TAXATION WITHOUT TRANSFORMATION: PUBLIC PERCEPTION AND THE CRISIS OF CONFIDENCE IN NIGERIA'S NEW TAX LAWS

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Abstract
This paper critically examined the public perception and emerging crisis of confidence surrounding Nigeria's tax reforms enacted through four Acts signed by His Excellency, President Bola Ahmed Tinubu, on the 26th June, 2025, with major provisions effective from the 1st January 2026. The Nigeria Tax Act (NTA) 2025, the Nigeria Tax Administration Act (NTAA) 2025, the Nigeria Revenue Service (Establishment) Act (NRSA) 2025, and the Joint Revenue Board (Establishment) Act (JRBA) 2025 aimed to consolidate fragmented statutes, introduced progressive revenue structures, broadened the tax base, and enhanced compliance. This paper also interrogated the concept of 'Taxation without Transformation' as both a legal and governance problem, examining whether Nigeria's evolving tax statutes and enforcement practices aligned with constitutional principles, administrative law norms, and judicial interpretations of fiscal power. Drawing on statutory provisions, case law, and comparative insights, this paper argued that while Nigeria possesses expansive legal authority to tax, the persistent failure to link taxation to visible socio-economic transformation undermined the normative foundations of tax compliance and threatened the long-term sustainability of fiscal reform. It concluded that the long-term success of Nigeria's tax reforms would depend not merely on legislative innovation or enforcement mechanisms but on the State's ability to rebuild public trust through transparent governance, institutional accountability, effective public service delivery, and sustained public engagement. It recommended governance-centered approaches to tax administration that prioritised taxpayer education, revenue transparency, and measurable developmental impacts as essential prerequisites for achieving sustainable tax compliance and strengthening fiscal legitimacy in Nigeria.
Keywords: Taxation, Social Contract, Fiscal Legitimacy, Tax Laws, Tax Reform, and Public Perception.

1.0 Introduction

Taxation occupies a central position in the architecture of the modern state. It serves not only as the primary instrument for the mobilisation of public revenue but also as a critical lever for economic regulation, income redistribution, and the construction of a durable social contract between the state and its citizens. In developing economies, the legitimacy of taxation depends less on the formal legality of fiscal legislation and more on citizens' perceptions of fairness, transparency, and the tangible benefits they derive from compliance. Nigeria's fiscal landscape has historically been characterised by structural fragility. For decades, Nigeria's tax system has struggled with a critically low tax-to-GDP ratio, which pales in comparison with emerging market peers. This stagnation is attributable to systemic over-reliance on volatile oil revenues, fragmented administrative frameworks, and a pervasive social contract deficit rooted in deep-seated public mistrust, systemic corruption, and an observable absence of commensurate public service delivery.[4]

In an apparent effort to address these structural deficiencies, the Federal Government of Nigeria enacted a landmark legislative overhaul in 2025. The four tax Acts seek to consolidate overlapping tax statutes, redesign the progressive structure of personal income tax (PIT), introduce a 0% rate for individuals earning up to ₦800,000 annually, and create the Nigeria Revenue Service (NRS) as a modern, technology-driven institutional successor to the Federal Inland Revenue Service (FIRS). However, as implementation commenced on the 1st January, 2026, initial optimism has been confronted by significant friction. Public discourse is dominated by fears that the reforms may inadvertently exacerbate the cost-of-living crisis. Most damaging to their legitimacy is credible allegations

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[4] Punch Newspapers, 'A Nation Under Strain: From Borrowed Billions to Tax Burdens' (2025) <https://punchng.com/a-nation-under-strain-from-borrowed-billions-to-tax-burdens/> accessed on 10th March, 2026.

of post-passage alterations and claims that the text of the Acts as gazetted differs materially from the versions debated and approved by the National Assembly.[5]

2.0 Definition of Taxation, Constitutional Authority to Tax and Notion of Taxation without Transformation

2.1 Definition of Taxation

The Black's Law Dictionary defines a tax as a charge, usually monetary, imposed by the government on persons, entities, and transactions to yield public revenue.[6] Ayua, a leading Nigerian scholar on fiscal law, defines it as a compulsory extraction of money by a public authority for public purposes or raising money for the government by means of contributions from individuals.[7] Nigerian courts have approached the definition with equivalent rigour. In *Shell Petroleum Development Co Ltd v Federal Board of Inland Revenue*, the Court of Appeal held that tax should be regarded as a debt due to the government, emphasising its legally enforceable character.[8] That formulation is consistent with the High Court of Australia's reasoning in *Matthews v Chicory Marketing Board*, where Latham CJ defines tax as a compulsory extraction of money by a public authority for a public purpose or raising money for government by means of contributions from individuals.[9] The Nigerian National Tax Policy adds a property dimension, defining tax as a pecuniary burden laid upon an individual or property to support government expenditure.[10] Umenweke synthesises these authorities aptly by defining tax as the vital thing in the definition of tax is that it is a pecuniary burden laid upon individuals or persons or property to support the government, and it is a payment exacted by legislative authority.[11]

2.2 Constitutional Allocation of Taxing Power

The power to impose and collect taxes in Nigeria is grounded in the Constitution of the Federal Republic of Nigeria, 1999 (as amended). The Constitution allocates fiscal jurisdiction between the federation and the constituent states through the Exclusive Legislative List and the Concurrent Legislative List in the Second Schedule.[12] The Supreme Court has consistently affirmed that no public authority may impose a tax except upon clear legislative authorisation. In *AG Federation v Abubakar* and in the earlier *AG Lagos State v AG Federation*, the apex court held that the constitutional design precludes arbitrary fiscal exactions and that the principle of legality in taxation must be strictly observed.[13] The principle *nulla impositio sine lege,* which means no taxation without a law, forms the bedrock of Nigeria's fiscal constitutional order. Against this constitutional backdrop, the Tax Acts represent an exercise of federal legislative competence over items within the Exclusive Legislative List, supplemented by concurrent powers over personal income tax, stamp duties, capital gains tax, etc within the Concurrent Legislative List.

2.3 The Notion of Taxation without Transformation

The notion of 'taxation without transformation' captures the disjunction between fiscal extraction and socio-economic progress. Transformation refers not only to macroeconomic growth but also to structural change, poverty reduction, and improved public service delivery. Nigeria's tax reforms have largely failed to convince citizens that increased taxation will catalyze such transformation.[14] This failure is not solely attributable to inadequate revenue levels but to weaknesses in expenditure governance. Without demonstrable links between tax collection and development outcomes, taxation risks being perceived as an end in itself. The emphasis on compliance, enforcement, and the absence of visible redistribution or investment in public goods reinforces the belief that taxation primarily serves political elites rather than the broader population. The informal nature of Nigeria's economy complicates the transformative potential of taxation. Efforts to formalize economic activity

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[5] KPMG, 'Nigeria's New Tax Laws: Inherent Errors, Inconsistencies, Gaps and Omissions' (2026) <https://assets.kpmg.com/content/dam/kpmg/ng/pdf/2026/01/Inherent%20Errors%2C%20Gaps%20and%20Ommissions%20in%20New%20Tax%20Acts%20-%206%20January.pdf> accessed on 10th March 2026.

[6] BA Garner, (ed), *Black's Law Dictionary* (11th edn, USA: Thomson Reuters, St. Paul M MN, 2019) 1757.

[7] IA Ayua, Nigerian Tax Law (Ibadan: Spectrum Books,1996) 3.

[8] [1996] 8 NWLR (Pt 466) 256 (CA).

[9] (1938) 60 CLR 263 (High Court of Australia) per Latham CJ at 276.

[10] Federal Government of Nigeria, National Tax Policy (revised edn, 2017) para 2.1.

[11] MN Umenweke, Principles of Nigerian Tax Law (Awka: Ezygold Publishers, 2015) 5.

[12] Constitution Federal Republic of Nigeria, 1999, (as amended), s 4(1)-(2); Second Schedule Part I Items 58–59 (Exclusive Legislative List); Part II Item 7 (Concurrent List).

[13] [2007] 3 NWLR (Pt 1022) 601 (SC); see also AG Lagos State *v* AG Federation [2004] 18 NWLR (Pt 904) 1 (SC) on the constitutional limits of federal taxing power.

[14] The Guardian (Nigeria), 'Tax Reforms Pushback, Revenue Crisis Threaten 2026 Fiscal Plan' (2025) <https://guardian.ng/news/tax-reforms-pushback-revenue-crisis-threaten-2026-fiscal-plan/> accessed on 10th March, 2026.

through tax measures, without parallel investments in social protection and business support, may deepen economic exclusion and resistance. In this sense, taxation without transformation not only erodes trust but may also undermine long-term state capacity. The notion of 'taxation without transformation' captures this breakdown of reciprocity. Taxes are paid, but the promised transformation in living conditions, infrastructure, and social welfare remains elusive.

3.0 Theoretical Framework

3.1 Fiscal Social Contract Theory

Fiscal social contract theory draws upon classical social contract philosophy associated with Hobbes, Locke, and Rousseau.[15] In its modern fiscal articulation, the theory posits that taxation represents a reciprocal exchange. While citizens surrender a portion of their resources, the state delivers public services, infrastructure, social welfare, and institutional order. Moore and Levi have demonstrated empirically that voluntary tax compliance is highest where citizens perceive this exchange as fair and mutual.[16] The reciprocal dimension collapses where the state extracts but does not deliver to its citizens. So, citizens rationally avoid and evade taxes. Taxation without transformation is precisely the failure of the social contract and reciprocity operating at the systemic level.

3.2 Legitimacy Theory and Procedural Justice

Weber's sociology of authority distinguishes between power sustained by coercion and authority that is obeyed because it is perceived as lawful and rational.[17] Applied to taxation, Weber's framework implies that fiscal compliance is most durable where citizens regard both the taxing institutions and the legislative processes as legitimate. Tyler's procedural justice theory advances this further, demonstrating that individuals comply with laws and decisions when they perceive the decision-making process to be transparent and participatory. Crucially, Tyler distinguishes procedural legitimacy from substantive satisfaction. A taxpayer may disagree with a tax rate yet still comply if the process by which it was set is perceived as honest.[18] Legitimacy deficits arise in Nigerian tax law contexts where legislative processes appear compromised, administrative discretion is excessively broad and unchecked, enforcement powers are exercised coercively without adequate safeguards, and access to independent dispute resolution is restricted or made prohibitively expensive. Each of these deficits is identifiable in recent Nigeria's tax reforms.

3.3 Political Economy Theory: Extractive Versus Developmental States

The political economy literature of Acemoglu and Robinson, and North draws a fundamental distinction between extractive states, which prioritise resource extraction to sustain existing political structures, and developmental states, which deploy fiscal instruments to catalyse structural transformation, poverty reduction, and institutional development.[19] Moore argues that taxation either strengthens or weakens state legitimacy depending on whether it is embedded in accountability and developmental objectives.[20] Tax systems that widen the net, escalate penalties, and enhance enforcement without investing in public goods or reforming expenditure governance resemble extractive rather than developmental strategies. Nigeria's tax reforms risk falling into this category in public perception as expenditure reforms.

3.4 Benefit Theory of Taxation

Musgrave's benefit theory of taxation holds that the fairness of any fiscal system must ultimately be assessed by the relationship between taxes paid and the public goods received.[21] While this exchange is never perfectly traceable in aggregate public finance, the perception of benefit remains central to taxpayer psychology and voluntary compliance. In Nigeria tax regime, the near-total absence of mandatory tax expenditure reporting makes it impossible for taxpayers to verify that their contributions serve collective welfare. This information asymmetry,

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[15] T Hobbes, *Leviathan* (1651); J Locke, *Second Treatise of Government* (1690); JJ Rousseau, *The Social Contract* (1762).

[16] M Moore, 'Revenues, State Formation, and the Quality of Governance in Developing Countries' (2004) 25(3), *International Political Science Review*, 297; M Levi, *Of Rule and Revenue* (Berkeley: University of California Press,1988) 52.

[17] M Weber, Economy and Society (Berkeley: University of California Press, G Roth and C Wittich trs, 1922) 215.

[18] T Tyler*, Why People Obey the Law,* (New Haven: Yale University Press, 1990), 4; T Tyler, 'Legitimacy and Legitimation' (2006) 57, *Annual Review of Psychology*, 375.

[19] D Acemoglu and J Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (New York: Crown, 2012) ch 3; D North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990) 107.

[20] M Moore, 'How Does Taxation Affect the Quality of Governance?' IDS Working Paper No. 280 (2007) 1.

[21] R Musgrave, *The Theory of Public Finance* (New York: McGraw-Hill, 1959) 61–89.

when coupled with pervasive pessimism about mismanagement, transforms taxation from a civic exchange into a source of grievance.

4.0 The Public Perception and Crisis of Confidence in Nigeria's New Tax Laws

1. **The Structural Roots of Fiscal Alienation**: The current crisis of confidence is not a product of the 2025 tax reforms alone. It represents the culmination of decades of fiscal alienation. Nigerians have historically experienced taxation as an extractive burden rather than a civic contribution, which is a perception rooted in the opacity of Federation Account management, the predatory conduct of revenue enforcement officers, and the near-total absence of visible correspondence between taxes paid and public goods received. The informal sector, which is estimated to account for over 50% of economic activity, exemplifies the depth of this alienation. Many micro-entrepreneurs have historically opted for informality not out of antipathy to the state, but as a rational response to the high cost of compliance, weak legal protection, and the ever-present prospect of double taxation-official levies compounded by unofficial extortion.[22]
2. **The Legislative Integrity Crisis:** The most destabilising challenge is a procedural crisis at the heart of the legislative process itself. Credible allegations have emerged that the Tax Acts as gazetted differ materially from the bills passed by the National Assembly.[23] Documented discrepancies include alterations to the turnover threshold defining a small company for tax relief purposes from ₦100 million in the legislature's version to ₦50 million in the gazette, and modifications where thresholds of ₦50 million (individuals) and ₦100 million (companies) are reduced to ₦25 million in the gazetted text, expanding the tax net beyond what legislators approved.[24] These changes carry material economic consequences for small and medium enterprises (SMEs). The insertions of new subsections which require taxpayers to deposit 20% of contested assessments before filing appeals, are absent from any version before the National Assembly.[25] This discrepancy effectively places conditional access to judicial review on the ability to pay and raises serious questions under the constitutional right of access to courts and the rule of law principle of legality.[26] When the gazetted Acts do not represent the authentic legislative intention of the National Assembly, all affected provisions are compromised in their legitimacy. Subsequently, taxpayers and advisers cannot rely on published law with confidence. This is not merely a political controversy; it is a rule-of-law emergency that strikes at the foundations of constitutionalism.[27]
3. **The VAT Allocation Controversy and Fiscal Federalism:** The NTA 2025 introduces a revised Value Added Tax (VAT) revenue-sharing formula, allocating 10% to the Federal Government, 55% to State Governments, and 35% to Local Government Councils, with sub-criteria based on equality of states, derivation (consumption-based), and population.[28] Several northern state governments have challenged the criterion as one that structurally disadvantages lower-consumption regions in favour of commercial hubs in Lagos, Rivers, and Abuja. This perception of regional inequity has reignited the wider 'VAT War' between tiers of government, with some states threatening to legislate competing state-level consumption taxes.[29] The resulting fragmentation threatens the uniformity of the national tax base and the stability of intergovernmental fiscal relations, and thereby deeply erodes the confidence of taxpayers in Nigeria.

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[22]World Bank, 'Impact of Multiple-Taxation on Competitiveness in Nigeria' (2011) <https://documents1.worldbank.org/curated/en/142421468291634393/pdf/638010BRI0Impa00Box0361527B0PUBLIC0.pdf> accessed on 10th March, 2026.

[23]PLAC, 'Analysis of the Nigerian Tax Reform Bills (2025) <https://placng.org/i/wpcontent/uploads/2025/01/Analysis-of-the-Nigerian-Tax-Reform-Bills.pdf> accessed on 10th March, 2026.

[24]NTAA, 2025, s 29(1); BusinessDay NG, 'The Tax Reform Act - Process Failure, Credibility Crisis, and the Imperative of Public Accountability' (2025) <https://businessday.ng/insight-2/article/the-tax-reform-act-process-failure-credibility-crisis-and-the-imperative-of-public-accountability/> accessed on 10th March, 2026

[25]NTAA, 2025, (gazetted version), ss 41(8) - (9).

[26]*Ibid*; Daily Trust, 'Tax Laws Face Legitimacy Crisis' (2025) <https://dailytrust.com/tax-laws-face-legitimacy-crisis/> accessed on 10th March, 2026.

[27] Reuters, 'Nigeria to Implement New Tax Laws from January 1 Despite Calls for Delay, Tinubu Says' (2025) <https://www.reuters.com/world/africa/nigeria-implement-new-tax-laws-january-1-despite-calls-delay-tinubu-says-2025-12-30/> accessed on 10th March, 2026.

[28]NTA, 2025, Schedule on VAT Sharing Formula: 10% Federal Government; 55% State Governments; 35% Local Government Councils (with derivation/equality/population sub-criteria).

[29]Bloomberg Tax, 'Nigeria Reforms Tax Laws for 2026, Rewrites Rules for MNEs' (2025) <https://news.bloombergtax.com/tax-management-international/nigeria-reforms-tax-laws-for-2026-rewrites-rules-for-mnes> accessed on 10th March, 2026

4. **Overbroad Administrative Powers and Access to Justice:** Some provisions of the NRSA, 2025 and NTAA, 2025 have attracted legitimate criticism for granting the Nigeria Revenue Service powers whose breadth exceeds what is necessary and proportionate. These include the power to assign Tax Identification Numbers (TINs) without taxpayer request, mandatory registration timelines with tight compliance windows, and the imposition of obligations whose breach triggers significant monetary penalties.[30] Others are the mandatory Electronic Fiscal System (EFS), which requires real-time electronic invoicing and transaction reporting. It imposes technological compliance demands that many small businesses, particularly those small businesses outside major urban centres, lack the infrastructure to satisfy.[31] Furthermore, expanded penalties for failing to register contractors, for non-compliance with mandatory reporting, and for withholding failures, coupled with low notification thresholds for mandatory bank reporting of ₦100 million for corporates and ₦25 million for individuals, risk treating ordinary economic participants and taxpayers as presumptive tax criminals.[32]
5. **Corruption, Institutional Incapacity, and the Governance Deficit:** A recurrent theme in public discourse is the belief that even an architecturally sound tax system will be subverted by institutional corruption. This perception is not irrational. The NRS, as the institutional successor to the FIRS, inherits its predecessor's reputational burden as well as its organisational DNA. Without a demonstrable break in culture such as visible prosecutions, transparent audits,[33] and credible whistleblower protection, the new institution risks being experienced as a more technologically capable version of its predecessor's extractive practices.[34] The reform's emphasis on digital systems and automated compliance monitoring may paradoxically amplify public distrust if citizens perceive that these tools primarily serve to expand surveillance without delivering commensurate benefits. Digitisation of revenue collection in the Nigerian tax regime, which absence the digitisation of accountability, does not advance the fiscal social contract.
6. **Persistent Inflation, Economic Hardship, and the Real Burden of Taxation:** The new tax reforms are designed with genuine progressivity in mind. The ₦800,000 personal income tax exemption threshold, the graduated PIT structure, and the VAT exemptions for basic food, medical services, and educational materials represent technically sound tools for protecting low-income earners. However, Nigeria's inflation rate causes the ₦800,000 exemption threshold to rapidly lose real value. Nominal wage adjustments push workers across taxable thresholds while their purchasing power declines, business input costs inflated by exchange rate depreciation translates directly into higher prices for consumers, and the real VAT burden on low-income households increases even where statutory exemptions remain nominally in place.[35] The implementation of significant new compliance obligations during a period of acute economic contraction, without corresponding welfare expansion and targeted subsidies, risks being experienced not as progressive reform but as predatory extraction. The political economy of fiscal reform requires that the timing of new tax burdens be calibrated to the economic circumstances of the taxpayer population.
7. **New Penalties and Compliance Obligations:** The NTAA, 2025 introduces or intensifies penalties for failure to register for tax within prescribed deadlines, late filing of returns, failure to deduct withholding tax, failure to remit deducted sums, non-compliance with the Electronic Fiscal System, failure to comply with mandatory transaction reporting obligations, etc.[36] The transaction reporting threshold is particularly significant. Financial institutions are required to report individual transactions exceeding ₦100 million for corporate entities and ₦25 million for individuals to the NRS.[37] In an environment of severe naira depreciation, the ₦25 million individual threshold is not an especially elevated sum. It encompasses a wide range of legitimate commercial activities, property purchases, professional fees, or investment

[30]NRSA, 2025, s 14 (power to assign TIN without taxpayer request); NTAA, 2025, s 7 (mandatory registration timelines).
[31]NTAA, 2025, ss 67- 70 (Electronic Fiscal System); see also KPMG, (n 5) 8.
[32]*Ibid*, s 55 (mandatory transaction reporting) and s 48 (expanded penalties for unregistered contractors).
[33] NRSA, 2025, s 32 (internal affairs unit); see also Punch NG, 'Tax Laws that Split Abuja: How Tinubu's Reforms Sparked Governance Storm' (2025) <https://punchng.com/tax-laws-that-split-abuja-how-tinubus-reforms-sparked-governance-storm/> accessed on 10th March, 2026.
[34]The Cable, 'Tax Reform and the Nigerian Crisis of Belief' (2025) <https://www.thecable.ng/tax-reform-and-the-nigerian-crisis-of-belief/> accessed on 10th March, 2026.
[35]Nigeria Housing Market, 'Nigeria 2026 Tax Reforms: Potential Public Resistance and Economic Implications' (2025) <https://www.nigeriahousingmarket.com/real-estate-news-nigeria/nigeria-2026-tax-reforms-potential-public-resistance-and-economic-implications> accessed on 10th March, 2026.
[36]NTAA, 2025, s 55 (mandatory transaction reporting); s 48 (withholding agent obligations); KPMG, (n 20) 9.
[37]*Ibid*, s 55(2): threshold of ₦100 million for corporate transactions; s 55(3): threshold of ₦25 million for individuals; PwC, 'The Nigerian Tax Reform Acts' (2025) <https://www.pwc.com/ng/en/publications/the-nigerian-tax-reform-acts.html> accessed on 10th March, 2026.

transactions that may now attract automatic fiscal scrutiny regardless of the taxpayer's compliance history. Furthermore, the penalty for failure to deduct withholding tax is equal to the amount that should have been deducted, plus a 10% penalty and interest. The penalty for failure to remit deducted sums is 10% of the unremitted amount per annum plus interest. These compounding penalties can rapidly escalate to levels that extinguish the underlying economic activity and undermine public confidence.[38]

8. **Perceived Lack of Transparency in Revenue Utilisation:** A structurally significant driver of public perception of the new tax reforms is the absence of any credible mechanism linking tax revenues to visible and measurable public outcomes. Taxpayers are asked to bear an expanded fiscal burden through wider tax nets, stricter enforcement, and digital surveillance, without any legally enforceable assurance that the resulting revenues will be applied to their stated purposes. Also, the full tax burden is borne by the compliant taxpayers, and they cannot trace their contributions to outcomes. The result is the promotion of the narrative that tax revenues serve elite interests rather than public welfare, and it greatly erodes public confidence.
9. **Misinformation and Media Influence:** In the period following the signing of the Acts, social media platforms have become conduits for narratives, ranging from claims that individuals earning ₦30,000 monthly will face new tax deductions, assertions that diaspora remittances will be taxed at source, and claims that bank account balances will be confiscated without court orders, etc.[39] It is acutely amplified because of decades of institutional disappointment and prior expectations of extractive or predatory state behaviour. Citizens have no baseline confidence in state institutions, and several misleading narratives receive a credibility premium precisely. The consequences are direct and measurable, such as the compliance rates are below targets, and the exhibition of fear-driven non-compliance by citizens who incorrectly believe they face greater burdens than the law imposes.[40]

5.0 Comparative Analysis of Tax Systems in other Jurisdictions

5.1 United States

The United States operates a federal income tax system grounded in strong constitutionalism and a deeply institutionalised culture of taxpayer rights of the Internal Revenue Service's (IRS) enforcement powers. The Taxpayer First Act which contains the Taxpayer Bill of Rights, codifies ten fundamental taxpayer entitlements, including the right to be informed, the right to challenge the IRS's position and be heard, the right to pay no more than the correct amount of tax, and the right to a fair and just tax system.[41]

American public perception about taxation is intense and pervasive, but it operates within a framework of high institutional trust. Some American taxpayers may dislike the IRS, but the overwhelming majority regard it as a law-bound institution that applies the tax code consistently and without political bias in individual cases. This baseline of institutional legitimacy underpins compliance rates that, even at their lowest, far exceed Nigerian equivalents. This experience also demonstrates the importance of judicial independence in fiscal matters. The United States Tax Court, the Court of Federal Claims, and the Federal Appellate Courts provide taxpayers with multiple avenues for challenging IRS assessments without the financial pre-conditions that the section 41(8) to (9) of the NTAA deposit requirement would impose in Nigeria. The existence of accessible and independent judicial review is both a due process requirement and a compliance incentive. Taxpayers trust that their disputes can be resolved fairly are more likely to comply in the first instance.

5.2 United Kingdom

Her Majesty's Revenue and Customs (HMRC) in the United Kingdom exemplifies the taxpayer-as-customer institutional model. The HMRC Charter establishes a bilateral commitment. HMRC undertakes to provide clear information and resolve disputes fairly. In return, taxpayers are expected to be honest, file their tax returns accurately, and pay their taxes on time.[42]

Major tax reforms in the United Kingdom are invariably preceded by extensive consultation processes before legislation is introduced. This process does not prevent controversy, but it ensures that affected parties have had a meaningful opportunity to be heard and that the legislative text reflects a genuine engagement with the concerns raised. The Making Tax Digital (MTD) programme, the UK's equivalent of Nigeria's EFS mandate,

[38]*Ibid*, s 48(4) (penalty for failure to deduct); s 49 (penalty for failure to remit); s 60 (general penalty regime).

[39]Leadership Newspapers, '2026: From WhatsApp Myths to Tax Reality' (2026) <https://leadership.ng/2026-from-whatsapp-myths-to-tax-reality/> accessed on 10th March, 2026.

[40]BBC News Pidgin, 'New Tax Laws: Four Tins to Know about di Reforms Wey go Take from Effect from January 2026' (2025) <https://www.bbc.com/pidgin/articles/c338n8x1x56o> accessed on 10th March, 2026

[41]Internal Revenue Service (United States) Publication 1: Your Rights as a Taxpayer (IRS 2017); Taxpayer First Act, 2019, (US) Pub L 116-25, s 1001.

[42]Her Majesty's Revenue and Customs, 'HMRC Charter' (2020) <https://www.gov.uk/government/publications/hmrc-charter>accessed on 10th March, 2026.

demonstrates how digital compliance transitions can be managed responsibly. MTD was introduced in 2019 for VAT and was limited initially to businesses above the VAT registration threshold. MTD has comprehensive guidance, free-to-use compatible software lists, and an extended exemption process for businesses unable to comply. After six years of phased implementation, the programme is broadly accepted and compliant. Nigeria's more abrupt EFS transition risks generating preventable resistance.

5.3 Canada

The Canada Revenue Agency's Taxpayer Bill of Rights sets out fifteen enforceable entitlements, including the right to be treated professionally, the right to a formal review by an impartial decision-maker, and the right to complain to the independent Taxpayers' Ombudsperson without fear of reprisal.[43]

Canada's cooperative federalism model is particularly instructive for Nigeria, given both countries' federal structures. The federal-provincial tax collection agreement system, under which the federal CRA collects personal income tax on behalf of all provinces except Quebec, eliminates the institutional friction and taxpayer confusion that multiple competing agencies create. Nigeria's JRBA 2025 aspires to a similar harmonisation objective but lacks the structural mechanism to deliver it in the short term. Furthermore, Canada's investment in bilingual (English-French) taxpayer communication offers a model for Nigeria's multilingual communication challenge. The CRA's experience demonstrates that the cost of translation and localisation is less important than the compliance loss attributable to misunderstanding.

5.4 Ghana

Ghana's tax-to-GDP ratio of between 13% and 15%, meaningfully higher than Nigeria's despite comparable levels of economic development, is attributable to a sustained, multi-decade programme of revenue authority professionalisation, taxpayer education, and institutional trust-building.[44]

The Ghana Revenue Authority (GRA), established by the Ghana Revenue Authority Act, 2009, consolidated previously fragmented agencies into a single institution with a unified culture of taxpayer service. Studies of Ghanaian fiscal compliance consistently identifies the accessibility and responsiveness of the GRA, the willingness of tax officers to explain tax obligations, process tax refunds promptly, and resolve tax-related disputes without resort to penalty, as primary drivers of voluntary compliance.[45] Ghana's experience with the Electronic Transfer Levy (E-Levy) is particularly instructive. When the E-Levy was introduced in 2022, it generated significant public resistance, analogous to the resistance Nigeria's reforms are encountering, driven by fears of a burden on low-income users of mobile money. The GRA responded with a phased rollout, an exemption for low-value transactions, an intensive public education campaign in local languages, and a visible commitment to deploying E-Levy revenues for social protection programmes. Within twelve months, resistance has substantially diminished, and compliance rates are approaching projections.[46] The Ghanaian's proper sequencing of communication, the visibility of social return, and the quality of taxpayer service are as important as the technical design of the levy itself.

5.5 South Africa

The South African Revenue Service (SARS) is widely regarded as one of the most effective revenue authorities on the African continent, achieving a tax-to-GDP ratio in excess of 25%. SARS's effectiveness is rooted in three institutional characteristics that are largely absent in Nigeria's emerging framework such as strong statutory independence, deep professionalisation of its staff, and an unwavering public commitment to fiscal transparency.[47]

SARS publishes detailed annual reports, quarterly revenue statistics, and an annual tax statistics publication that enables citizens, academics, and legislators to hold the authority accountable. It operates a Taxpayer Service Charter that establishes measurable service standards, and it subjects its own performance to

[43]Canada Revenue Agency, 'Taxpayer Bill of Rights'(2007, updated 2013),<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/taxpayer-bill-rights.html> accessed on 10th March, 2026.

[44]AIRShare, 'Tax Burden in Africa, A Complex and Evolving Landscape' (2025) <https://airshare.air-inc.com/tax-burden-in-africa-a-complex-and-evolving-landscape> accessed on 10th March, 2026.

[45]ResearchGate, 'Comparative Study of Revenue Impact: Ghana Vs Nigeria' (2025) <https://www.researchgate.net/publication/396529441_Comparative_Study_of_Revenue_Impact_Ghana_Vs_Nigeria> accessed on 10th March, 2026.

[46]ICTD, 'Comparative Analysis of the Implementation of Electronic Money Transfer Levies in Ghana and Nigeria' <https://www.ictd.ac/publication/comparative-analysis-of-the-implementation-of-electronic-money-transfer-levies-in-ghana-and-nigeria-policies-legal-frameworks-and-outcomes-2/> accessed on 10th March, 2026.

[47] Research Square, 'Progressive Tax Reform and Macroeconomic Performance: A Comparative Assessment of Nigeria's 2026 Tax Regime with South Africa' (2025) <https://www.researchsquare.com/article/rs-8254734/v1.pdf> accessed on 10th March, 2026; AIRShare, (n 44).

independent audit. The comparative literature between Nigeria and South Africa identifies the absence of institutional autonomy and the weakness of external oversight as the principal structural differences. South Africa's constitutional design insulates SARS from political interference in individual enforcement decisions, a protection that Nigeria's NRSA, 2025 does not replicate with equivalent force. Most instructively, SARS underwent a period of institutional crisis between 2014 and 2018, characterised by a significant revenue compliance decline, before being restored under new leadership through a comprehensive institutional renewal programme. Nigeria currently faces the risk of an analogous trajectory if the legitimacy deficit identified in this paper is not addressed proactively.

5.6 Kenya

The Kenya Revenue Authority (KRA) has achieved sustained improvement in tax compliance over the past decade, raising the tax-to-GDP ratio from approximately 14% to over 17% through a deliberate strategy of digital transformation combined with accessibility.[48]

The iTax system, Kenya's integrated tax administration platform, was introduced in 2013 through a phased implementation that began with large taxpayers, extended to medium taxpayers, and ultimately covered the informal sector. At each stage, the KRA provided technical assistance, training, and transitional reliefs. Micro-entrepreneurs who could not immediately comply were given grace periods rather than being exposed to penalties, which is a design philosophy that built goodwill and reduced resistance. Kenya's experience with the digital services tax and the expanded CGT regime on shares is also relevant. Both measures encountered initial public resistance, but the KRA's investment in public legal education, through local radio, vernacular language materials, and community engagement events, substantially reduced the misinformation burden and accelerated voluntary compliance. For Nigeria, the Kenyan model suggests that digital compliance mandates are feasible but require state-supported transition assistance, realistic timelines, and a phased approach calibrated to the technological readiness of different taxpayer segments.

5.7 Principal Lessons for Nigeria

1. Legitimacy should precede enforcement. Nigeria's reliance on expansive enforcement powers without commensurate rights safeguards is structurally unsound. Taxpayer rights legislation analogous to the US Taxpayer First Act or the HMRC Charter would send a credible signal of institutional reform.
2. Transformation should be visible. Citizens in the comparator jurisdictions can trace taxes to roads, hospitals, and schools. Nigeria's transparency deficit must be addressed through mandatory and project-specific revenue utilisation reporting.
3. Major stakeholders' consultations should be meaningful. Major fiscal reforms in the UK and Canada are preceded by genuine stakeholder engagement, not merely procedural notice. The perception that Nigeria's 2025 tax Acts were rushed through without adequate consultation with stakeholders has significantly undermined their legitimacy.
4. Proper sequencing should matter. Advanced economies rarely impose significant new tax burdens during periods of acute economic contraction without corresponding welfare expansion. Nigeria's reforms, implemented in the midst of double-digit inflation and a cost-of-living crisis, require visible mitigation measures to avoid being experienced as predatory.

6.0 Conclusion and Recommendations

The comprehensive examination of Nigeria's new tax legislation and its troubled implementations lead to a clear and sobering conclusion. The legal architecture of the reforms is constitutionally grounded and technically ambitious. The objective of broadening the tax base, simplifying administration, and creating a modern revenue institution is defensible and necessary. Yet, execution has consistently failed to address the foundational socio-political prerequisites for compliance. The persistent mistrust rooted in decades of fiscal opacity, the procedural crisis created by allegations of post-passage alterations, the absence of visible socio-economic transformation linked to tax revenues, and the overbreadth of enforcement powers without adequate rights safeguards are not peripheral deficiencies. They are structural failures that directly determine whether the reforms achieve voluntary compliance or compound the legacy of fiscal alienation.

This paper has argued that the concept of 'taxation without transformation' captures a fundamental breakdown in the fiscal social contract. Taxes are collected, but transformation remains elusive. The state's legal authority to tax is not in question. What is in question and what must urgently be addressed is the state's political will and institutional capacity to honour its corresponding obligations, such as to govern transparently, to spend accountably, and to deliver the public goods that justify the fiscal burden imposed on its citizens. Sustainable fiscal governance in Nigeria requires nothing less than the simultaneous pursuit of revenue adequacy, institutional

[48] (n 44).

integrity, and visible socio-economic transformation. As Levi, Tyler, and Moore have each demonstrated in their respective scholarly traditions, compliance follows legitimacy. Until Nigeria's tax system is embedded in a functioning and credible fiscal social contract, the risk of 'taxation without transformation' with all its attendant consequences will persist.

For the way forward, the research recommends as follows:

1. Resolution of the Legislative Integrity Crisis: As an immediate priority, the National Assembly should establish an independent verification panel to compare the Certified True Copies of the bills passed by both Chambers against the versions gazetted and assented to by the President. Where discrepancies are confirmed, the corrected versions should be formally gazetted, communicated to all courts, revenue authorities and the legal profession, and implemented prospectively. The constitutional principle of legality demands nothing less.
2. Enactment of a Nigerian Taxpayer Bill of Rights: Drawing on the models of the United States, Canada, and the United Kingdom, the National Assembly should enact a dedicated Nigerian Taxpayer Bill of Rights, codifying enforceable entitlements including the right to professional treatment, the right to an independent review of assessments, the right to access courts without punitive financial pre-conditions, and the right to a clear explanation of how tax revenues are utilised.
3. Mandatory Fiscal Transparency and Revenue Utilisation Reporting: The Fiscal Responsibility Act, 2007 should be amended to require the quarterly publication of: total revenue collected by the NRS disaggregated by tax head and geopolitical zone, a tax expenditure statement disclosing the cost of all exemptions and incentives, and a project-level report linking tax receipts to identified capital expenditures. These reports must be accessible to citizens in plain English and local languages.
4. Institutional Reform of the Nigeria Revenue Service: The NRSA 2025 should be strengthened to include an independent Internal Affairs and Integrity Unit with prosecutorial referral powers, stricter statutory protections for whistleblowers within the Service, and a mandatory annual independent audit.
5. Targeted Communication Strategy and Public Legal Education: The NRS must deploy sustained, multilingual public legal education campaigns that utilize Hausa, Igbo, Yoruba, Efik, and other major languages to communicate the precise content of the reforms, correct misinformation circulating on digital platforms, and explain the progressive elements of the new PIT and VAT exemption structures to low-income Nigerians.