform bill as a replacement of the consolidated relief allowance. Given this amendment, an employee will be entitled to receive a rent relief allowance of N200,000 or 20 percent of annual rent paid, whichever is lower. While the rent relief might be favorable to low-income taxpayers, it is likely to be less favorable to high-income earners who have the likelihood of paying higher rent yearly. This is likely to push up PAYE tax the high-income taxpayers and decrease PAYE taxes low-income earners.

(c) Notification to the appropriate tax authority for claim of deduction

According to section 31 of the reform bill, deductions will be disallowed unless they are claimed in an appropriate form indicated by the relevant tax authority in an assessment year- implying that taxpayers (individuals and businesses) must actively claim deductions in writing before they are recognized. Should taxpayers fail to submit written claims, they might not enjoy deductions, resulting in their taxable incomes and total tax payable being higher. This provision minimizes the overall automatic deductions, and implies that the taxpayers that do not claim deductions properly may end up paying more tax.

(d) Exclusion of compensation and damages from taxable gains

The bill provides the compensation or damages up to 50 million naira collected for personal or professional misdeed or wound such as compensation for loss of office or employment, libel, slander, or enticement will not be grouped under chargeable gains. The implication is that any compensation or restitutions within the N50 million threshold will not be subjected to capital gains taxation. However, where the total amount exceeds N50 million, only the portion above the threshold will be regarded as chargeable gain for capital gains tax (CGT) purposes. The current PIT Act provides that, compensation for loss of office exceeding N10 million is amenable to CGT. However, the proposed rise in the exemption verge to N50 million together with the plan to bring the CGT rate in tandem with the rate of income tax seek to reduce possible revenue losses for the public authority.

e) Exemption on discarding of personal chattels

Section 52(1) of the tax reform bill provides that a gain accruing on the disposal of an asset that is tangible movable property being personal chattels of a person shall not be a chargeable gain if the overall amount or worth of what is received for the disposal does not exceed 5,000,000 or three times the annual national minimum wage, whichever is higher, in a period of assessment.

4.3. Value Added Tax (VAT)

A phased increment of Nigeria's VAT rate has been proposed by the NTB in order to achieve a new VAT rate of 12.5 percent in 2026 and 15 percent in 2030. By so doing Nigeria's VAT rate will be aligned with that standard of ECOWAS in 2030. A streamlined VAT process has been introduced by NTB to ensure that refunds are made

within thirty days that application is made without any need for audit. When the bills enacted, Nigeria will introducing a fresh calculation for sharing taxes between states. The new changes relate to the following: a). Centralization of tax collection and harmonization of tax legislations b) Expanded List of Exempt and Zero-Rated goods and services: Zero percent VAT on essential goods and services like food, education, and healthcare, replacing their previous exempt status has been proposed.

5.0 Attempts made by Nigerian government and international agencies to alleviate poverty in Nigeria

To address the universal challenge of increasing poverty level, several agencies cropped up. They have all made frantic attempts to eliminate poverty (Human Rights Career, 2022). For instance, Oxfam, among others, has suggested that there should be an international movement to stop the concentration of extreme wealth. Like Oxfam, the agencies argue that concentrating the custody of wealth in 1% slows down economic activity and makes life harder for every other person particularly those individuals at the bottom of the financial ladder (Olga, 2013). They contend that the gains of the world's billionaires in 2017 which amounted to \$762 billion, were sufficient to eliminate global penury seven times over (Shelly, 2018). Also, there is an agreement on how actions can be taken at the national level, and the support of development partners, more effective in bringing about sustainable poverty reduction (Ames et al. 2001).

Several past administrations in Nigeria have mounted poverty reduction programmes under different names and at different periods. It was not just because of poor conception that all those programmes failed. Other reasons for their failure include naive operationalization, haphazard, non-focused, blurred, corrupt and selfish implementation process.

6.0 Key issues involved in the reforms as it concerns Nigeria's poverty headcount ratio

Generally, the proposed tax reforms are applauded because the intention behind them is to ameliorate the competitiveness of Nigeria and make them conform with worldwide taxation standards. Also, these reforms are deemed to create a more business- cordial environs and, at the same time, ensure that the nation's fiscal system remains balanced and effective, driving economic growth and ameliorating tax acquiescence.

The merits highlighted above notwithstanding, the reform bills have been seriously criticized due to the following issues involved:-

- (a). There may be issues that can hamper its efficient execution and operation of centralized system of taxation in the country.
- (b). The politics of sharing revenue collected may constitute a serious challenge to the smooth execution of the new VAT regime. Among the controversial angle of the tax overhaul is the plan to alter the manner that some taxes that are remitted to the federation account, such as VAT, are distributed among the levels of government. Under the present formula, 20 percent of the pooled revenue is given to the states rooted on their contributions, 30% divided based on the number of residents of each state and 50% distributed equally among the states. In the proposed tax reform,

Tinubu administration intends to allocate to the states 60 percent of the funds they generate, distribute 20 per cent according to their populations and the remaining 20 percent to the states on equal basis. Using the on-going

revenue- sharing formula, Lagos state that is Nigeria's commercial capital and the biggest city came up with N2.27trillion, which was above 50 percent of the national pool for VAT in 2024, but received N460 billion only. Rivers State, which is the location to major oil and gas operations in Nigeria, contributed 832.7bn naira and received 188.7bn naira. Conversely, Kano State contributed 77.8bn and received 117.2bn naira. Some like Cross River, Kebbi, Abia and Imo received between five and ten times their contributions.

(c). Likelihood of the new VAT administration to increase abject poverty and income imbalance in Nigeria. Even though the switch from exemption to zero-rating favors enterprises, the higher VAT on non-crucial goods might come up with higher cost of living, especially for low-income households, since they might still rely on some affected products or services. The implication is that they will become poorer.

(d). Lopsided application of PIT to taxpayers

If the proposed reform is implemented, some taxpayers will have their tax obligations reduced and increase in net pay, while others will pay higher amounts of tax and less net pay. (e) While the proposed increases in VAT has the intention to increase public revenue and be in accordance with global best practice, an increase in VAT rate will push up the prices of goods and services and affect the consumer's purchasing power directly and negatively.

(f) The requirement that taxpayers whose yearly taxable supplies are above N25 million are should charge, collect, and remit VAT, and also file monthly returns with FIRS, is capable of putting great burden on small enterprises - especially those of them having little capital.

(g) There is a discrepancy between the items required by NTAB and NTB with respect to who should charge VAT or submit monthly returns to the FIRS. While NTAB exempts enterprises having yearly gross sales of N50million or below and overall permanent assets worth below N100 million (not including the firms providing professional services) from charging VAT or submitting monthly returns to FIRS, NTB sets a higher verge for overall permanent assets of small enterprises; the latter set the threshold as N250 million.

h) The removal of subsidies on essential goods, like petrol and electricity, has brought about sharp upward movement in prices, which disproportionately affects lower-income households. This policy has created a great economic burden, leading to higher costs of living as well as greater inequality.

(i). The boosts in the prices of goods and services following the removal of subsidies can be viewed as a hidden type of taxation. In essence, the public administration has imposed costs greater costs on the people without providing adequate compensatory measures.

(j) At first glance, the proposal by the administration to decrease tax rates might appear to be a step toward reducing financial burdens on the inhabitants. However, this reduction does little to offset the higher costs emanating from subsidy removal. This leads to worries about the bill's effectiveness in tackling fiscal equity.

(k) Both subsidy removal and the proposed tax reforms are being introduced in Nigeria at the moment when its inhabitants are battling with sky-rocketing inflation, escalating poverty incidence and growing income - inequality. These economic pressures are increased the removal of by subsidies, which proportionately challenge the indigent and vulnerable groups in society.

(l). The proposed revenue allocation formula fails to take the principle of derivation into consideration in VAT

sharing, occasioning some perceptions of inequity, where regions contributing to VAT collection may not get a fair allocation of the benefits. If the part of the reform bill concerning VAT is not modified, more states that reside in the country's mainly Muslim north that have the Nigeria's highest poverty rate (more than 80% of Nigeria's population) may lose under the new tax regime.

7. 0 Impact of Nigeria's tax reforms and the sustainable development Goals on poverty and inequality alleviation

Several Nigerian studies suggest that certain tax reforms have had a negative impact on the economy and poverty reduction, while others indicate a more mixed or positive effect depending on the specific tax measure and the timeframe considered. For instance, a study by Abomaye-Nimenibo et al. (2019) found a negative relationship between Capital Gain Tax Reform and the Nigerian economy. Also, examining the impact of tax reforms on investment and economic growth in Nigeria, Edame and Okoi (2019) found a negative relationship between Capital Gain Tax Reform and the Nigerian economy, while Ogbonna and Appah (2012) concluded that tax reforms are positively linked to economic growth. In addition, after assessing the effect of personal income tax reforms on the economic growth of Nigeria, Emeneka (2021) found that PIT had a substantial negative influence on GDP per capita. Again, as Edeh (2021) investigated the effects of both the fairness and redistributive of PIT and VAT on poverty and inequality across different reform scenarios in Nigeria quantitatively, the author found PIT to be progressive before the 2011 tax scheme, but regressive thereafter. In addition, results indicated that the relief allowance introduced in the post 2011 PIT scheme favored the high-income earners more than the low-income earners- thereby confirming that the PIT scheme is regressive and VAT was regressive both in the pre-2020 scheme and in the current VAT reform scheme. Hence, whether or not a tax reform will have a salutary effect on an economy will depend upon how it is structured.

8.0 Conclusion and recommendations

The Nigerian tax reform bills which provides for a decrease in tax rates seems to be a mockery of balanced taxation and economic fairness. The public authority has over-taxed the people; they have increased income-inequality and financial hardship by removing subsidies on petrol, electricity, and other essential goods. The proposed reforms do not address the core issues facing Nigerians. If implemented, they are likely to deepen abject poverty and escalate income inequality in Nigeria. Therefore, it is advisable for government to reconsider its approach, focusing not just on tax rate but on comprehensive fiscal policies that support majority of the vulnerable populations. Without cushioning the effect of subsidy removal, any tax reform will remain a mere illusion of fairness. This study recommends as follows:

- (a). While centralizing the tax collection system is beneficial, its effective execution may be hampered by some challenges. To ensure the optimal functioning of the Service as central tax authority, there must be strict oversight as well as real-time digital tracking systems.
- (b) Government should ensure the conduct of regular audits, and put in place independent anti-corruption measures and properly-defined service delivery machinery.
- (c) The discrepancy between NTB and NTAB with respect to who should impose VAT or submit monthly returns

to the Service should be resolved before the bill are signed into law.

(d)An improved tax reform that has well-regulated relief allowance and differentiated rates of VAT is likely to assist in increasing equity and redistribution ability of tax system in Nigeria (Edeh,2021).

In alignment with Gemmell and Morrissey (2007), additional policy recommendations for pro-poor tax reform are madethus:-

(a)Commodity taxes, both on sales and trade, should have few rates that have low dispersion (i.e. no very high rates). (b)It is possible to make commodity taxes pro-poor through putting zero rates on the items consumed predominantly by the indigent rather than the rich, as well as on activities which are engaged in predominantly by the low-income earners.

(b)A strong case could be made in favor of subsidizing the prices of the commodities which are consumed by the indigent people but not the rich (e.g. kerosene, some staple foods). (c)Reducing the spread and mean level of tariff rates is pro-poor.

(d)A more simple tax structure (fewer and smaller rates) contributes to collection effectiveness and financial efficiency. Simplification of fiscal structures usually increases revenue. This suggests a preference for simple sales taxes rather than more complex VAT.

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