

**Topic:**

# From Reform to Practice: Translating Nigeria's Tax Reforms into Real Economic Gains



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**From Reform to Practice: Translating Nigeria's Tax Reforms  
into Real Economic Gains**

**Guest:**

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**EPISODE SUMMARY:**

This episode discusses Nigeria's recent tax and fiscal reforms, highlighting their objectives, challenges, and potential impacts, with an emphasis on improving compliance, simplifying laws, boosting economic growth, and ensuring inclusive benefits for businesses, citizens, and the economy at large.

**[Dr Oluwanbepelumi Olanubi]**

Hello and welcome to the Kingsgate Brief. The podcast series is powered by Kingsgate Advisors Institute. This is the space where economists, policymakers, and thought leaders from Africa and across the globe come together to break down the big issues shaping our world. Each episode is designed to go beyond the surface, bringing you sharp insight, forward-looking analysis and practical ideas for navigating both global trends and local reality. I am Oluwanbepelumi Olanubi, the Executive Director of the Institute, and I'm your host for today's conversation. I'm very thrilled to welcome you and to have you join us for what promises to be another engaging and thought-provoking dialogue. And while we are here, I still want to encourage you, if you haven't yet, to subscribe to our YouTube page, follow our social media pages and engage with all our previous episodes and be the first to be informed when we drop our new episode by hitting the subscribe button and the notification bell. If you want to deep dive into what we do, you can visit our website, [Kingsgateinstitute.org](https://Kingsgateinstitute.org), to explore some of the work we are doing within the Institute.

Today's conversation basically centres on the recent wave of tax reforms in Nigeria, which marked one of the most ambitious attempts in recent years to shift the country's fiscal landscape. The reforms aimed at broadening the tax base, improving compliance, simplifying tax administration and enhancing revenue mobilisation to meet fiscal development needs, yet history has shown that policy announcements alone are not enough. Effective implementation, stakeholders' buy-in and institutional capacity are essential to translating reform intentions into actual and tangible economic outcomes. Today's conversation seeks to unpack what these reforms mean to stakeholders, which includes individuals, businesses and even government itself, and explore practical pathways to ensure that the policy vision becomes an economic reality. Why does this conversation matter, and why are we considering it today? Tax policy is a very powerful lever for economic transformation when effectively designed and implemented. It can fund infrastructure, support industrialisation and promote inclusive growth. However, Nigeria has faced persistent challenges in turning tax reform goals into measurable gains, often due to a combination of institutional problems, weak capacity for compliance culture, fragmented intergovernmental coordination and limited public trust in government standards. Understanding the implications of these reforms and learning from both domestic and international experiences will be critical for Nigeria's future economic trajectory.

To take this conversation further today, it is my distinct pleasure to welcome Professor Olateju Abiola-Somarin, a distinguished scholar, accomplished professional and a pioneering leader in the fields of taxation and policy, fiscal policy. Professor Somarin is a member of the Presidential Fiscal Policy and Tax Reform Committee. She is a professor of taxation at Caleb University, and she was the first female professor of taxation in Nigeria. Professor Somarin's academic and professional journey reflects a consistent record of excellence and groundbreaking achievements. She holds the distinction of being the first Nigerian to have a master's in taxation, the first to receive a doctor of letters degree in Nigeria's tax system, and the first to be awarded a PhD in fiscal policy and taxation. Her accomplishments have set new benchmarks for exercise, expertise and leadership within

Nigeria's fiscal policy landscape. Over the course of her career, Professor Somorin has combined academic rigour with practical impact. She has served as an Associate Professor of Taxation and Fiscal Policy at Babcock University, where she played a pivotal role in establishing the institution's taxation program. She is also a fellow of multiple professional bodies. Her influence extends beyond academia. Professor Somorin has advised the government, contributed to shaping tax legislation, and advocated for fiscal reforms aimed at achieving transparency, equity and economic development. Her leadership has advanced the role of taxation and not merely in terms of revenue generation mechanism, but as a strategic instrument for sustaining national goods. Today, we have the privilege of engaging with a thought leader whose work continues to build research, policy and practice. Professor Somorin, we are honoured to welcome you and thank you for joining us in this conversation this evening. Welcome.

**[Professor Olateju Somorin]**

Thank you very much

**[Dr Oluwanbepelumi Olanubi]**

Okay. So, by the end of this conversation, listeners should gain a clear understanding of the scope and implications of Nigeria's reforms, an insight into the practical challenges of translating policy into results, and an appreciation of the role of businesses, government agencies, and even citizens in making reform work. Lastly, we are hoping that our listeners will have an evidence-based perspective on how Nigeria can position its tax system as a driver of structural transformation and inclusivity. I will encourage you all to sit back and let's explore this conversation together.

So, Ma, I would like to start with this. From your perspective, and as a member of the Presidential Fiscal Policy and Tax Policy Committee, what are the core objectives of Nigeria's recent tax reforms, and how do they fit into the country's broader fiscal and economic strategy?

**[Professor Olateju Somorin]**

Just as you said, in your narrative, you mentioned a lot of the objectives, and you got it right. First of all, before I make my comment, let me appreciate you for inviting me to this program. I thank you very much for the invitation, and I also thank you for your interest in the Nigerian tax system, the need to develop it, and to make sure that it can stand with any other country globally. It's a very good decision that you are trying to explain the reforms, what is behind the reforms, and what people expect to gain or the benefits people are likely to see from the program.

So, your first question is the objectives. A lot of people feel that the objectives of reforms are just to grow revenue. Yes, that is a main objective in many countries, to grow tax revenue. In fact, the previous reforms that Nigeria has had, and when I say previous reforms, I'm referring to the reforms of 1978. There was one initial reform in 1957-58, which was during the time of the Commission. After the one of 1957-58, there was another reform in 1978, then we had another reform in 1991. We had another reform in 2002-2003, and after that, we had all those reforms introduced by the

Finance Act. We also have some reforms under the Finance Act 2019, 2020, and 2021.

There was no tax act in 2022, although there was a reform, but the bill that came out during the 2022 reform was not signed by the President. So, let's just keep the 2022 Finance Act, and then this, now the 2025, which started from 2023 and culminated in 2025, and the laws were signed by the President on the 26th of June 2025. Four tax bills were signed to become tax laws, acts. I refer to them as NTA 2025, but not just one law. There are four laws put together into one. These current reforms that we have are the reform that is two in one. It's not just tax reforms. It combines tax reforms with fiscal reforms. The two are together, spending and income, not just the income side and the spending side of the reform.

One of the objectives is to increase the tax-to-GDP ratio because it has been said, and there's data to prove it. If you remember, the Chairman of the Residential Fiscal Policy and Tax Reforms Committee, Mr. Taiwo Oyedele, has said it so many times. He has a lot of data. There is data to prove that the tax-to-GDP ratio of Nigeria is one of the lowest in the world. And there is a need to grow that tax to GDP ratio because when you have a high tax to GDP ratio, it will naturally support the economic growth and development in the country. I didn't start with tax revenue because that is not the focus, and that's why I'm starting with economic growth, because when the economy grows, everybody will benefit when you have a very buoyant economy. So, one of the objectives is to grow the tax-to-GDP ratio from what it used to be, which was about 8.6% to about 18.6% by next year.

Then another objective of this reform is pro-poor. Pro-poor in the sense that it's a focus on the poor people. A lot of people are suffering, and they cannot feed properly, live in good houses, or have access to health facilities. If they go to the hospital, even to pay for an ordinary consultation, it is a problem for poor people. And if the poor people are not helped, they cannot grow. And if a family is poor, it naturally translates to the children of that family. The children, too, will be poor, and at the end of the day, everything will go on like that, and it will affect the whole nation. So, there is a need to concentrate on the poor people so that the poor too can breathe and then grow. The other objective of this reform is to look at the economic side, banking reforms, the CBN, the issue of foreign exchange, dollars, oil and gas, engineering, and the use of digitalisation. Many countries have improved using digitisation, such as Rwanda, Estonia, Singapore, and many other countries that use AI.

When you grow your country with the use of data, information, and machinery, there are so many things that will happen to the tax system of that country. You'll be able to block all the loopholes so that a lot of revenue will come in, and the country will be buoyant, the country will grow, and everybody will be happy. Then the other one is also to translate many of our tax laws. Many of our tax laws are fragmented. For every tax, there is a separate law. For Companies Income Tax, there is a separate legislation called the Companies Income Tax Act. CITA is the acronym. CAP 60, LFN, Laws of the Federation of Nigeria 2004. All the laws that we have now are laws of the Federation of Nigeria. So, for the Companies Income Tax, you have a separate legislation called CITA, the Companies Income Tax Act. For Personal Income Tax, we also have a different legislation called



PiTA, the Personal Income Tax Act. For Capital Gains Tax, there's a separate law as well, which is called the Capital Gains Tax Act. So, like that, for the education tax, there's also a separate law. All the taxes that we have have separate laws guiding them, and they are scattered in different statutes. Let's use the example of the rate of tax. If you want the rate of tax for companies' income tax, you go to a separate legislation to look for it. You go to section 40 of CITA to get the rate of tax for Companies Income Tax. If you want the rate of tax for Capital Gains, you have to go to another law, as I mentioned, which is the Capital Gains Tax Act. You get the rate there. So, do you have to go to all these different laws to get just one answer? The one answer is: What is the rate of taxes in Nigeria? You can't choose one legislation just like that to answer this simple question. All these different piecemeal legislations are now put together under one act, which is called the Nigerian Tax Act, and the acronym is NTA. If you want any information on income, profits, or gains, you go to that law, and you have that information there. If you want information on offences and penalties, you go to another legislation, which is the Nigerian Tax Administration Act (NTAA).

Those are the kind of things that this reform is out to do for the poor, to protect the poor, to make sure that the poor can breathe, for the economy to grow, and then the legislation itself. Then, the objective is to ensure that the laws are simplified in that the ambiguity in the existing laws has been removed as much as possible, such that they are now easy to read. Anybody who takes the laws the way they are will understand it. You don't have to be an economist, an accountant, a lawyer, or a tax administrator to understand the laws, the way they are now. They have put them together and have simplified them. Then, also, the purpose of this reform is to let people understand why they are taking this, why the reform is necessary. Because if people don't understand what a policy is about, they are likely to go against it.

Let me stop there for the objectives of the tax reform or fiscal reform. So, don't forget, it's not only to grow revenue, it's part of it, but it is more than growing revenue. Eventually, all that has been put in place will eventually grow the revenue, but that is not the focus. The focus is to make sure that Nigeria is one of the countries that can compete globally with other countries. Then, to also ease the means of doing business, because right now, a lot of business people, especially the small-scale people, have a lot of issues getting along, they have no access to funds, and things like that. So, this reform is also to address that. In fact, it's a holistic kind of reform. We have never had this kind of reform before in Nigeria. Because it has touched every facet of the economy. There's nobody that it will not touch.

#### **[Dr OluwanbePelumi Olanubi]**

Thank you very much for that. That is a very good way to start the conversation, and thanks for bringing that light to us to see why it is important in terms of the simplification of the process, the unification, and also the implementation of the NTA. I want us to dive in a little deeper, and I want to ask that, in your experience as a veteran tax expert and your experience in tax-related policy and the like, why do well-intentioned tax reforms often fail to achieve their desired impact in Nigeria? You mentioned in the introduction of your response, how we've had different reforms over the

decades, at different times and now. And well, the question is, why have we not seen the intention of these reforms on the Nigerian economy? Why has it failed at achieving those reforms? And why is this different? I want us to just shed a little light on that, and in comparison to other economies, why have we experienced that?

**[Professor Olateju Somorin]**

Okay. So, it's like, to do a comparative of the reforms that have happened before, so what we have now, like, what are we doing differently that they didn't do in the past, and why they have not succeeded? Maybe something like that.

I think that's a good question. Maybe I should take the reforms one by one. Let's start with one of 1957. The reform of 1957-1958, which started under Sir Jeremy Raisman. Each reform has its objective, the reason why they are settled. Although ultimately, nearly all the reforms, from my experience in the Nigerian tax system since 1976 to date, have not focused on generating revenue. Do you understand? In 1957, Nigeria was not the Nigeria that we have now. It was during the colonial period. That one was just to look at the challenges in the tax system, as at that time, because one of the challenges at that time was about revenue. The reform under Sir Jeremy Raisman concentrated mostly on the issue of revenue and how to share revenue. That was during the time that they made so many recommendations that we are still using now, and some of these recommendations of Sir Jeremy Raisman found their way into the constitution of 1961. One of the outcomes of that reform is what we have now, because at that time, there was only one tax law. At that time, they felt there was a need to have separate tax laws. So, the outcome of the 1957-58 tax reform of Sir Jeremy Raisman was that we have what we call the CITA 61, Companies Income Tax Act 1961, which was the outcome of that tax reform that led to CITA 1961. So, that tax reform achieved one of its objectives. And one of the objectives was that there should be separate tax laws, so why should we be having only one law? And that law at that time was not the way we have it now. They were using something called the Native Revenue Ordinance. An ordinance simply means a law. So, it achieved its objective and also about the allocation of revenue. Some of the objectives of that tax reform are still being used in revenue mobilisation, allocation and fiscal commission today, which was the outcome of that 1957. So, that's a very long time.

Let's leave 1957 alone and now look at that of 1978. That of 1978 was put up under the period of the military regime, many of the reforms were under the military regime. The purpose was mainly focused on revenue generation, so that there would be less dependence on crude oil. And that was that of 1978. That was why it was put on. For each tax reform, there is always an outcome. One, in most cases, a new law will come out. In most cases, rates of tax may be increased or reduced. That is also a pattern in many of the tax reforms that we have had. So, that of 1978 was mainly based on the generation of revenue and the fight against tax evasion. One significant outcome of the 1979 tax reform was the introduction of withholding tax. The withholding tax was introduced in 1979 as a result of that tax reform, and we still have it in our tax laws as we speak today. But they have been

amended severally. But it's the same thing that was introduced in 1978 that we still have in our tax laws. So, that of 1979 also met its own objective. And the objective was to curb tax evasion. And withholding tax has curbed tax evasion. That is why up to now we have not done it.

Even when a study group recommended that the withholding tax regime should be abandoned, we didn't abandon it because the Nigerian government has seen the beauty in using withholding tax because it's a deduction at source. When somebody does business, the businessman immediately gets your money, and it will be deducted at the source. It's similar to Pay-E, Pay As You Earn, which is like a sort of deduction, you know, the government takes its own before the owner gets all. So, that is what the withholding tax is about. That of 1978 also achieved its purpose; it didn't focus on the things that these ones are focusing on.

I talked about the issue of Tax to GDP. The terminology Tax to GDP ratio has never been used in all the tax reforms that I've studied, starting from that of Sir Jeremy Raisman of 1957, the one of 1978, 1990, all the ones I've mentioned. There wasn't this focus on the tax-to-GDP ratio. There wasn't this focus on the use of digitalisation, using of, you know, right now, under this reform, there's e-invoicing that has just been introduced by the Federal Inland Revenue Service, which will soon be changed into the Nigerian Revenue Service. E-invoicing is not there, so they have a different focus. Each of the reforms has a different focus. And as I said, the previous reforms were just purely tax reforms. They were not fiscal tax reforms. The reforms that we're having right now are actually expanded. It's a lot of reforms focusing on so many areas of the economy, hence it is different from the previous one.

In the previous one, they had a focus. Let me quickly move to that of 1991, which had its own. And now, the one of 1978, 1979. Not all the recommendations were implemented. One of the problems why we have failure in the previous tax reforms is that after a tax reform, there's usually a report. The report will contain so many recommendations that if you do this, this will happen. A few of the reforms that we have had before have usually had problems when it comes to implementation. It's either not to implement fully or not to implement at all. There are some recommendations that were not implemented at all. For example, one of the 1978 recommendations was that the new department, the FIRS that we have today, is not FRS.

The names FIRS, LIRS, and SIRS that you have today are all born out of reforms. They were recommendations that were born out of reforms. The 1991 tax reforms, of which I had the privilege of being the secretary, were the particular reform that ushered in the value-added tax into Nigeria. Because one of the terms of reference, anytime they set up a study group to study the system, to make recommendations and so on, they always have terms of reference. The terms of reference were used for the 1978 reform. It was used for the 1991 reform. It was used for the 2002 to 2003 reforms. But we didn't use terms of reference for this one. Rather than use terms of reference, we use another word that gives it the same objective and outcome, which is objectives. What are the objectives? And then it talks about implementation. Some of the previous tax reforms failed when it came to implementation. The 1991 tax reform, one of the recommendations was that all the tax



authorities in Nigeria should become autonomous. And apart from the Federal Revenue Service, we have other authorities, one in each state, you have a legal state tax authority, and a county state tax authority. All the states have their tax authorities.

One of the recommendations at that time, in 1991, was that all of them should become autonomous. But that recommendation was not implemented fully. Even at FIRS, it was not implemented fully until 2007, when the Federal Revenue Service Establishment Act Number 13 was enacted. It was then that the Federal Revenue Service became fully autonomous. What I'm saying is that one of the problems that we had at that time was implementation. And that is what the 2023-2025 wanted to avoid. They wanted to make sure that they were not going to just do the report and give the report to the president and say, Mr. President, they hear your report and say, bye-bye, and go away. That is not it. They stayed back because they were still taking parts, and playing a role in the implementation, I mean, for the 2023-2025. Since it was inaugurated, I think, on August 8th, 2023, Mr. President has told Mr. Oyedele that you have to be part of the implementation because it will work.

Because if you say, Mr. A should formulate reforms, make recommendations, and Mr. A packs his load, and he goes away. We now go and call Mr. B, Mr. C, and Mrs. D to come and implement what they didn't take part in recommending. This brings in a lot of problems. But this one is not like that, and it is holistic in the sense that nearly every facet of the economy took part in it. Manufacturers Association of Nigeria, they were there, the stakeholders, and the academia were there, and they invited all sorts of people at different times.

The committee went around having conversations with all of them on how this reform would work. Then the one that I also said that in some cases, the implementation may be half-done or not done at all. Under the 2002 and 2003 tax reform, one of the recommendations was that an Office of Tax Simplification should be established. That was one of the recommendations of 2002 and 2003, and up till now, I don't think that has been done. We have not put up an Office of Tax Simplification. But I can say that under the 2023 and 2025 reforms, it has been taken care of. But an office known as the Office of Tax Simplification, OTS, as they did in the UK, was not carried out.

Then the national tax policy document was one of the outcomes of the 2002 and 2003 reform. The 2002 and 2003 reforms happened under the administration of Dr. Okonjo-Iweala as the co-ordinating minister of the nation at that time. The reports that were submitted were quite voluminous. I took part in getting that together because I was working in FIRS at that time to produce the report of the national tax policy. After that was done, the report was just kept somewhere in the office of the minister. The recommendations were not carried out until Mrs. Kemi Adeosun came on board as the coordinating minister of finance. It was when she came up that she set up another committee. You can see the wastage of government funds. One committee did the work, the reports were submitted, and the recommendations were not carried out.

They had to set up another committee under Professor Abiola Sunny. Professor Abiola Sunny and his team now looked at what was done before. They worked on the Dr. Okonjo-Iweala one and brought out his simplified version of the national tax policy. Even that simplified version of the

national tax policy is also being worked upon now to renew it and to make it perfect. So, these are the kinds of problems that we usually have when the reform has taken place before, and it didn't work. Why it didn't work is what I'm saying that it is not holistic. There are some things that needed to be done that were not done. Then, in the previous reforms, they didn't focus on making things digital, and things were usually done manually. When you run a process manually, you leave room for a lot of imperfections. There'll be loopholes for tax evasion, so many bad practices will be there as well, but when you bring automation into it, it is not easy. So, all those malpractices, automation would stop it, and we have verifiable data that you can look upon to make a case for whatever you want to do. What I'm saying is that there are so many things that happened in the past that they didn't look at what the current ones are doing, which is making it perfect. Because I can see a perfect tax system with this in 2023 and 2024, I can see a perfect system for Nigeria because it is holistic. It's as if every loophole, every gap that we had before has been covered in this present one. So let me stop there for that and then discuss further.

**[Dr Oluwanbepelumi Olanubi]**

Thank you very much. I really like how you concluded the answer to this question. And I like that you also clarified that for this particular case in 2025, our tax reform is different from what we've had in the past decades. And the fact that implementation is also stated in the entire reform. So, it's not enough for you to just create a reform. You need to see through the process of implementation. And we are optimistic to see once the reform kicks off next year, we want to see the impact, and we want to see the desirable change in the fiscal space. Thank you for that. I mean, it really touched on some of the lessons to learn from the previous reforms.

I was supposed to do my next question on the lessons we can learn from previous reforms so that we avoid them right now. But I want us to go straight into the impact of all these reforms. What impact will it have? And I want to start with businesses. What should businesses, both large and small, what should expect in terms of compliance requirements, incentives, and enabling competitiveness under this new tax schedule? What is in it for them as an incentive? And what has changed from what it was before, basically, for businesses and business owners?

**[Dr Professor Olateju Somorin]**

For businesses, the question is what businesses should expect from the reforms. I will take the question this way. Before businesses can expect anything from the reform, what has been laid down for them from the reforms? That is what businesses have been asked to do. They should comply. That's number one. Because if they don't comply, they're not likely to see the benefits. Businesses, whether big or small, all need to file returns. First, before even going to the filing of returns, they must register. The business must first register with the CAC, Corporate Affairs Commission, under CARMA 2020. If a company is not registered under CARMA 2020, then it is not recognised as a business, and it cannot even grow into a large one. And if you start as a large company, whether small or large, the tax authorities will not recognise you as a company. First, you must register as a company in whichever category you decide to fall into. You register with CAC. After

registration, you also register with the Federal Revenue Service, which will later become NRS. While you register, you also register and get your TIN, Taxpayer Identification Number. Then you file returns. For all these stages, there are some requirements. All businesses should follow all the requirements. When they follow the requirements, we can now move to what they can get.

I think the question is what businesses can get from the reforms. When they follow all the requirements, small businesses, let me start with the small businesses. There are some exemptions for small businesses. The exemption for small businesses is that governments want them to grow. We don't want them to die, because small businesses usually have a problem with funds. And when the business does not have funds, it is not likely to grow. Making them grow is one of the things that we already have in the tax reforms.

What small businesses should expect from the tax reforms is growth. They'd be happy if they expect growth because the environment will make them grow. For example, small businesses are exempt from payment of some taxes. They will not pay when they have a turnover of N100 million and below. Small businesses will not pay companies income tax. Likewise, they will not pay capital gains tax. Then there are some incentives that have been programmed into the tax system that will make them grow. There will also be accessibility for firms, and the money that they are able to recover from the savings because of these exemptions that they are going to enjoy, they'd be able to plug it back into their business to grow.

Fortunately, in Nigeria, many of the big companies are actually complying. For example, the invoicing that has just been introduced by the Federal Inland Revenue Service for big companies. Big companies are those that have N50 billion annual turnovers. All of them have to log onto the platform of FIRS for the invoicing. I think everything they need to do is completed by the 1st of November this year. So, the big companies they already enjoying many of the benefits. They will continue to enjoy the benefits, and the environment has been made conducive, not only for the small companies, but also for the big companies, because the big companies now enjoy the use of technology in whatever they are doing. All those caring about papers here and there to go to the Federal Inland Revenue Service to argue their case is not necessary again.

Then, under these reforms, there's another law called the Joint Revenue Service Board. Under that board, you have the tax appeal. The tax appeal is there, and the Office of Tax is on the Board. If they have any kind of disputes or complaints, they can be taken to the office of the tax board. Although there are still legal issues, some of these issues can be resolved by the tax board when taken there. Also, the tax appeal tribunal is now streamlined and more organised than it was before. The time spent on arguing about disputes will be reduced. So, that is one for the big companies.

There are so many incentives for the big companies, whether it is agricultural or tech companies, and whatever type of industry defines itself. They can't go through the incentives now, but there are incentives in the law for all the big companies that they can take advantage of to actually grow their businesses. . Why it is important for them to make sure they take compliance very seriously

is that under the Nigerian Tax Administration Act, NTAA, the penalties are very huge, and even up to N10 million for any kind of offence. Whereas before these reforms, we had small penalties recommended, like N20,000 and N10,000. All the penalties have really gone up now, up to 1 million, for failure to file returns, to declare honestly, and to keep books of accounts. Because when the penalty is very stringent and very high, people are likely to comply. When they fear that if they don't comply, this is the penalty, people will now see that it is cheaper and economical to comply with what the tax law says. Because if the penalty for something is just N5,000 and N10,000, you'll say, how much is it? It's just N10,000. Let me just pay the N10,000. Let's take an example of people who drive on the wrong side of the road. If you are caught and you know that the penalty is just 50 Naira, people would break the law and pay the penalty rather than obey. But now, with what we have under the new tax reforms, it is reasonable for you to comply with the laws rather than to first of all, break the law and pay the penalty. Because if a company that is not strong pays the penalty once, the company may die completely. It may not see the light of day again. So, it's better for businesses to comply whether small, big, or whatever they are, it's better for them to comply.

Then they need to study the laws. The other advantage of these reforms is that the people who are working on the reforms make sure that people are carried along. I think that is also an important one. People are carried along. They are taught what to do. In fact, recently, the Charter of Taxation of Nigeria started a series. They are on the 10th series. They are now serialising everything in the tax acts. They are focusing on different aspects of the tax reforms, and they've been holding webinars on this. All the members of the Charter of Taxation of Nigeria are over 30,000, and they all link up to that webinar. From there, they are learning a lot about this so that they will know and won't break the law. They will know what they're supposed to do and what they're not supposed to do. Tax education is also very key, and that is one of the things that was lacking in the previous tax reforms. Tax education, carrying people along, translating the laws into different languages, maybe Igbo, Yoruba, Hausa, so that people would understand this and going to the grassroots of the local governments to make sure that everybody comes on board. Come January 1st, 2026, so that nobody will be left behind. It's similar to what Nigeria did when VAT was being introduced in 1993, whereby Nigeria did a lot of campaigning. There were so many campaigns, flyers all over. When you go to the airport during that time, as you are leaving the plane, they will give you flyers so that everybody knows that something is happening in Nigeria. The same thing is happening now, even more detailed than what happened when VAT was coming on board in 1991.

**[Dr OluwanbePelumi Olanubi]**

Thank you so much for that. And I like that it's driving down the point that it's important to comply than to pay the penalty, and that's very important. It's talking to businesses and even taxpayers generally, that right now the reforms are such that it's cheaper for you to comply than to pay the penalty, and that's really good. The benefits are there, where you need to be rightly positioned as businesses, make sure your books are in order, and make sure that your filing is up to date, so that you can have the true benefits of the entire reforms. And like you said, beyond revenue generation

and improving the tax base for the government, it is also helping in terms of structuring businesses, compliance generally, and just doing the right thing.

The next question I want to ask is like a flip of this question, because people are wondering, if I become compliant and I pay my tax up to date, I do my filing and do all that, what is the assurance that on the government side, they will be accountable and transparent? How important is transparency and accountability in government spending? Because we know that this is a major source of revenue for the government. How sure are we that we will spend our money well? In terms of government spending for improving compliance from the taxpayer side, and also, public acceptance of the entire reform. What are the things, pointers that will indicate to the general public and taxpayers that the government is spending their money well? They'll be transparent with this reform, and there'll be an accountability system where you are sure that, as an up-and-standing citizen in terms of your responsibility when it comes to tax payment and all, the government is also up and doing in terms of challenging these resources to be actual and optimal use.

**[Professor Olateju Somorin]**

Thank you very much for that question. I've been expecting that to come, that when the government gets the revenue, how will the Nigerians benefit? Okay, we've asked us to comply, we have complied and paid our taxes. How are we sure we are going to use this tax well? That's a very good question. Accountability and transparency go together. You can't take one from the other because if you are a transparent person, you'll be accountable. From small things, you'll be accountable. If somebody gives you N10,000 to go to the market to buy X, Y, and Z, when you come back, you give an account of how you spent that N10,000. That means you are transparent in your dealings. What the government has done or is doing now is to make sure that it is accountable, so that people can see it, because when you go to other countries, you can see that tax money is working everywhere. So that is what we want to happen in Nigeria now. We want people to see how they spend the money. But if you notice, since Mr. President Tinubu came on board, we have seen a lot of improvements that we have not seen before. Even take it from the IRS, from Lagos state. There's hardly any part of Lagos state that we go through now that you won't see road construction. Even when you open your WhatsApp, you will see some messages on WhatsApp, saying that this side of the bridge is bad. This was not happening before. This side of the bridge is bad, and we're going to close it for about six weeks. When we start on this day, the bridge will be open on that day. That is tax revenue working, and they are carrying people along. So that is a way of seeing people, of letting people know how they are spending their money. All over Lagos state, you can see tax money that is working everywhere.

Then go to the federal capital territory. When you go to the federal capital territory, since the current minister took office, in fact, Abuja has changed a lot. We see that tax revenue is working. Look at the airports, the international airports, the one in Lagos and also the one in Abuja. That's tax money working. So many things have been done now. Then the loans for students that they just put on board, that is, tax money working. To answer your question, how would they know? What will



the reform do? Part of what the reform has set out to do is under the national tax policy. Remember, I mentioned that the national tax policy is also being worked upon. When it is finalised, under the national tax policy, there are going to be policies about budgeting, how to spend money, how much to allocate to infrastructure, education, hospitals, all those things that are involved, all those things will happen.

Let me quickly chip this one in, Nigerians used to have so many taxes. On paper, I think there were about 66, that is, according to the law. There's a law called the Taxes and Levies Approval Tax Collection Act. I think it has been repealed now. That law had about 66 taxes that Nigerians should pay. But outside that 66 that you have on paper, Nigerians all over the country they're paying over 100 taxes, which gives rise to what we refer to as multiple taxes. All these multiple taxes will soon be dead. Because instead of people paying all these different small, small taxes, what they will now be paying is something called a levy, maybe a development levy that they'll be paying. And even the money from that levy, they are going to divide it into different sectors of the economy. Part of it, maybe I think 50% will go to tertiary education. Some will go to cybersecurity, NASENI, and others. There are about eight agencies. They have their own percentage. And all that money they are from the tax revenue. So that is how that one will be spent.

But a policy document is in the office. It will soon come out, about what you just mentioned, that's how people will know. When that comes out eventually, we'll be able to see clearly that it's in terms of budgeting, and the government is now very serious. That for education, this is how much you spend on education, for roads, this is how much you spend on roads, and for health, this is how much you spend on health. All that one is now coming up, so this is a very serious government. It's not like how it used to be before, where they're just talking, nothing is going to happen. This time around, things are already happening, and you yourself will know that things are already happening. Just give this reform a chance. When it starts to implement and it starts to unfold, all of us will see that there are benefits in these reforms, the fiscal reforms as well as the tax reforms. So, your question is about the new national tax policy that is coming on board, and that will be the third one. The first one was in 2012 under Dr. Okonjo-Iweala. Then it was reviewed under Mrs. Kemi Adeosun, and that was in 2016 and 2017. But all that is present reform, and the national tax policy is also being rebranded. It is under that one that you are going to see policy statements about budgeting, how they're going to spend the money. Then there will be penalties that will probably go with it if you spend the government money recklessly. Then don't forget the fact that we are now using digitalisation with all the things that we are doing. The way that people are just spending government money before, recklessly, without being checked, and without being detected, it is now going to be more difficult than before. So that is how we take that question. Thank you.

**[Dr OluwanbePelumi Olanubi]**

Brilliant! Very brilliant response there. I personally look forward to the policy document when it is out. I believe it will be made publicly available so that we can all see what to expect. And when we

have that, it will boost confidence in the impact of the reforms, and we are compliant as taxpayers and businesses, and the government is also doing its own part in showing transparency. The conversation is really getting interesting. We're also drawing to the close of the conversation, but as we conclude now, I think I'd just like to wrap up with this one question, just to save time, if we can attempt these two questions together.

The first would be to know how this reform is well implemented, and how it will shape Nigeria's economic structure over the next decade. What are the forecasts as to the crisis phase, the impacts on the economy in terms of economic transformation and even maybe structural change? What will be the impact in the next decade? Because I believe reforms like this are intended to have a long-term impact. The second is to also see how we can learn from other countries, especially the Global South countries, how we can learn to also improve the entire tax policy framework and design so that the impact of this reform that we are hoping to see in the next decade will indeed be achievable.

#### **[Professor Olateju Somorin]**

Okay, thank you very much. The questions are quite loaded. We are talking about now. We're talking about the future, and I also want to talk about sustainability. Because that is very important, so that we don't go back to what used to happen before, I can foresee that these reforms will continue to bring us the benefits for the next 10 to 20 years. Because, as I said when we started this conversation, the reforms are holistic. I would even say that there is no stone that we have left unturned because it has touched every facet of the economy. I can see our economy growing well, and our tax-to-GDP ratio is coming very close to what we have in the OECD countries. In the OECD countries, they have a tax-to-GDP ratio as high as 30:33, and our own now, I think, is about 11. It's still a far cry, but as we move on, I'm optimistic that our tax-to-GDP ratio will grow, and then Nigerians will see that with all those penalties that they have put in place, they will now sit up. They will know that Nigeria is no longer relaxed as usual and that these reforms, we want them to work for you and me. We should all put our hands together to make sure it works, and we have to work as a team. Then, if you look at the income tax band that is there now, from 0 to 25 per cent, all those earning N800,000 per annum, the income tax band has put them under zero. They won't be paying anything. That is good news for those people who fall into that category, and there are quite many. Those who will really be paying taxes in the long run are the people in the upper bracket, and there are not many. All those ones, we regard as high-net-worth individuals, those are the ones that will actually be paying the high taxes. And even the high taxes that we're talking about, they won't feel it, because if you compare what you have put in our income tax band, which is the highest at 25 per cent, it's not as high as what you have in some countries. Some countries are up to 40 per cent, and our own is just 25 per cent, so the economy will still grow. Then talking about other countries, even with this reform, we're already borrowing from other countries what they are doing, because the e-invoicing was borrowed from some countries that are already doing it.

The chairman of the Fiscal Policy and Tax Reforms Committee, Mr. Oyedele, has done some studies on some of these countries, like Rwanda and Kenya. If you have listened to him a number of times, you will see that he's always talking about Rwanda, Kenya, and South Africa. Those are in Africa, and they are not on another continent. They are within the African continent, and they are doing it right. So why can't we do it right? Hence, we have borrowed from them. And you will see that many of the positive changes that are coming on board, we have already borrowed them. And as things evolve, we still continue to borrow the good ones that they are doing to grow our economy. Gradually, Nigerians will come to learn that we mean business this time around.

There was a time during the presidency, it was late Buhari and then Idiagbon, when they introduced Operation War Against Indiscipline. During that period, everybody was conscious. If you go on the streets, at the bus stop, you see people they killed. In the banks, people would queue because there were not many banks at that time, and we didn't have many branches. The few branches that we had at that time, First Bank, UBA, and Union, were the foremost banks that we had in Nigeria at that time. Later on, we had the likes of Guarantee and Zenith. The few banks that we had in Nigeria at that time had discipline. At the bus stop, there was discipline. People kept to Operation Y. But immediately that regime was no longer there, people went back to what they were doing before. I would say that Nigerians should learn to have a stable government.

We should learn to have a stable government because stability and governance are also very important. Because if President A believes in these reforms and the tenure of President A comes to an end, and President B does not believe in these reforms, that will take us back. We should all put our hands together. We should all work to make sure this reform works. Whoever is there as the president, let us know that the current president did not put the reforms there for his own benefit. It's for the benefit of all the Nigerians, for those that are yet to be born, the children that are yet to be born. Look at this loan scheme that is there; the children have yet to be born, and they will benefit from this loan. Look at the issue of the VAT sharing formula, which has been an issue for quite a long time. Why do we have the problem of VAT sharing? It's a pitfall of some of the recommendations of the reforms that were not carried out. The recommendation under Professor Phillips in 2000 and 2003 was that VAT should be in the exclusive legislative list, and that was not carried out. We should learn that when there are recommendations in a tax reform by a study group and we all buy that recommendation, we know it is a positive recommendation. We should all work together to make sure that the recommendation is carried out because implementation is key.

We should learn to implement all the good recommendations. Everybody should work together and support this government so that everybody will benefit. When this thing started, some people were saying all sorts of things without even reading the bills. They didn't know what the bills were for their own benefit. They didn't read it. They were just saying something different entirely. Everybody should learn to read what we have in the tax act. They are no longer bills; they've come out as a tax act. Everybody should learn it, and they should read it, because when you read it, you will understand what you are supposed to do and what you are not supposed to do.

We should embrace it holistically. We should work together. And know that the tax reform or the

fiscal reforms that we have now are not only about that. Our reforms are a two-in-one reform. The fiscal and tax reform is not only about generating revenue, it's about making Nigeria a smarter place, making Nigeria the first among equals, to be able to stand with all those countries among the OECD countries, and to be able to stand among the committee of nations. This is the kind of reform that is out to deal with tax evasion, it's the kind of reform that is to protect the poor, and that wants to grow the businesses of the small and medium companies. It's the kind of reform that is a pro-investment reform, like some of the recommendations we have on the taxable gains on the capital gains tax act, whereby there are some benefits for you for reinvesting whatever gains that you make in selling your shares.

The benefits are too many, and everybody is out to gain from these reforms. You are there to gain. I'm speaking to you; I'm there to gain. Those who have big money, that are not been paying their own share of tax before, will now pay their correct share of tax. And when they pay their correct share of tax, they will see that whatever they have paid, no matter how substantial it is, they will see that this government is determined to make sure that their tax money will work. It's not just about growing revenue; it's more than growing revenue. Let us put our hands together and make sure that Nigeria works for all of us again. I'm ready to play my part. What about you?

**[Dr Oluwanbepelumi Olanubi]**

I am ready to play my part as well. Brilliant. Thank you so much, Ma. This is a good place to conclude the work. If you can just complete this in one or two minutes, in fact, in one or two sentences, I'm sure people will be curious out there, what the role of state and local governments is in this entire conversation? What role do they play in ensuring that this reform is implemented in each state of the government? What are the specific responsibilities in all of this for the state and the local government?

**[Professor Olateju Somorin]**

That's a good question. We shouldn't leave it out because it is true that we are not talking about the states and the local governments, and we have to make it a rounded conversation. We need to talk about the states and the local government. Nigeria has its own structure. It's a three-layered structure. We have the federal government, the states, which we now refer to as subnational, and we have the local governments. At the highest angle is the federal government, followed by the state government and the local government. At the state government, each state will ensure that it sees to its own state and makes sure that everything works in its state. Whatever allocation they get from the VAT sharing formula, from the federal government, they should make sure that it is translated into improvements in their states, particularly infrastructure, good roads, water for everybody, education, and the health sector; they should do that in their states. The federal government cannot oversee everybody, so the federal government will oversee some, and the state will oversee some. Then at the grassroots, the local government has 764, which is quite a large one, and they also have their responsibilities. Even now, there's a local government revenue committee

that is to see to the issue of the collection of taxes at that level. Each sphere of government has its responsibilities defined in the law and also in the constitution. Let everybody just do what is right. What the local government is supposed to do, how to spend the revenue, let them spend the revenue wisely, let the states to spend the revenue wisely, and the federal too, they should spend the revenue wisely, and they should ensure that the people within their domain pay their fair share of taxes, and when they don't pay their share of taxes, when they don't comply, they should ensure that all the penalties put in place are enforced. It is the administrators who will work on ensuring that the penalties are enforced, because the penalties cannot enforce themselves. Those that we have at each of these structures that I've mentioned, the three structures, have their defined roles and responsibilities. Let everyone do what they are supposed to do as far as the law is concerned, so that everybody will be happy, and Nigeria will become stronger, and then the reforms in that sense will be sustained.

**[Dr Oluwanbepelumi Olanubi]**



Thank you very much, this is a good time, and a point to complete the podcast. Thank you for taking the time to share your thoughts and your insights with us, particularly as part of the tax reform, it's very instrumental and very important that the member of the committee gives us perspective and helps us to see the entire intention of the government and the likely impact of this reform, not just on businesses and individuals, but even on government itself, in terms of transparency and accountability, and for businesses in terms of compliance. It's now very important for us to be open standard citizens in that way, to always do our due responsibility in terms of clean tax.

I look forward to the full implementation, the impact on the macros, the fundamentals, but particularly within the fiscal space, I look forward to seeing a significant transformation within the fiscal space in terms of the tax space, revenue and the likes, and I also look forward to seeing the economic transformation that happens afterwards in terms of using these funds for capital projects that are able to improve lives and livelihoods, like you said, as we're conversing a long-term agenda, and so we look forward to seeing that.

Thank you so much, Prof. To all our viewers, we encourage you to interact with this series, this particular series. Please comment, let us hear your view, what are the things that stood out for you, what qualities did you gain within this conversation? And if you want, if there are any other related topics that you want us to touch base on, you can also identify and comment within the comment section. Continue to engage with us till we come again next time with another insightful talk, which is a way of translating economic jargon into a practical view and actionable use for our viewers. Thank you all for staying, and thank you all for being here in today's episode.

We'll see you again next time. Have a great evening. Bye.



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