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A Literature Review Perspective to the Challenges Facing the Nigerian Revenue Service in the Implementation of New and Existing Tax Laws

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Abstract: *Administration of taxes in Nigeria is a persistent challenge that needs to be corrected. The growing demand for the country's fiscal and declining revenue has exacerbated, and calls for an effective tax administration. The bodies charged with revenue collection, such as the Federal Inland Revenue Service (FIRS), now called Nigeria Revenue Service (Nigeria Revenue Service (establishment) Act 2025), and other authorities that are charged with revenue collection have introduced new tax laws and reforms under successive administrations. The aim of these laws and reform initiatives is to broaden the tax base, ensuring compliance, transparency, accountability and streamlining revenue mobilization and collection. Although there have been remarkable improvements in the amount of revenue generated arising from the reforms, such as the VAT and digital tax initiatives, most of these new tax laws usually suffer institutional, administrative, technological, and socio-cultural barriers or bottlenecks. Arising from the foregoing, this review is carefully written out to examine and analyze the major obstacles that are adversely affecting the Nigeria Revenue Service. These comes from double taxation and inefficiencies, weak tax administration and enforcement; evasion of tax and corruption; difficulty in taxing the informal sector; barriers from technology and digitalization; and low tax morale attributable to governance inadequacies. The review paper borrows heavily from recent papers on tax administration in Nigeria, and has proposed practical and workable solutions, that if implemented would enhance the administration of taxes in Nigeria. The paper concludes that while tax reforms have improved revenue outcomes, sustainable implementation requires institutional coherence, technological modernization, transparency, and public trust.*

Keywords: Nigeria Revenue Service, Tax laws, Bank Verification Number, National Identification Number, Tax Identification Number, Revenue

Introduction

One of the significant and critical tools for fiscal policy and national development in Nigeria is taxation. Globalization and the declining oil revenues and rising fiscal demands, the Federal Inland Revenue Service (FIRS) (now Nigeria Revenue Service) and other revenue authorities have introduced new tax laws and reforms which aimed at addressing the menace by broadening the tax base, ensuring compliance from taxpayers, and improving revenue collection. Although the reforms have produced measurable benefits and impact performance in revenue generation and collection (Angbazo & Iorlaha, 2024), the implementation of the same has faced significant structural, administrative, technological, and socio-cultural challenges.

The three tiers of government in Nigeria are the bases where the tax system operates, creating difficulty in tax administration (Simeon, Simeon & John, 2017). This sometimes result to confusion from taxpayers regarding which one is for which tier of the government. It is therefore no longer news that the tax system requires reforms because of inefficiencies and low compliance rates (Eze, Iorwuese & Bello, 2016). Nevertheless, the revenue collected from taxes has been shown to have a significant impact and to have translated to development in infrastructures and expenditures of the government (Imeokparia, Nnoli & Edeh, 2025; Olusegun *et al.*, 2020). Consequently, effective implementation of new tax laws is not just an administrative concern but a strategic necessity for Nigeria's economic stability (Herbert, Nwarogu & Onyeanu, 2018). This review paper analyzes the major challenges faced by the Nigerian Revenue Service in implementing new tax laws, and proposes practical and workable solutions well rooted in contemporary empirical research.

Challenges of New Tax Laws Implementation

Many challenges stall the implementation of new tax laws in Nigeria, which emanate from institutional and non-institutional actors. These challenges have been identified and explained thus;

1. Double Taxation and Structural Inefficiencies

One of the structural issues facing the Nigerian Revenue Service in its efforts to enforce new tax laws is the multiplicity of taxes between the federal, state, and local governments in a three-tier fiscal structure. This often causes overlapping tax mandates, duplication of levies, and administrative confusion among taxpayers, which in turn increases compliance costs and sometimes deters voluntary compliance (Simeon *et al.*, 2017). This situation can cause businesses to complain of being taxed by different authorities and can diminish confidence in new tax reforms. Today, we see in our local markets where market women are exploited via various taxes by inhumane tax officers.

A study by Eze *et al.* (2016) further establishes that inefficiencies in tax administration, weak coordination among revenue agencies, and inadequate and unqualified personnel add to the systemic weaknesses in implementation. The lack of a harmonized tax database compounds these inefficiencies, thus making it difficult to trace taxpayers accurately and enforce compliance. In addition, difficult-to-understand tax laws can cause ambiguity and limit effective enforcement. As Nigeria keeps introducing new tax laws, the lack of structural harmonization risks undermining reform objectives. Without coordination and simplification, even well-designed tax policies may fail during implementation due to institutional fragmentation and operational barriers.

2. Weak Tax Administration and Enforcement by Tax Authorities

The weak tax administration in Nigeria is not attributable to a lack of tax laws, but to the effective implementation of the tax laws, which largely depends on the administrative and enforcement capacity of tax authorities. However, Nigeria's tax administration system faces persistent capacity constraints. Eze *et al.* (2016) identify shortages of skilled personnel, inadequate training, and weak monitoring mechanisms as critical impediments to effective tax reform and implementation.

Similarly, Olusegun, Omotayo and Adeyemi (2020) argued in their study that revenue generation is dependent on how effectively the strategies for implementation are executed, which lies in the ambit of tax administrators. If new laws are continuously introduced without effective implementation, Nigeria will end up having plenty of such laws only on paper. The result of weak enforcement manifests in evasion of tax and a decline in compliance, which can affect the revenue generated and collected. Inefficiencies in the administration of new tax laws, such as delays in assessments, weak audit systems, and poor coordination among agencies, will undermine the effectiveness of any new tax law introduced.

Ikhatua and Ibadin (2019), in their study, emphasize that strict and meticulous enforcement of tax rules is essential and necessary to improve tax effort in Nigeria. However, enforcement of new tax laws should be guided by the principles of effective taxation, such as fairness and professionalism to guard against compliance from taxpayers. Although FIRS reforms have improved revenue performance in recent years (Olayinan, 2020), administrative weaknesses still pose serious challenges. Therefore, implementing new tax laws without strengthening enforcement capacity risks widening the gap between policy objectives and practical outcomes. It is expected that Nigeria Revenue Service (Establishment) Act of 2025, which repeals the 2007 FIRS Act will adequately address most of the challenges.

3. Corruption and Tax Evasion

Challenges of new tax laws implementation in Nigeria are evident in corruption and tax evasion. According to Dibie (2020), a strong positive correlation between corruption and tax evasion exists, and that indicates weak institutional integrity, which undermines compliance efforts. When taxpayers notice or discover corruption within revenue authorities, trust is eroded, and voluntary compliance becomes a difficult task. In Nigeria today, any new tax law introduced is usually welcomed with resistance. This is because they feel that once they pay taxes, it will be diverted for personal gains. According to Nwocha (2017), there still exists widespread evasion of tax from taxpayers despite statutory provisions under major new tax legislations. There is no or limited enforcement of penalties for evasion to serve as deterrence and encourage avoidance practices.

Selkur (2019) further establishes that the prosecution of tax offences is most often inconsistently applied, thereby weakening the credibility of tax laws. Although we can see how the FIRS has tried implementing reforms and collaborated with anti-corruption agencies such as EFCC, the Nigeria Police, evasion and corruption challenges persist. The impact of tax reforms and revenue generation is limited by tax evasion. Until there are strong institutional checks for accountability, transparency, and effective prosecution mechanisms, the implementation of new tax laws will continue to face resistance and will not see the light of day.

4. Difficulty in Taxing the Informal Sector

Most of the activities and operations in the informal sector in Nigeria remain untaxed. The informal sector holds a large proportion of employment and economic activity but is largely outside the formal tax net. According to Aina (2025), effective taxation and implementation of new tax laws are hinged on structural, administrative, and socio-cultural barriers. In the informal sector, weak enforcement, poor or no record-keeping, and limited taxpayer awareness contribute to low compliance outcomes.

In a study by Augustine, Samuel and Musa (2020), the authors emphasize that the growth of revenue is linked to taxing the informal sector and is essential for governance and fairness. However, the difficulties in the administration of new tax laws complicate the implementation. Nevertheless, Ogunbela, Akinboboye and Adedoyin (2021) noted that the database hosting taxpayers, especially in the informal sector, is limited due to inadequate technological infrastructure for scaling up tax collection in the informal economy.

The operational peculiarities in the informal sector make it difficult for the introduction of new tax laws, which often fail to be effectively applied. How can you tax a fashion designer or hairdresser who keeps no single book of accounts? This, therefore, makes compliance very low, and enforcement efforts become costly and inefficient. As long as the activities of the informal sector continue to remain untaxed, the introduction of new tax laws may not achieve intended outcomes in revenue generation and collection.

5. Limited Application of Technology and Ineffective Digitalization

Another disturbing challenge of the new tax law implementation in Nigeria stems from ineffective digitalization and technology. In the modern world, digital transformation is fundamental to tax administration. Automating taxation in Nigeria has not yielded the required results. It was long ago that the Nigeria Revenue Service automated the annual filing of returns by taxable businesses. According to Ifeyinwa, Chukwuma and Okoro (2023), automating taxes will enhance transparency and accountability. However, Ogunbela *et al.* (2021) noted that the cost of internet and the risk of cyber fraud are critical to the adoption of digital taxation in Nigeria.

Scholars such as Edemidiong *et al.* (2020) in their study argue that the adoption of ICT alone cannot yield the needed improvements in revenue generation and collection. But that can be achieved through a change in behaviour and the functioning of institutions. In support of the above position, Oyedokun and Ayinde (2023) also posited that there is a positive link between digitalization and compliance when backed by correct reforms on tax culture.

The findings from the above scholars entail that reforms in the technological and human capacity building must be followed by cultural changes. It is therefore important to agree that adequate infrastructure and digital literacy, and the implementation of new technology-driven tax laws, may accelerate the inequalities and reduce compliance in the underserved regions.

6. Low Tax Morale and Governance Deficits

When taxpayers observe that government agencies responsible for tax collection are fair and accountable, they become tax compliant. According to Olaniyan (2020), voluntary and compulsory tax compliance demonstrate evidence of good governance when revenue is transparently utilized. The morale of citizens will be boosted when there is good governance, and revenue collected is used judiciously.

Evidence in the literature by Imeokparia *et al.* (2025) found a positive correlation between tax revenue and the development of infrastructure, increasing the benefit of visible public benefits. Nevertheless, Herbert *et al.* (2018) posit that macroeconomic stability can be achieved when there is an effective and transparent administration of taxes. Perceived mismanagement of taxes by citizens reduces morale and compliance. And when there is no or low trust in our government institutions, voluntary payment of taxes becomes difficult and that undermines the implementation of new tax laws or existing ones. Therefore, lack of trust in governance, as perceived by citizens, is a challenge to the implementation of any new tax law. Unless public accountability is strengthened and tangible development is recorded, new tax laws may not receive significant acceptance.

Proposed Solutions to Implementing New Tax Laws in Nigeria

Arising from the well-explained challenges of implementing new tax laws in Nigeria, the writer proposes workable and practical solutions to the problems.

1. Unification or Harmonization and Government Institutions Coordination

One of the identified challenges in the Nigerian tax system is double taxation. To address these multiple taxes and the structural inefficiencies prevalent in the Nigerian tax system, harmonizing these new tax laws across the three government tiers with existing taxes is a precondition to ensuring compliance from citizens, and even accountability for revenue generation and collection. The various tax authorities should be given a clear delineation of powers in tax administration, to do away with multiple taxation and reduce the burden for taxpayers. Specialized courts should be set up with the requisite powers to adjudicate on matters concerning taxes. Augustine *et al.* (2020) noted that setting such courts would speed up the resolution of disputes and strengthen the legal powers of tax authorities.

More so, there should be integration of tax databases for the three tiers of government regarding the new taxes administration. This would ensure there is transparency and improvement in the enforcement of the laws. A unified taxpayer identification system will reduce revenue leakages and act as a check against double taxation. Joint tax boards should be strengthened as a mechanism to ensure

effective and uniform interpretation of the reforms. New tax laws and existing ones should be simplified to enhance clarity and bring about effective implementation. Administrative challenges and voluntary compliance from taxpayers can be achieved when the complexity in tax administration is removed.

2. Continuous Training and Development of Tax Officials to Strengthen Enforcement Capacity

Training and development of tax officials equips them with the capacity to administer new tax laws and existing ones. The training and development programmes should be targeted at auditing techniques, digitalization of systems and the ethical practices revolving around tax administration. There should be an evaluation of officials based on performance systems to ensure accountability and productivity. The Nigeria Revenue Service should consider investing in modern audit technologies and data analytics to detect deviations or non-compliance with the laws.

As noted by Ikhatua and Ibadin (2019), effective tax law enforcement can significantly enhance revenue generation and collection. This does not advocate for being wicked or inhumane, but striking a balance between strictness and fairness. When this is done, taxpayers' trust will be enkindled. Again, there should be a purposeful collaboration between different government agencies, as demonstrated by FIRS reforms. These agencies should be mandated to work using best practices. This inter-agency collaboration will enforce credibility and bring about the desired compliance from citizens/taxpayers.

3. Strong Measures Against Corruption and Prosecution of Non-compliance

Strong measures should be spelt out to deter non-compliance or evasion. According to Selkur (2019), there should be correct, commensurate prosecution of offenders to influence taxpayer behaviour. Again, such measures should be applied transparently without fear or favour to whoever is involved. The corrupt tendencies within the tax authorities should be put in check, and stringent punishment applied. More so, taxes should be automated to reduce human discretion and ensure accountability. This will reduce bribery and corruption, thereby closing the loopholes or leakages. Independent bodies should oversee the monitoring of new tax laws. The public should be aware of enforcement outcomes to further build their confidence, compliance and deterrence for deviant behaviour.

4. Introduce Simple New Tax Laws for the Informal Sector

The difficulty in taxing the informal sector should be managed by introducing simplified tax regimes. This can be achieved through presumptive and flat-rate systems to reduce administrative burdens. Aina (2025) recommended integrating the Bank Verification Number (BVN) and National Identification Number (NIN) databases to improve identification. This is being implemented by the Nigeria Revenue Service, where NIN is being used to generate the Tax Identification Number (TIN). According to Aina (2025), expanding the Tax Identification Number (TIN) system will foster tracking and compliance. For small businesses, mobile payments can simplify compliance. This should be preceded by public awareness campaigns and community engagement initiatives to build the necessary trust for the smooth administration of any new tax law before its introduction. This will improve the morale of taxpayers in the informal sector.

5. Investment in Digital Infrastructure

Digital payment systems should be built to prevent cash from passing through the hands of tax officials. The effective digitalization means investing in ICT to achieve automation. New tax laws should be designed to be integrated into the existing digital payment systems advocated. Improving enforcement of new tax laws should be supported with real-time reporting systems and data analytics. Expanding broadband access would support nationwide e-tax adoption. But taxpayers' data should be protected in the course of introducing new tax laws through cybersecurity frameworks. Both taxpayers and authorities should be exposed to digital literacy programs to ensure inclusivity. To this end, Oyedokun and Ayinde (2023) noted that integrating digital payment systems in new tax laws will enhance compliance benefits for the Nigeria Revenue Service.

6. Transparency and Governance Reform

Finally, the writer is proposing improving tax morale and transparent reporting of revenue utilization. This is the duty and responsibility of the governments to disclose periodic tax expenditure reports, and show the public what the revenue generated has been used for, especially in terms of visible infrastructure projects. The Nigeria Revenue Service should consider citizen engagement forums to build public trust. Imeokparia *et al.* (2025) posited that infrastructure development projects will strengthen confidence in taxation. Let the citizens see the projects that their taxes are used to build.

Conclusion

The challenges facing the Nigerian Revenue Service are multifaceted, as many come from complex structural, administrative, technological, and governance-related challenges in implementing new tax laws. This review paper has identified the challenges in

detail and the proposed solutions to the new tax law implementation to improve revenue generation. The successful and sustainable implementation of the said laws requires harmonization of tax structures, strengthened enforcement capacity, anti-corruption measures, simplified informal sector tax regimes, digital investment, and enhanced transparency. Citizens' engagement and public awareness remain central for long-term fiscal sustainability and economic stability in Nigeria.

Recommendations

Based on the identified challenges and proposed solutions, this paper recommends among other things as thus:

i. The Nigeria Revenue Service should ensure that there is full digitalization of revenue mobilization, generation and collection to ensure that all leakages are blocked. This will enhance the increased revenue, which translates to economic development.
ii. Anticorruption agencies should be given adequate legal backing to arrest and prosecute any individual involved in bribery and corruption. This will serve as a deterrent to others and build confidence in the tax system.
iii. Adequate advocacy and campaigns should be carried out regularly to inform the general public of the benefits of paying tax. This should be done by showing the scorecard of revenue utilization, as this will build confidence, trust and enhance compliance.
iv. There should be regular training and development of officials of the agencies involve in revenue mobilization and collection. This will enhance their capacity and will result to equipping officials with the skills to apply ethics and professionalism in the discharge of their duties.

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