



National Fiscal Policy

Fair Taxation, Responsible Borrowing, Sustainable Spending.

Federal Republic of Nigeria

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Presidential Commitment

WE WILL BUILD AND NURTURE AN EFFICIENT TAX SYSTEM FOR SHARED PROSPERITY

The current fiscal challenges present a unique opportunity for us as a nation, to undertake far-reaching reforms towards revamping our economy to achieve sustainable development. This is the reason I set up the Presidential Fiscal Policy and Tax Reforms Committee (PFPTRC) with a clear mandate to develop necessary reform recommendations that will chart a new course for our country.

A comprehensive review of the National Tax Policy (NTP) is crucial as part of the building blocks for the PFPTRC to achieve its mandate. In this regard, the NTP 2024 builds on the NTP 2012, revised in 2017. The NTP 2024 reinforces the fundamental objectives and directive principles of state policy espoused in Chapter 2 of the Constitution of the Federal Republic of Nigeria, 1999.

My administration is committed to improving the lives of all Nigerians by ensuring that the tax system is simple, fair, broad-based and able to yield the desired revenue to finance inclusive growth. Our ultimate goal is to achieve a fiscal system that promotes shared prosperity for all our citizens. We are audacious in our plans to diversify the economy, significantly improve the tax-to-gross domestic product ratio and eradicate the multiplicity of taxes, among others.

Despite our challenges, Nigeria remains a significant economy within the region and globally. An enabling fiscal policy environment and efficient management of our resources will further strengthen our ability to become a more robust and flourishing economy.

Our quest for improved revenue shall be based on best practices. We shall not tax capital or investments. In essence, we shall tax fruits, not seeds. Our focus is to establish a stable and symbiotic relationship between fiscal, monetary and other policies to create new economies, decent jobs and better opportunities for all.

Attaining this goal requires the collective efforts of all stakeholders including the National Assembly, National Economic Council, Governors, Federal and State Ministries of Finance, Houses of Assembly of States, Federal Inland Revenue Service, States Internal Revenue Services, Local Government Councils, Organised Private Sector, Professional Bodies, other non-governmental institutions, taxpayers and the general public. I reaffirm my commitment to walking the talk and leading from the front, and together with the subnational governments, we will ensure full and effective implementation of the NTP 2024.

I am grateful to Mr Taiwo Oyedele, the Chairman of the PFPTRC and his dynamic team for their selfless service in undertaking this important assignment within a limited timeline at this critical stage in Nigeria's march towards sustainable and inclusive development.

Long Live the Federal Republic of Nigeria!

Bola Ahmed Tinubu, GCFR
President, Federal Republic of Nigeria

Chapter One

1.0 – INTRODUCTION

1.1– Background

Nigeria is contending with a revenue challenge which cuts across all tiers of government. The country's tax-to-GDP ratio is below the Africa average and ranks as one of the lowest in the world. This has led to fiscal deficit and over-reliance on borrowing to finance public spending resulting in a cycle of inadequate funding for socio-economic development. While incremental progress has been recorded over the years, the outcomes have not been sufficiently transformative to change the fiscal narrative.

Consequently, a comprehensive and coordinated review has been undertaken to set the right tone for Nigeria's tax policy environment to meet current economic realities and address these concerns.

1.2 - Definition of Tax

Tax is a compulsory payment to the government, imposed by law, to finance public spending without a direct exchange or return of value to the payer. This includes levies, duties, tariffs, charges, rates and fees other than a payment for service or other exchange transaction.

1.3 - Definition of Tax System

The tax system refers to the overall framework through which the government administers and collects taxes from individuals, businesses, and other entities within its jurisdiction. It encompasses all the rules, regulations, and procedures governing taxation. The key elements of the tax system are tax policy, tax laws, and tax administration including dispute resolution.

1.4 - Definition of Tax Policy

Tax policy encompasses the fundamental principles, structures, guidelines, and strategies employed by the government to design, impose and administer taxes. It outlines the government's approach to raising revenue, regulating economic behaviour, governing the tax system, and achieving various social and economic objectives.

1.5 - Rationale for the National Tax Policy

The National Tax Policy is necessary to set the broad parameters for taxation in Nigeria, ensuring that our fiscal goals are aligned, properly coordinated and effectively harmonised across the tiers of government. It serves as a guide and reference point for tax legislation, tax administration, tax dispute prevention and resolution.

1.6 - Objectives of the National Tax Policy

The National Tax Policy aims to achieve the following specific goals:

1. set out the overall direction for the Nigerian tax system
2. provide a framework for the design and imposition of taxes
3. guide the drafting, amendment, and future review of tax laws
4. provide guidance for the administration of taxes and dispute resolution in Nigeria
5. promote a tax culture among citizens
6. provide a framework for collaboration among Ministries, Departments and Agencies (MDAs),

- national, and sub-national governments
7. provide the benchmarks and minimum standard upon which stakeholders will be held to account
 8. outline the roles and responsibilities of stakeholders in the tax system
 9. guide the interaction between Nigeria and the international community on tax matters
 10. provide a framework for effective implementation of the prescribed policies

1.7 – Constitutional Context

The NTP derives its foundational principles from Chapter 2 of the Constitution of the Federal Republic of Nigeria 1999. Section 24, Chapter 2 of the Constitution sets out the fundamental objectives and principles governing taxation in Nigeria. The NTP therefore provides the following directions:

1. Ensuring that all taxable persons can honestly declare their income to the proper and lawful agencies and pay their taxes on time.
2. Enhancing free mobility of people, goods, and services without extortion from both state and non-state actors.
3. modernisation and leveraging technology to achieve an efficient and effective tax administration system.
4. Promoting regional and continental integration, while enhancing international cooperation
5. Promoting fiscal responsibility and accountability that reflects the principle of fiscal federalism.
6. Making certain that the country's resources are harnessed and allocated for the benefit of all.
7. Ensuring that the rights of all taxable persons are respected and protected.
8. Securing maximum welfare, justice, fairness and eliminating discrimination.
9. Promoting and protecting Nigeria's national interest while respecting international law and treaty obligations.
10. Eradicating corrupt practices and abuse within the tax system.

1.8 – Challenges of the Nigeria Tax System

While progress has been made over the years, major challenges remain, including:

1. **Weak policy framework** - there is no robust structure for the tax system to address major issues such as the taxation of the informal sector, address obsolete provisions, provide clarity on taxing powers of each level of government, and align tax policies within the overall economic objective.
2. **Poor coordination** - there is no clear direction and overall policy objectives for the tax system resulting in multiple taxes, agencies, audits, fragmented databases and identities, and weak structure for collaboration and exchange of information.
3. **Lack of sustained leadership focus** - the political will for difficult but necessary reforms has been lacking, with no sustained commitment to implement approved tax policies and institutionalised systems of accountability for revenue utilisation, tackling corruption in tax administration, preventing abuse and administering consequences for violations.
4. **Inequity and trust deficit** - this is evident in many areas on one hand between the tiers of government and on the other hand with taxpayers. This is reflected in complex processes for tax refunds, excessive tax burden on small businesses and the poor compared to the elite, complex and expensive adjudication of tax disputes, among others.
5. **Capacity and professionalism** - as the economy evolves, the tax administration capacity has not kept pace in various aspects including the adoption of technology, upskilling for tax

officers, access to modern tools and resources, and legal framework to provide autonomy for tax administration and strengthen professionalism especially at the subnational level. This has led to an increase in outsourcing and unorthodox methods for tax collection sometimes involving non-state actors. There is no credible and up-to-date statistics on taxpayer registration, filing of returns and payment.

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Chapter Two

POLICY GUIDELINES

2.0 - Policy Direction

Nigeria aims to promote a coherent, equitable and efficient tax system that supports productive activities, delivers sustainable fiscal outcomes, while being inclusive and competitive with a view to achieving shared prosperity for our people.

Except otherwise intended, we shall not tax capital or investment but income, we shall not tax production but consumption, we shall not tax poverty but share in prosperity, we shall not tax seed but fruits.

2.1- Guiding Principles of Nigeria Tax System

To achieve the objectives of the tax system, all existing and future taxes shall align with the following fundamental features:

1. **Equity and fairness:** Every tax shall be equitable and devoid of discrimination in its design, imposition and administration. The burden of tax shall reflect the payers' ability.
2. **Simplicity and clarity:** Tax laws and administrative processes shall be simple, clear and easy to understand. Any ambiguity arising from the tax rules which imposes a burden shall be resolved in favour of the taxpayer.
3. **Certainty:** Taxes shall be certain in all circumstances. This includes the tax rates, timelines for compliance and basis for all taxes. Rules shall be consistently applied in similar circumstances.
4. **Convenience:** The time and manner for complying with tax obligations shall consider taxpayers' convenience and avoid undue difficulties.
5. **Efficiency:** Taxation shall not distort the efficient allocation of resources and the financial and economic cost of compliance to the taxpayer and that of tax administration shall be kept to the barest minimum.
6. **Flexibility:** Taxation shall be flexible and dynamic to respond to changing circumstances in the economy in a manner that does not impede innovation and emerging economic activities.
7. **Sustainability:** The tax system shall seek to achieve sustainable revenue, protect the environment, drive economic inclusive growth and development. There shall be synergy between tax policies and other socio-economic policies of the government to achieve positive social outcomes.
8. **Accountability and transparency:** There shall be transparent disclosure and publication of information regarding tax revenue, other revenues and their utilisation. Audited reports shall be published periodically as well as useful tax statistics and other indicators on a timely basis and in sufficient detail.

2.2 - Protection for poor and vulnerable population

Many Nigerians live in multidimensional poverty due to lack of decent jobs, poor living standard, lack of access to health care, education, and basic infrastructure.

In addition, many individuals are vulnerable to social and economic obstacles in the form of oppression, abuse, exploitation, harm, or attack, either physically or emotionally. Persons most affected include women, children, the aged, immigrants, low-income earners, persons with disabilities, small business owners, among others.

Tax shall not be designed, imposed or administered in a manner that aims at the poor and vulnerable population as the sole or primary target. Instead, tax and fiscal policies shall be designed to empower and provide social support for the poor and vulnerable persons.

The following principles shall apply to fiscal measures and policies to cater to the poor and vulnerable people:

- a. **Credible administration of intervention programmes:** Social welfare and intervention measures shall prioritise the empowerment of the poor and vulnerable. Where other forms of interventions are necessary such as food assistance, housing subsidies, and conditional cash transfers, they shall be administered through reliable, auditable, and verifiable means using digital channels as much as possible.
- b. **Inclusion and participation:** Individuals or groups representing the poor and vulnerable population shall be involved in the design and implementation of fiscal and tax policies. In any case, public consultations, impact assessment and any other form of stakeholder engagement shall incorporate and take the poor and vulnerable people into consideration.
- c. **Minimal tax burden:** Establish reasonable thresholds for tax exemptions and minimise the tax burden where an exemption is not feasible. Where taxes are to be paid, the process should be simple, efficient and suitable to the circumstances of the payers.
- d. **Tax reliefs for Corporate Social Responsibility:** Grant tax deductions or other forms of tax reliefs to the private sector to encourage contributions to programmes, projects and initiatives designed to support and empower the poor and vulnerable.
- e. **Review and evaluation:** Tax bands and exemption thresholds shall be kept under review and up-to-date to reflect current socioeconomic realities. Periodically evaluate the effectiveness of policies and programmes targeted at the poor and vulnerable incorporating data-driven insights to ensure appropriateness.

2.3 - Taxation of the Informal Sector

The informal sector covers the part of the economy that operates outside the formal financial system without government regulations and oversights. These activities often involve unregistered, small-scale businesses, self-employment, and cash transactions, contributing to the economy without adhering to formal standards or legal framework.

Tax policy shall aim to simplify compliance including ease of registration, filing of returns and payment, ensuring fairness and promoting formalisation.

2.3.1. Policy Framework:

The framework for taxing the informal sector shall include:

- a. **Presumptive Tax Regime:** Implement a presumptive tax regime for sub sectors based on predetermined criteria such as reasonable income threshold and industry benchmarks to ensure fairness and minimise disputes.
- b. **Transition to Formal sector:** Gradually introduce more sophisticated tax mechanisms as businesses grow, transitioning them smoothly into the formal sector. Implement periodic amnesty, or regularisation programs to formalise more businesses.
- c. **Education and Support:** Provide education and support programs to help informal businesses understand their tax obligations and navigate the taxation system. Provide free devices to promote record keeping practices, facilitate tax reporting and auditing without placing an excessive burden on small businesses.
- d. **Simplified Registration:** Establish an easy and accessible registration process for informal businesses to encourage compliance.

- e. **Collaboration with Stakeholders:** Collaborate with stakeholders to understand their needs and jointly develop strategies for tax compliance. Establish partnership with financial institutions, technology providers to innovate, deploy and adopt solutions for tax compliance and collection, e.g, mobile payment solutions and Point of Sale (POS).
- f. **Penalties and Enforcement:** Establish clear penalties for non-compliance and enforce them in a manner that drives voluntary compliance.
- g. **Reliance on indirect taxes:** Given the challenges of direct tax collection in the informal sector, the framework may emphasise the collection of indirect taxes, such as sales taxes, value-added taxes (VAT), or excise taxes. These can be collected at the point of sale, reducing the need for direct reporting by informal businesses.

2.4 Taxation as a Tool to Achieve Economic Development.

Taxation plays a pivotal role in shaping a nation's economic and social landscape. In this regard, the tax system shall be designed to achieve the following:

2.4.1- Wealth Creation

Taxation is a veritable tool for wealth creation in Nigeria. It should be designed to promote social, political and economic development. Accordingly, the Nigerian Tax system shall;

- a. Promote productivity in all ramifications particularly in labour-intensive industries such as agro-allied industries: manufacturing, etc., by ensuring capital and investments are not taxed. Fruits, rather than seeds, shall be taxed.
- b. Support to Small and Medium Enterprises (SMEs) businesses that employ most of the labour market.
- c. Provide basic infrastructure such as power, roads, transportation networks, schools, and other infrastructures through direct source-based trading activities and stimulate economic growth.
- d. Ensure equal investment opportunities and support for businesses.
- e. Encourage investment policies and laws to be long-term focused and tenured to enable investors to plan with reasonable certainty.
- f. Stimulate domestic and foreign investments by creating policies that are favourable to the retention of investments in the country, promote and attract new investments. Such policies include tax-free zones, tax holidays on certain products or lines of investments, and international treaties.
- g. Contribute to economic stability by providing fiscal buffers that can be utilised during an economic shock and provide investors with certainty, facilitating long-term focused investments.
- h. Promote policies that mitigate against monopoly by ensuring minimal market entry barriers, facilitating healthy competition and addressing other market imperfections.
- i. Facilitate investment in research and development to ensure value creation opportunities in new frontiers and markets.
- j. Reduce the tax burden on start-ups and small businesses to encourage entrepreneurship and innovation.
- k. Create policies to promote income redistribution among the citizens and social safety net for indigent citizens.

2.4.2 - Creation of Employment

There is a nexus between tax policy and employment creation. However, the specific impact depends on the design and implementation of these policies and their interaction with other economic factors.

It is important to balance using tax policy to encourage employment and maintaining fiscal responsibility. The effectiveness of these measures can vary depending on the economic context.

Policy makers need to consider a holistic approach to addressing employment challenges.

Tax policies shall influence job creation and employment levels through:

- a. **Tax Incentives for Businesses:** Governments shall use tax incentives, such as tax credits or deductions for hiring and investing in certain industries or regions. This shall encourage businesses to expand and create jobs.
- b. **Corporate Tax Rates:** Lower corporate tax rates can make it attractive for businesses to invest in new projects, expand operations, and hire employees. Conversely, higher corporate taxes may reduce a company's ability to invest in growth and employment.
- c. **Individual Income Tax:** Changes in individual income tax rates affect consumers' disposable income. When people have more money due to tax cuts, they may spend more, stimulating demand for goods and services and, in turn, leading to job creation.
- d. **Labour Market Impact:** Tax policy shall indirectly influence the overall health of the economy, which, in turn, affects employment. For instance, tax policies that promote economic growth can lead to increased job opportunities.
- e. **Infrastructure Investment:** Using tax revenue to fund infrastructure projects shall create jobs in construction and related industries.
- f. **Sector-Specific Tax Policies:** Tailoring tax incentives to specific industries with high employment potentials such as, agriculture, manufacturing, renewable energy, healthcare, information technology, entertainment, etc., shall drive job growth in those sectors.

2.4.3- Incentives and Tax Expenditure

This tax policy addresses the need for a comprehensive framework for tax incentives and expenditures, recognising potential benefits for structuring and evaluation to ensure they contribute positively to the nation's economic and social development and job creation. It is also aligned with good practices and principles that balance stimulating economic activity and ensures the tax law remains fair and efficient.

Tax incentives mean any special tax provision granted to qualified investment projects or firms that provide a favourable deviation from the general tax law.

A tax expenditure is a revenue foregone resulting from a reduction in tax liability relative to a benchmark tax system. It is an alternative to direct budgetary spending. The tax expenditure results from a deviation from the fiscal measure to reduce the tax burden borne by a taxpayer, a group of taxpayers, or a sector of activities.

a. Principles and Objectives

- i. **Transparency:** Tax incentives and tax expenditures shall be transparent, well-documented, and easily accessible to the public. All relevant information should be available to taxpayers, policymakers, and the public.
- ii. **Accountability:** Government agencies granting tax incentives shall be accountable for the outcomes and performance of these incentives. Reporting and evaluation mechanisms should be established to assess their effectiveness.
- iii. **Equity:** The tax law shall be designed to ensure that the benefits of tax incentives are distributed fairly and do not disproportionately favour specific industries or income groups.
- iv. **Efficiency:** Tax incentives and expenditures shall be structured to maximise economic impact, avoid unnecessary administrative costs, and minimise market distortions.

b. Guidelines for Tax Incentives

- i. **Defining Eligibility:** Tax incentives shall target specific goals, such as job creation, research and development, or clean energy, etc. Eligibility criteria should be clearly defined and established on evidence-based assessments.

- ii. **Sunset Provisions:** All tax incentives shall include sunset provisions, which trigger a periodic review to assess their continued relevance and effectiveness. This ensures that incentives become temporary entitlements.
- iii. **Cost-Benefit Analysis:** A comprehensive cost-benefit analysis shall be conducted to estimate the expected economic and social benefits versus the revenue forgone before granting tax incentives.

In adhering to the above guidelines, the government shall:

- i. Ensure that incentives to be granted are broad, sector-based, tenured, and transparent.
- ii. Strategically utilise and prioritise certain categories of incentives targeted at promoting economic development such as Targeted Tax Incentives /Sector-Specific Tax Incentives, Tax Holidays and Tax Amnesty, Entrepreneurship and Start-up Incentives, Investment Tax Credits, Research and Development Tax Credits and Special Economic Zones (SEZs).
- iii. Ensure that implementation is properly monitored, evaluated, and reported periodically and constantly kept under review.
- iv. Ensure that revenue forgone from tax incentives or concessions is quantified against expected benefits and reported annually. Where the benefits cannot be quantified, qualitative factors must be considered.
- v. Periodically assess tax incentives to ensure they align with the government's development objectives. Obsolete or redundant incentives should be reviewed or withdrawn.

c. Guiding Principles for Tax Expenditures

- i. **Limits and Caps:** Tax expenditures shall be subject to limits and caps, ensuring they do not burden the government's fiscal resources. Limits should be periodically adjusted based on economic conditions and fiscal health.
- ii. **Compliance Measures:** Enhanced compliance measures should be implemented to prevent abuse or misuse of tax expenditures. This includes regular audits and reporting requirements.
- iii. **Evaluation:** A systematic evaluation of the impact of tax expenditures shall be conducted periodically to assess whether they are meeting their intended goals. Adjustments should be made if the expected outcomes still need to be achieved.

2.4.4- Improve Ease of Doing Business

Exposure of businesses to higher numbers of taxes puts them at a disadvantage vis-à-vis businesses in other jurisdictions. Accordingly, the Nigeria Tax System shall adopt the following:

- a) **Reduction in the Number of Taxes** - Taxes should be fewer in number, broad-based and high revenue yielding. The administration of the taxes should also be simplified for ease of enforcement and compliance.
- b) **Elimination of Multiple Taxation** - Ensure strict adherence to taxing rights of each tier of government as enshrined in the Constitution of the Federal Republic of Nigeria 1999 and relevant laws.
- c) **Eliminate Activities of Non-State Actors** - Non-state actors engaged in the collection of revenue disrupt fiscal stability and impede public service delivery. This policy outlines a framework to eradicate the activities of non-state actors in the fiscal space in order to curb revenue loss and ensure a transparent and accountable fiscal environment.

1. Establish a Regulatory Framework:

- b. Formulate a legal framework to abolish activities of non-state actors in tax collection.
- c. Formulate and implement a robust regulatory framework to govern the activities of non-state actors in the fiscal space.
- d. The approved list of collection for taxes should be properly legislated.

- e. Abolish cash payment for all taxes.
 - f. Define licensing requirements, operational standards, and compliance measures to ensure transparency, accountability, and adherence to legal norms.
- 2. Enhance Monitoring and Enforcement:**
- a. Invest in technology-driven surveillance systems to track and monitor the financial activities of non-state actors.
 - b. Collaborate with law enforcement agencies to establish a dedicated unit for investigating and prosecuting illegal monetary operations.
 - c. Empower regulatory bodies with the authority to enforce compliance and penalise non-state actors violating regulations.
 - d. Implement strict penalties to deter unauthorised monetary activities, including fines, licence revocation, and criminal prosecution.
- 3. Engage in Public Awareness Campaigns:**
- a. Launch comprehensive public awareness campaigns to educate citizens about the risks of engaging non-state actors in monetary transactions.
 - b. Provide information on legal and secure channels for financial transactions, emphasising the benefits of using formal financial institutions.
- 4. Encourage Reporting Mechanisms:**
- a. Establish anonymous reporting mechanisms for citizens and industry participants to report suspicious monetary activities by non-state actors.
 - b. Foster collaboration and information sharing among tax authorities at all levels through technology.
 - c. Provide incentives for reporting, such as rewards or protection against retaliation.

2.4.5- Focus on optimisation of Income, Consumption and Property Taxes

The tax system shall focus more on indirect taxes which are easier to collect and administer, and more difficult to evade. Tax rates should be progressive and designed to promote fairness, equality, and equity. The tax system should seek enhanced automated processes for effective administration of indirect taxes.

2.4.6- Changes to Tax Laws must be Evidence-Based

Changes to tax laws must be based on relevant revenue and impact analysis from businesses and other relevant stakeholders. Relevant regulatory bodies/implementing agencies must assess the tax contribution, payment and administration information from the revenue administrators (national and sub-national) in recommending changes to tax laws.

Every proposed change to tax laws must be submitted for consideration in the format below;

- a) Purpose
- b) Background
- c) Evidence and analysis
- d) Outcome and next steps for implementation.

2.4.7- Alignment of domestic tax laws with Sustainable Development Goals (SDGs) and Environmental, Social and Corporate Governance Goals (ESGs)

Tax laws shall play a critical role in economic and social development. Nigeria's tax policies shall address environmental and social priorities in line with the United Nations Sustainable Development Goals, Africa Agenda 2063 and Nigeria Agenda 2050 on Sustainable Development Goals (SDGs) and Environmental Social and Corporate Governance Goals (ESGs). The following shall be considered:

- a) **Social welfare incentives:** Providing tax deductions to companies that invest in relevant social welfare schemes and infrastructure development that help uplift the poor and vulnerable, including employment of the physically challenged.
- b) **Environmental Taxation:** Implementing deterrent taxes on activities that harm the environment, such as carbon taxes or pollution levies, shall encourage businesses to adopt cleaner and more sustainable practices, leading to the growth of green industries and diversification.
- c) **Clean Energy Incentives:** Implementing a more targeted approach to tax incentives for green technology and renewable energy such as introducing tax credit or deductions for investments in renewable energy projects, green technology products, and providing information and compliance support to these businesses. This shall encourage diversification into the clean energy sector while addressing environmental concerns.
- d) **Corporate governance incentive:** Providing tax credits to companies that imbibe compliant tax behaviour into their corporate governance dynamics and reach a higher level of corporate compliance with the tax system.

2.5- Taxation as a tool for Economic Diversification

The tax system shall be utilised to attract investments in all sectors of the economy, with a focus on critical sectors, boost employment, and improve the revenue base for the country. Particularly, tax policies should align with the following;

2.5.1- Investor Protection

Tax policies shall strengthen provisions of investor protection laws and mechanisms to build investor confidence, which shall attract both domestic and foreign investments in diverse sectors.

2.5.2- Infrastructure Investment

Using tax revenues to fund infrastructure development in underdeveloped regions or to support critical sectors (e.g., transportation and energy) can create an environment conducive for economic diversification.

2.5.3- Investment Promotion

Collaboration with investment promotion agencies to create targeted tax incentives for attracting Foreign Direct Investment (FDI) in identified sectors that support diversification.

2.5.4- Technology and Innovation

To promote technology and innovation through appropriate tax incentives particularly in proximity to tertiary institutions across the country.

2.6- International and Regional Tax Treaties Obligations

A wide network of international and regional treaties would be beneficial to the economy. In this regard, Nigeria shall continue to expand its treaty network in the best interest of the country through the following ways:

- a. Existing tax treaties shall be reviewed regularly and where necessary renegotiated in the best interest of the country.
- b. New treaties shall consider benefits to Nigeria in the short, medium but more importantly long term.
- c. Nigeria's model double tax treaty shall be regularly updated as a benchmark in treaty negotiation.

2.6.1 - International, Regional & Continental Tax Treaties

- a. Nigeria shall respect treaty obligations and ensure that tax law shall not derogate from the duty, obligation, standard and principles required under bilateral or multilateral treaties.
- b. Nigeria shall initiate and promote through relevant international organisations multilateral tax treaties within the West African Sub-region and Africa.
- c. Nigeria shall align its domestic tax laws with existing treaties and bring it in conformity with emerging fiscal developments in the international tax space.

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Chapter Three

3.0. Spending and Borrowing

3.1. Spending Policy

Taxation is at the heart of the social contract. While citizens have the civic duty to pay their taxes, the government has the responsibility to provide social services to the people. Therefore, how taxpayer money is spent, in terms of priority, efficiency and timeliness has an impact on the tax system.

The spending policy shall reflect the government's priorities, goals, values, fiscal capacity and constraints. The government spending policy will have significant impacts on the economy, society, environment, revenues, debt, and credibility.

This spending policy is therefore aimed at guiding the allocation of public resources to programmes, projects and services in an effective and efficient manner.

3.1.1. Principles of Spending

The following principles shall govern the application of public resources by government:

- a. **Needs Assessment:** An assessment and evaluation of competing needs should precede spending plans
- b. **Prioritisation:** Prioritisation to ensure allocation of funds to provide the greatest good for the greatest number of people.
- c. **Productive spending:** The government will actively prioritise spending on projects and programs that contribute to long-term economic development to enhance the productive capacity of the economy.
- d. **Efficiency:** Ensure resources are used effectively to maximise outcomes and eradicate waste. This also involves timeliness and achieving maximum benefit for every Naira spent for the highest standard of quality possible.
- e. **Public Good:** Public good should drive government involvement in any project either directly or indirectly.
- f. **Comparative advantage:** Government should not be involved in executing projects or rendering services which are commercially viable and can be provided by the private sector.
- g. **Impact assessment:** Focus on measurable and quantifiable projects or programmes with a positive impact on the society rather than low impact and expensive projects that will benefit very few.
- h. **Equity:** Distribute resources fairly, considering the diverse needs and circumstances of the population, ensuring not to leave any group of people behind particularly minorities and vulnerable groups.
- i. **Transparency and Accountability:** Maintain openness in financial decision-making processes, including timely reporting at least once annually, the basis of project selection, budgetary allocations, spending and other relevant details in an accessible and user-friendly format. Establish mechanisms for public accountability and oversight.
- j. **Sustainability:** Consider the long-term effects of spending, including viability, environmental considerations, maintenance and socio-economic impact, to ensure that resources are used in a way that benefits both current and future generations.

- k. **Fiscal Responsibility:** The government shall be committed to fiscal discipline, in plan and action, by avoiding excessive deficits and ensuring that public debt remains sustainable.
- l. **Risk Management:** The government will assess and manage fiscal and other risks associated with spending such as currency mismatch, considering domestic and external factors. Develop contingency plans to address unforeseen circumstances and shocks to the economy.
- m. **Citizens' participation** – Every Nigerian shall take active interest in government spending including monitoring, reporting and holding the government accountable.

3.2. Borrowing Policy

The government borrowing policy will guide how the government finances its spending and manages its debt. Borrowing policy can affect various aspects of the economy, such as interest rates, inflation, exchange rates and fiscal sustainability.

3.2.1. Principles of borrowing

The following principles will govern the borrowing of government:

- a. **Prudent Debt management:** Design a framework for assessing the government's ability to meet debt obligations without compromising essential public services or creating undue financial strain. Regularly assess the impact of borrowed funds, adjusting strategies if necessary to maximise positive outcomes and minimise risks.
- b. **Infrastructure and Productivity:** Borrow only as a last resort and for specific purposes that contribute to long-term economic growth or to address critical needs. Prioritise borrowing for projects that enhance economic productivity and contribute to long-term growth, such as critical infrastructure and development initiatives.
- c. **Sustainability:** Ensure that the level of borrowing is sustainable over the long term, avoiding excessive debt that may burden future generations. Implement measures to enhance domestic revenue generation and reduce dependence on borrowing.
- d. **Risk Management:** Implement strategies to manage and mitigate risks associated with borrowing, including maturity and repayment obligation, interest rate fluctuations and currency risks.
- e. **Transparency and Accountability:** Establish mechanisms for accountability in the use of borrowed funds, ensuring they are utilised efficiently and effectively. Maintain clear and open communication about borrowing decisions, terms, and conditions to foster public trust and understanding.
- f. **Legal and Regulatory Compliance:** Adhere to relevant laws and regulations governing public borrowing, promoting a legal and ethical framework.
- g. **Coordination and Collaboration:** Collaboration with monetary, budgeting and other fiscal authorities to ensure that areas of interconnectedness are identified and properly managed to achieve the overall common purpose of government.

Chapter Four

4.0- Responsibilities of Stakeholders

For an orderly and sustainable development of the Nigeria tax system, the federal and state ministries of finance shall have the primary responsibility for tax policy matters and initiating proposals for amendment of tax laws. Ministry of Finance shall collaborate with relevant stakeholders in carrying out their responsibilities under this policy. The ministry shall ensure collaboration with relevant stakeholders as outlined in the NTP.

The key stakeholders in the Nigeria tax system can be broadly categorised as follows:

1. Government (Executive, Legislature and Judiciary)
2. Ministry of Finance
3. Taxpayers
4. Revenue Agencies and Tax Administration Bodies
5. Trade Associations/Unions
6. Academic Regulators and Research Institutes
7. Organised Private Sector/Employers
8. Media and Advocacy Groups
9. Professional Bodies; Tax Practitioners, Consultants and Agents

4.1. The Government (Executive, Legislature and Judiciary)

All arms of government at the national and sub-national levels in Nigeria, ministries, ministerial departments and agencies, where applicable, shall:

- i. Implement tax policies and laws.
- ii. Ensure automation and deployment of technology for tax administration system (registration, filing, assessment, and collection) at both national and sub-national levels and
- iii. Provide information on all revenue collected quarterly.
- iv. Ensure adequate funding, administrative and operational autonomy of tax authorities.
- v. Ensure a reasonable transition period of three months before implementing a new tax or policy.
- vi. Ensure that all tax laws are aligned with the NTP.
- vii. Promote transparency, eliminate political interference and ensure compliance among all categories of taxpayers irrespective of status or office.
- viii. Resolve disputes between taxpayers and tax authorities.
- ix. Ensuring that legal processes are followed and rights are respected.

4.2. Ministry of Finance

The Ministry of Finance is tasked with the responsibility of implementing the National Tax Policy and shall:

- a. Review the tax policies periodically, at least once every five years.
- b. Ensure the tax policies are aligned with the government's broader fiscal, economic and social priorities.
- c. Ensure adequate funding, administrative and operational autonomy for the tax authorities.
- d. Ensure sensitization of stakeholders on the National Tax Policy and its implementation.
- e. Facilitate the process of establishing a tax court as an independent body to adjudicate in tax matters
- f. Ensure adequate budgetary provisions for tax refund purposes, set a reasonable time threshold, and compensate taxpayers for delay in tax refund on the part of the tax authority.

4.3. The Taxpayer

4.3.1. Taxpayer's Rights

A taxpayer is a person, group of persons or an entity that pays or is liable to tax. The taxpayer is the most critical stakeholder and the primary focus of the tax system. Taxpayers have rights designed to protect them and ensure fair treatment within the tax system. The taxpayer has a civic obligations that must be discharged while being entitled to certain rights, including:

- a. Access to relevant, clear, understandable, and timely information about the tax laws and procedures for discharging their tax obligations.
- b. Receiving prompt, courteous, and professional assistance in dealing with tax authorities.
- c. Freedom to raise objections to assessments and decisions and receive responses within a reasonable time threshold set by the tax laws and regulations.
- d. Prompt tax refund once established.
- e. Privacy regarding their financial and tax matters, except it is in the state's interest.
- f. Fair and impartial treatment including hearing.
- g. Self-representation or by any agent of choice, provided that an agent acting for financial reward shall be an accredited agent.

4.3.2. Obligations and responsibilities

The taxpayer shall:

- A. Comply and abide by the provisions of the tax laws and regulations.
- B. Register for tax, declare income honestly as at when due and file applicable tax returns.
- C. Compute tax liability and pay the correct amount in accordance with the tax laws and regulations.
- D. Provide true and accurate records to support the information reported on their tax returns and for tax audit and investigation when necessary.
- E. Participate in tax education or awareness campaigns and provide constructive feedback to improve the tax system.

4.4. Revenue agencies and tax administration bodies

Any agency responsible for the collection and administration of revenue shall:

- a) Treat the taxpayer as a customer.
- b) Ensure efficient implementation of tax policies, laws, and international treaties as applicable.
- c) Facilitate inter-agency cooperation and exchange of information.
- d) Undertake timely audits and investigations.
- e) Undertake tax awareness and taxpayers' education.
- f) Establish a robust process to prevent, detect and punish corrupt tax officials.
- g) Undertake continuous enumeration of taxpayers.
- h) Deploy efficient, technology enabled, tax registration, filing and tax payment systems.
- i) Establish help desks/call centres that are well equipped to attend to taxpayers who need assistance and cannot afford a fee-paying consultant, especially regarding returns filing on a pro-bono basis.
- j) Establish a taxpayer feedback/complaints system to attend to complaints on tax administration.
- k) Provide inputs into and propose changes to relevant tax laws and policies based on taxpayer data and feedback
- l) Impose deterrent measures for incidences where cases of illegal tax collection have been established.
- m) Enforce tax laws, collect taxes, and ensure compliance.

4.5. Professional Bodies

Relevant professional bodies, tax practitioners, accountants, consultants, lawyers, agents, etc, who provide professional tax or tax-related advisory and compliance services, shall:

- a) Act in accordance with laws and code of conduct and professional practice.
- b) Not aid and abet tax evasion and unethical practices.
- c) Actively promote effective tax compliance.
- d) Meaningfully contribute to tax awareness, campaigns, advocacy, compliance, and other related matters that advance the efficiency of tax administration.

4.6. Media and Advocacy Groups

They shall:

- a) Promote tax education and awareness.
- b) Articulate, protect, and advance taxpayers' rights.
- c) Advance accountability and transparency in the utilisation of tax revenue.
- d) Ensure accurate, objective, and balanced reporting in accordance with their professional code of conduct and ethics.
- e) Advocate for fair and equitable tax policies, transparency in tax administration, and the protection of taxpayers' rights.

4.7. Organised Private Sector

They shall:

- a) Ensure employees are registered with the relevant tax authority.
- b) Ensure suppliers and contractors register with the relevant tax authority.
- c) Deduct and remit applicable taxes from employees, suppliers, and contractors to the relevant tax authority and
- d) Ensure that employees, suppliers, and contractors are exposed to tax education.

4.8. Academic Regulators and Research Institutes

They shall:

- a) Ensure that taxation forms an integral part of the education curriculum from primary school and that at least a course in taxation is taught to all undergraduates in institutions of higher learning.
- b) Ensure academic programmes are offered to provide high level-taxation manpower.
- c) Engage in data-driven research in taxation towards the growth of taxation knowledge and practice and
- d) Contribute to understanding tax policy and administration through research, education, and training.

4.9. Trade Associations/Unions

They shall:

- a. Support with the identification and capturing of the informal sector
- b. Promote tax education among its members.
- c. Encourage tax registration and compliance from its members and
- d. Facilitate stakeholder engagements with the tax authorities/revenue agencies.

Chapter Five

5.0- Tax Administration

Tax administration in Nigeria cuts across the three tiers of government: Federal Inland Revenue Service (FIRS) at the federal level, State Internal Revenue Service (SIRS) and Federal Capital Territory Internal Revenue Service (FCT IRS) at the state level and Revenue Committees at the local government level. The role of the Joint Tax Board is also crucial in tax administration. This tax policy document establishes clear guidelines on crucial tax administration issues.

In the context of the Nigeria Tax Policy, tax authorities at all levels shall administer their mandates to ensure that tax administration is effective, efficient, equitable, and fair.

5.1. Registration of Taxable Persons

Tax administration shall specify who qualifies as a taxable person and the obligations associated with taxation at the national and sub-national levels. A taxable person shall have a unique identifier for tracking and managing taxpayer information by leveraging the National Identity Management Commission (NIMC), Bank Verification Number (BVN) database for individuals and the Corporate Affairs Commission (CAC) database for juristic persons.

5.2. Tax Compliance

The government shall leverage all reasonable resources and tools at its disposal to ensure that taxpayers voluntarily comply with their tax obligations. To improve voluntary compliance, the relevant authorities shall ensure:

- i. Simplification of self-assessment procedures and compliance in general. .
- ii. The development of a tax amnesty framework to expand the tax net.
- iii. Adequate focus on taxpayers' services.
- iv. Constant tax education and enlightenment in rural and urban areas.
- v. The overall performance of the tax system is measured and reported periodically,
- vi. The establishment of a system to recognise and honour compliant taxpayers
- vii. They are accountable and transparent while ensuring tax compliance
- viii. Tax investigations and audits are completed and closed out within a reasonable time.

5.3. Efficiency of Administration

- a) Payment Processing and Collection - The collection system shall leverage modern technology to advance ease of payment and prevent revenue losses.
- b) Cost of administration - Keep cost of administration under control and target a benchmark of not more than one percent of revenue collection
- c) Record Keeping -Tax authorities shall partner with the relevant agencies to set up automated systems to keep records and adequately train tax officials to use and maintain such systems. Electronic record-keeping systems aligned with global best practices shall be entrenched to enhance the tax administration process.
- d) Exchange of Information -Tax authorities shall develop an efficient framework for information

sharing with relevant local and international agencies to mitigate tax evasion and revenue losses while maintaining the utmost confidentiality of taxpayers' information.

- e) Enforcement of Tax Laws - Tax authorities shall enforce civil and criminal sanctions as provided under the various tax laws and the constitution of the Federal Republic of Nigeria.
- f) Funding of Tax Authorities - The government shall provide adequate funding for tax authorities at all levels. Accordingly, the government shall ensure that a reasonable percentage of revenue is provided at source for its operations.
- g) Funding for Tax Refunds - The government shall provide adequate funding to meet refund obligations. Tax authorities shall be required to budget for tax refunds, ensure timely payment of refunds and include the same in the Annual Report.
- h) Ease of Paying Taxes - Tax authorities shall ensure that payment procedures and documentation are convenient and cost-effective and work towards ensuring accelerated improvement on any global reference index.
- i) Revenue Administration Autonomy - Governments shall ensure full financial and administrative autonomy for their respective tax authorities to facilitate the effective discharge of their duties.
- j) Simplification of Tax law - A clear and straightforward tax law reduces complexity, making it easier for administrators and taxpayers to understand and comply. Therefore, all tax laws shall be clear and simple.
- k) Mobile Application - Tax authorities shall deploy mobile applications to provide taxpayers with convenient access to information, updates and tax resources which can help improve compliance.
- l) Predictive Modelling -Tax authorities shall use predictive modelling tools to forecast tax revenues, identify potential areas of non-compliance and optimise resource allocation.
- l) Collaborative tools - Collaborative platforms, tools, and technology shall be used to enhance communication and coordination among tax administrators, promoting efficiency and knowledge sharing.

5.4. Technology and Tax Intelligence

Tax authorities shall ensure:

- a) The deployment of technology to aid all aspects of tax administration.
- b) The integrity and regular update of the taxpayers' database.
- c) The maintenance and regular update of a database for the informal sector, the poor and vulnerable.
- d) That there is a workable and secure structure for intelligence and information gathering leveraging data analytics, including engineered processes in unlocking value for sustainable revenue growth (i.e., Generative Artificial Intelligence, Data Science, and Financial Technology)
- e) Enhanced integration and collaboration by leveraging agencies and institutions that are critical to revenue generation to verify taxpayers' economic outcomes.
- f) That a roadmap is designed for technology and infrastructure to support tax administration and optimise revenue mandate.

- g) Ensure adequate security and confidentiality is maintained for taxpayer data and information

5.5. Dispute Resolution

In any dispute, the tax authority and relevant stakeholders are encouraged to leverage all amicable means of dispute resolution and only resort to judicial determination as a last option.

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Chapter Six

Implementation

The effective implementation of this NTP is necessary for Nigeria to achieve its laudable objectives. Since no policy is capable of self-enforcement, each stakeholder is saddled with specific implementation obligations. The legislature, executive, judiciary, among others have vital roles to play in the implementation of this tax policy.

6.0. Implementation Obligations

6.1. Legislature – National Assembly and State Houses of Assembly

- a. Enact or amend all the necessary laws including the Constitution of the Federal Republic of Nigeria, 1999 as may be necessary to give effect to the tax policy, remove existing conflicts, provide clarity on the taxation powers of each level of government to advance the objectives and recommendations of the tax policy.
- b. The National Assembly shall establish a taxation committee separate and distinct from the finance committee to speed up, focus on and enrich legislative actions on tax matters. Stop the prevalent practice of private tax bills resulting in the proliferation of earmarked taxes on income of companies.
- c. The National Assembly shall ensure that Establishment Bills/Acts of MDAs do not contain revenue collection functions.
- d. The National Assembly shall abolish all existing earmarked taxes contained in the Establishment Acts of MDAs other than the tax laws.
- e. The National Assembly and State Houses of Assembly shall ensure that Establishment Acts of MDAs mandate information exchange with tax authorities for tax purposes.
- f. Enact an Establishment Act to reform the Joint Tax Board to contribute meaningfully to the development of the Nigeria tax system through a broader mandate beyond its current advisory role.
- g. Amend the relevant Electoral Law to mandate political parties to articulate, prepare, provide and make public their tax agenda before and during election campaigns.
- h. Enact an Establishment Act for a federal tax court as an independent body for the adjudication of tax matters. The tax courts shall serve as courts of coordinate jurisdiction to the federal high court and superior jurisdiction to the tax appeal tribunal.
- i. Ensure consultations with all relevant stakeholders before the enactment or amendment of tax laws.
- j. Enact laws to facilitate alternative dispute resolution

6.2. Executive - President and Governors

- a. The president and governors shall ensure that budget speeches and presentations for each fiscal year consistently contain the overriding fiscal policies and summary statements of the expected tax revenue. This will give key stakeholders a sense of what the government plans to do and enable them to plan accordingly.
- b. The president and governors should work towards ensuring that there is only one revenue agency per level of government. This would streamline revenue administration and improve the efficiency of revenue collection. Ministries, extra-ministerial departments, and Agencies other than tax authorities should not become tax-collecting bodies.
- c. The executive shall ensure synergy between tax and the government's socio-economic policies.
- d. The Executive shall sponsor a bill to establish a tax court as an independent body to adjudicate in tax matters. The tax courts shall handle appeals of judgments made by the tax appeal tribunal.

- e. The Executive shall ensure tax expenditures are subject to limits, periodic evaluation of costs and potential benefits, regular audits, and reporting.
- f. Take appropriate administrative measures to negotiate and ratify all relevant international and regional tax treaties.
- g. Consider the special needs of the poor and vulnerable population with targeted incentives to improve their standard of living when enacting or amending tax laws.
- h. Consider the environmental and social development needs of the people with target incentives and penalties to promote sustainability.
- i. Consider laws that support the development of green infrastructure and technology to address the environmental and social goals of the country.

6.3. Judiciary – Federal and State High Courts

- a. Ensure that tax matters are given accelerated hearings
- b. The chief judge of the federal high court shall designate a minimum of one courtroom in each judicial division as a Revenue Court pending the establishment of a federal tax court that will serve as an appellate court to the tax appeal tribunal.

6.4. Ministry of Finance

- a. The Minister of Finance shall formally re-establish and inaugurate a National Tax Policy Implementation Committee as a Standing Committee to monitor compliance, regularly review the Policy, make appropriate recommendations and prepare a draft Finance Bill in consultation with stakeholders.
- b. Work with the Legislature to ensure that the requisite changes to tax laws are enacted with the appropriation act of the same year. This would require the Executive to timeously present tax laws as executive bills for timely consideration by the National and State House of Assemblies
- c. Create a dedicated tax policy website. Apart from sensitising the public on the provisions of the Tax Policy, such a platform would facilitate feedback from stakeholders on the existing and future policy proposals.
- d. The minister of finance shall give periodic reports to the National Economic Council (NEC) on the NTP implementation.
- e. The Ministry of Finance shall ensure the establishment of an Office of Tax Simplification for continuous improvement of tax legislation and administration. This office will have a liaison office across the revenue authorities at the sub-national and local government levels.
- f. Develop Key Performance Indices (KPI) for Nigeria to attain a top 50 position on the global reference index.
- g. Periodically review all tax incentives through a cost benefit analysis and propose discontinuance, amendment, or implementation of new sector specific incentives in line with current economic and social landscape.
- h. Ensure alignment between tax incentives and government expenditure by providing periodic report on tax revenue generated, tax incentives granted by all MDAs and how the tax revenue are expended.
- i. Ensure periodic assessment of the impact of tax expenditures on the tax revenue and make recommendations on how to curtail unnecessary expenditure.
- j. Conduct research and analysis on prevalent tax issues
- k. Ensure the promotion of accountability and transparency in tax administration.

6.5 – Other Ministries, Departments and Agencies (MDAs)

- a. Head of MDAs shall give a periodic report(s) to the Ministry of Finance on the level of implementation of the National Tax Policy, information exchange and collaboration with the tax authorities.
- b. Revise tax incentive administration by developing an evidence-based assessment of eligibility in line with the targeted goals/impact, proper monitoring and assessment of the beneficiary's

- activities against the targeted goals.
- c. Give periodic reports to the ministry of finance on the volume, value, beneficiaries and impact of the tax incentives granted.
 - d. The heads of MDAs should establish or ensure that a department or a division, having an oversight function on tax policy matters above is in place to drive the above objectives.

6.6. Tax Authorities

- a. To promote tax awareness and a tax culture in Nigeria. The federal and state tax authorities, through the Joint Tax Board, shall set aside a uniform day in the year as a National Tax Day
- b. Tax authorities shall establish an administrative framework for amnesty and whistle-blowing as part of the strategies for curbing tax avoidance and evasion to widen the tax net.
- c. Federal and state tax authorities shall respond promptly to the changing business environment affecting tax administration and develop a workable framework to meet the taxpayer demands in this respect.

6.7. Conclusion

The main thrust of the tax policy is to establish fundamental principles to guide the orderly development of the Nigerian tax system towards meeting its overall objectives. In this regard, the policy highlights the fundamental objectives contained in Chapter 2 of the 1999 Constitution of the Federal Republic of Nigeria. It reinforces the need for tax laws and administrative practices to promote economic development. The policy highlights the challenges confronting the Nigerian tax system and key policy principles to address them. It recognises the roles played by key stakeholders in the development of an effective tax system, and clearly states their rights and duties. The policy also highlights the need for effective tax administration by deploying mandates, which relevant tax authorities should seek to achieve in their pursuit of an effective and efficient tax system.

Finally, the Policy reinforces the role of the Ministry of Finance in the formulation, coordination and most importantly monitoring the implementation of the tax policy on an ongoing basis. It recognises the need for a holistic review of the various components of the tax system [laws and administration]. It requires all stakeholders to be fully committed to playing their part towards achieving the set objectives.