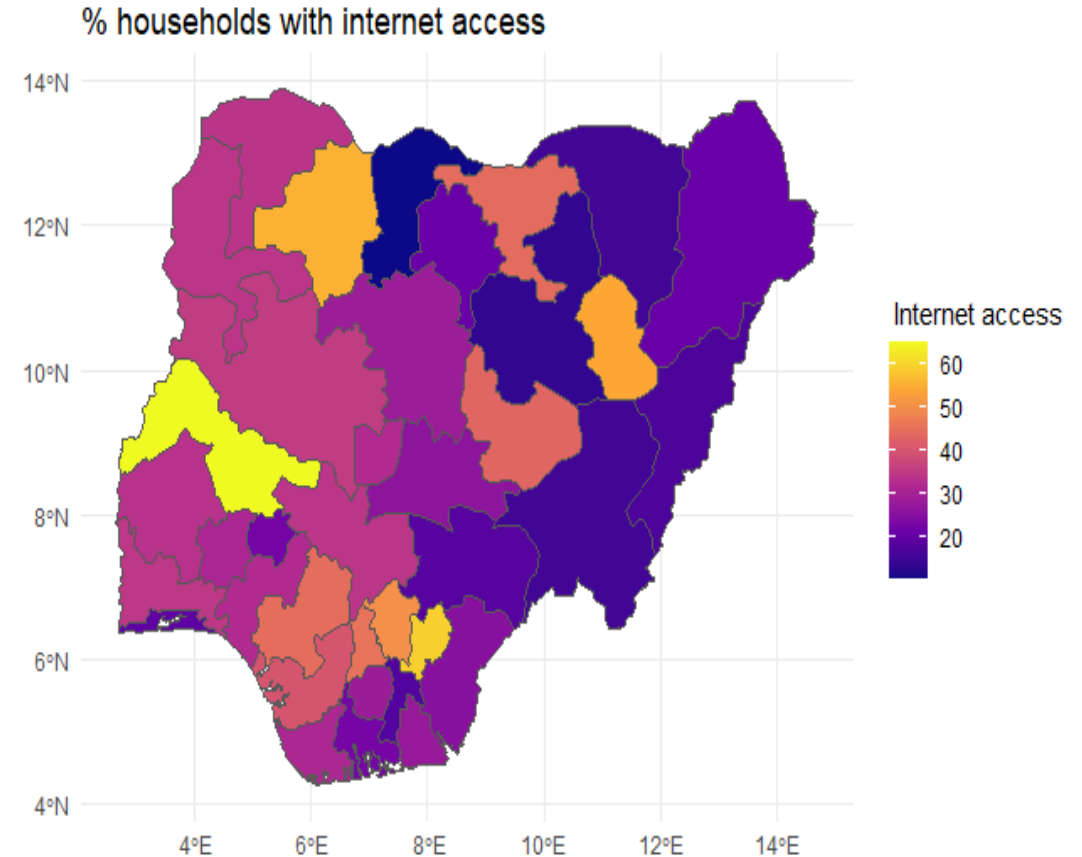


2025 Nigerian Tax Reform Acts: Resetting the Social Contract

A Strategic Roadmap for Fiscal Transformation,
Equity, and Inclusive Economic Growth

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Low tax morale in Nigeria

Perception of Tax Evasion	Individuals (%)	SMEs (%)
Not wrong at all	22	14
Wrong but understandable	54	50
Wrong and punishable	17	31
Don't know	6	4
No Response	1	1

Individuals/Households

- Only 17% believe evasion is wrong & punishable
- Lack of trust in govt & tax officials
- Dissatisfaction with social services
- Complex tax process
- Education & Health

Small & Large Firms

- Only 31% consider evasion as wrong & punishable
- Multiplicity of taxes and taxing agencies
- High frequency of tax audit
- Top priorities – electricity and security

Why is Tax Morale Low in Nigeria?



Broken Social Contract

Citizens do not see a meaningful link between the taxes they pay and the quality of public services they receive. With over half expressing dissatisfaction in areas like roads, electricity, healthcare, and education, taxation is widely viewed not as a civic duty but as an unfair burden. This eroded trust in government weakens the moral foundation for tax compliance.



Systemic Weakness in Tax Administration

- Many state and LGA revenue offices have no clear taxpayer database.
- Tax collectors often lack basic resources (e.g. vehicles, data access, protection) to operate effectively.



Poor Communication and Engagement

Taxpayer awareness is extremely low. Only 12% of Nigerians reported receiving any form of tax-related communication, and just 6% had ever been consulted on tax matters. Without clear, consistent engagement, citizens remain uninformed, disempowered, and alienated from the system.

Better Lives, Better Compliance: The Tax Morale Equation

Country	GDP per capita	Tax % - GDP	Happiness Index	Life Expectancy
Denmark	72041.536	43.4	2nd	82.1
Finland	53326.396	42.4	1st	82.1
France	46203.675	43.8	33rd	83.5
Germany	54989.76	38.1	22nd	81.5
Hungary	23271.805	34.2	69th	77.2
Italy	40224.012	42.8	40th	83.9
Nigeria	824.021	7.9	105th	54.6
Poland	24810.444	35.1	26th	78.8
Norway	86611.173	41.4	7th	83.5
Saudi Arabia	30746.453	7.77	32nd	79
South Africa	6331.913	27.1	95th	66.3
United Kingdom	52648.187	35.3	23rd	81.5
United States	85812.176	25.2	24th	79.5

Source: [IMF \(WEO\)](#), [OECD](#), [WHR](#), [World Pop](#)

❖ Happiness and Well-being Drive Tax Morale

- In countries like Finland, Denmark, and Norway, citizens rank among the happiest in the world and also show a strong willingness to pay taxes.
- Perceived fairness, trust in government, and visible public benefits boost people's sense of civic duty, leading to higher tax compliance.

❖ Quality Public Services Build Trust

- When citizens enjoy high-quality healthcare, education, transportation, and pensions, they are more likely to accept and support taxation.
- The Nordic countries, despite high tax rates, exhibit low resistance to taxation because the government delivers in return.

❖ Strong Social Contracts Encourage Voluntary Compliance

- Where the state fulfills its part of the bargain, citizens feel morally obligated to fulfill theirs.
- This is reflected in countries with strong social protection systems, where tax morale is culturally embedded.

❖ Nigeria Lags on All Fronts

- With the lowest GDP per capita (\$824), lowest tax-to-GDP ratio (7.9%), lowest life expectancy (54.6 years), and a 105th place in the Happiness Index, Nigeria clearly suffers from both low revenue capacity and weak social outcomes.
- This reflects a broken fiscal social contract and the urgent need for reforms to raise revenue and rebuild trust.

The Imperatives for Policymakers: Building Reciprocity Through Action



❖ Deliver Tangible Public Benefits

- Prioritise quality healthcare, education, and infrastructure.
- Citizens must experience the impact of government spending in their daily lives.

❖ Campaign Against Wasteful Spending

- Curb wanton and non-essential expenditure across all tiers of government.
- Shift focus to value-for-money projects and productive investments.

❖ Combat Corruption and Leakages

- Strengthen accountability and transparency mechanisms in public finance.
- Deploy digital solutions to reduce discretionary abuse and close loopholes.

❖ Promote Frugality and Fiscal Efficiency

- Rationalise the cost of governance while improving service delivery.
- Demonstrate a culture of prudence and integrity in managing public resources.

❖ Rebuild Trust Through Visible Outcomes

- Citizens' confidence grows when they see reciprocity

Government delivers ➡ People support development initiatives.

The 2025 Nigerian Tax Reform Acts represent a bold step toward resetting Nigeria's fiscal future. They are designed to simplify compliance, protect vulnerable groups, and unlock resources for education, healthcare, and infrastructure.

2025 TAX REFORM ACTs : THEORY OF CHANGE – FISCAL RESET

Fiscal Sustainability and Inclusive Economic Growth

A stronger, fairer tax system leading to increased revenue, reduced inequality, and improved public trust and service delivery.

Simplified and transparent tax framework adopted nationwide

Overlapping and duplicative taxes eliminated; compliance costs reduced.
Increased funding for education, health, and infrastructure

Improved voluntary compliance and taxpayer confidence

Citizens and businesses view taxation as fair and tied to service delivery. Stronger trust in government and social contract

Broadened tax base without burdening the poor

Low-income earners and SMEs protected through exemptions and VAT reforms. Tax-to-GDP ratio rises to 18% by 2030. Sustainable non-oil revenue base

Digitalised tax administration and efficient processes

Real-time e-filing, e-invoicing, VAT fiscalisation, and faster refunds.

Effective institutions established and functional (NRS, JRB, Ombud)

Harmonised tax administration across levels of government.

Four Landmark tax reform Acts passed and gazetted. Aim to simplify and harmonise taxes, broaden the tax base, protect vulnerable households, and improve the efficiency of collection and public accountability.

Nigeria Tax Act

Nigeria Tax Administration Act

Nigeria Revenue Service (Establishment) Act

Joint Revenue Board (Establishment) Act: coordinates intergovernmental tax administration

Tax Tribunal and Tax Ombud establishment.

New tax schedules implemented with harmonised rates and fewer taxes

Presidential Committee Inauguration, Chairman Appointed, granted High-level political mandate,

Technical Expertise/Inputs across the Sub-Committees

Quick Wins Blueprint Delivered

Bill Drafting & Iterative Review

Stakeholder Consultations

Colour Key:

Activity

Output

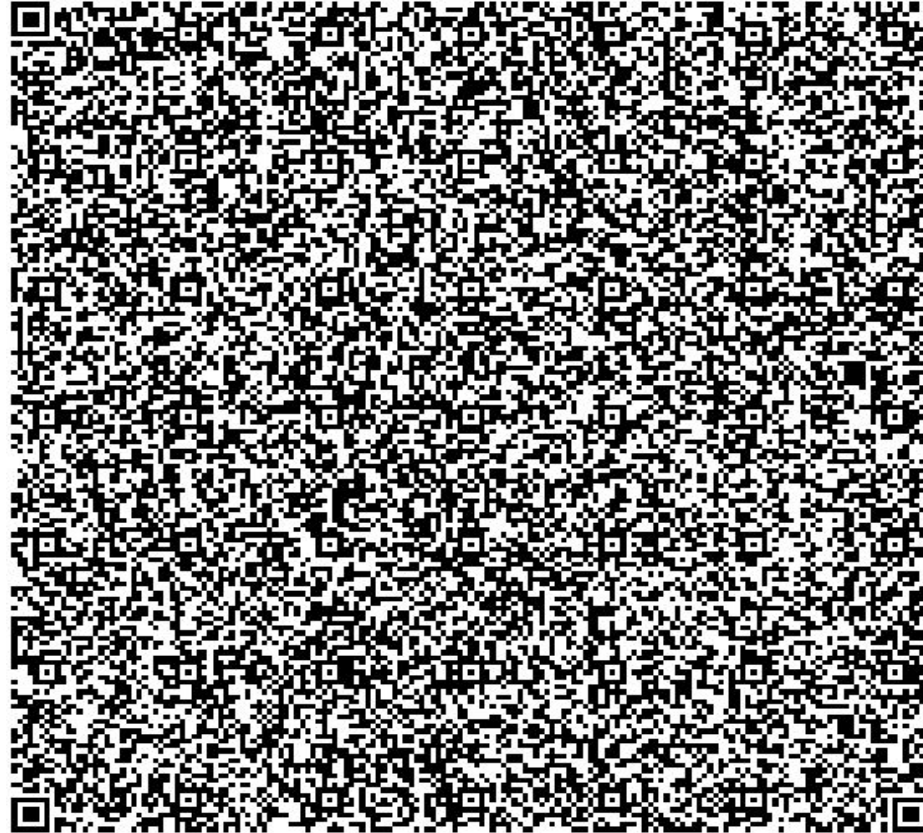
Outcome

Impact

Main Assumptions:

- Continued political will across administrations.
- No major policy reversals by the National Assembly or fiscal authorities.
- Stable macroeconomic conditions and inflation within a manageable range.
- Smooth collaboration between federal and subnational governments.
- Digital infrastructure scaled nationwide with end-user support

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