

EXPLORING THE LEGAL FRAMEWORK OF COMPANY TAXATION IN NIGERIA: HISTORICAL CONTEXT, STAKEHOLDER ROLES, AND REVENUE IMPLICATIONS*

Abstract

This study examines Nigeria's corporate taxation framework, focusing on the Companies Income Tax Act (CITA) and its historical evolution. It highlights CITA's pivotal role in shaping fiscal policy and addressing Nigeria's socio-economic needs through its amendments and development.

Using a qualitative approach, the study reviews legal frameworks, policy documents, and literature to identify key stakeholders, including legislative bodies, tax authorities, and professional organisations. It underscores the Federal Inland Revenue Service's (FIRS) critical role in enforcing tax compliance, collecting revenue, assessing taxpayers, prosecuting defaulters, and issuing tax guidelines. The findings reveal significant challenges, such as corruption, inadequate resources, and low public awareness, which hinder effective tax administration. The study emphasises the need for inter-agency collaboration with entities like the Attorney General's Office and the Economic and Financial Crimes Commission (EFCC) to combat tax-related offences. Additionally, it highlights the role of professional organisations and tax consultants in promoting compliance and public awareness. Recommendations include public enlightenment campaigns and robust measures to curb tax evasion and fraud. The study concludes that collaboration among government agencies, professional bodies, and taxpayers is vital for strengthening Nigeria's tax system and fostering sustainable fiscal growth.

Keywords: *Corporate taxation, Companies Income Tax Act (CITA), Federal Inland Revenue Service (FIRS), Tax compliance, Inter-agency collaboration and Sustainable fiscal growth.*

1. Introduction

The legal framework governing taxation is a crucial element of any nation's fiscal policy. It serves as the foundation upon which a country's revenue stream is built, facilitating economic growth and development. Nigeria, as a dynamic and economically diverse nation, is no exception to this rule. Company tax is a significant element of every tax system. The Companies Income Tax Act, a crucial legislative instrument, plays a central role in shaping the landscape of company tax obligations in Nigeria.

This study examines the intricacies of company taxation in Nigeria, shedding light on the historical context and evolution of the Companies Income Tax Act. By understanding its historical foundations, one can grasp the significance of the Act in the broader context of Nigerian taxation. Furthermore, this exploration delves into the complex network of stakeholders involved in company taxation.¹ These stakeholders, including legislative bodies and tax authorities, play essential roles in shaping and enforcing the legal framework. An examination of their roles and interactions provides a comprehensive view of the Nigerian company tax landscape.

This article scrutinises the functions of federal tax administrators, elucidating their enforcement, prosecutorial, and other pivotal roles through an in-depth analysis. The aim is to unravel the intricate mechanisms employed by tax authorities in Nigeria to ensure compliance and revenue collection. In summary, this study undertakes a comprehensive exploration of the legal frameworks governing company taxation in Nigeria. By examining the historical context, the roles of stakeholders, and the functions of tax administrators, this study aims to offer a comprehensive understanding of this vital aspect of the nation's fiscal environment.

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¹ MI Gwangdi and A Garba, 'Administration of Companies Income Tax in Nigeria:

Issues of Compliance and Enforcement' (2015) Vol. 7 No.8, *European Journal of Business and Management*, p. 19.

2. Company Taxation in Nigeria

In Nigeria's intricate economic landscape, corporate taxation plays a dynamic role, reshaping the financial relationships between businesses and the state. This is particularly evident in Nigeria, a nation known for its diversity, dynamism, and rapid developmental progress. Here, a comprehensive framework for company taxes has been carefully developed, reflecting the country's unwavering dedication to generating revenue, maintaining economic stability, and advancing society.²

In the Nigerian context, company taxes go beyond mere debt settlement; they serve as crucial convergence points where the nation's aspirations merge with its economic strategies. In this sphere, company contributions have the potential to go beyond financial obligations, driving the growth of essential infrastructure, facilitating public service provisions, and strengthening the social fabric that unites the nation.³ This exploration is a guided journey through the intricate details of company taxes in Nigeria, shedding light on the complex and significant network that underpins this essential segment of the economy.

At the very core of company taxation in Nigeria lies a meticulously structured framework, which is an amalgamation of laws, rules, and principles that intricately define the parameters of taxation. This framework extends beyond the mere regulation of business transactions; it forms the very foundation upon which the government's fiscal activities stand. Here, the intersection of financial obligations and economic incentives creates synergy, while compliance and strategic tax planning harmoniously coexist. The Companies Income Tax Act serves as the cornerstone of corporate taxation. It's not just a legislative framework; it's the fundamental foundation on which company taxation is built. This act provides detailed procedures for assessing and collecting taxes on company earnings.⁴ Within its provisions, lie the complex calculations that determine a company's tax obligations. Furthermore, the act defines the scope of taxation, allowable deductions, and various other important terms.

The landscape of company taxes in Nigeria requires a delicate balance, demanding meticulous compliance, strategic foresight, and a keen understanding of the socio-political and economic environment.⁵ Companies are tasked with balancing their efforts to optimize their tax position while staying within the boundaries established by legal frameworks. This delicate balance encapsulates their dual role: fulfilling legal obligations while also substantively contributing to the financial well-being of the nation.

2.1 Background to the Companies Income Tax Act

The Companies Income Tax Act⁶ is the body of law that governs how companies are taxed in Nigeria. It imposes taxes on the revenue and profits of businesses operating within Nigeria, including taxes on the profits of non-resident corporations conducting business in the country. The Nigerian federal government has had exclusive authority over tax revenue⁷ since the enactment of the Corporations Income Tax Ordinance (CITO) in 1939. The Income Tax Ordinance,⁸ originally introduced in 1940,

² I Kwaghkehe and T Alfred, 'An Overview of Corporate Taxation and Economic Development in Nigeria: A Legal Approach' (2020) Vol 6, No. 5 *International Journal of Crime, Law*. p. 41.

³ *Ibid*.

⁴ 'Nigeria: Brief Overview of Company Income Tax in Nigeria' < <https://www.mondaq.com/nigeria/tax-authorities/976992/brief-overview-of-company-income-tax-in-nigeria> > accessed on 7 September 2024.

⁵ 'Understanding Corporate Income Tax in Nigeria' < <https://robertinomlaw.com/understanding-corporate-income-tax-in-nigeria/> > accessed on 7 September 2024.

⁶ *Cap C21 LFN 2004*.

⁷ The Federal Government is authorised with the legislative power with regards to the "Revenue of incomes, profit and capital gain". See the provision of Section 4, Item 59 of the Exclusive Legislative List Second Schedule of the 1999 Constitution as amended.

⁸ No. 3 of 1940 was promulgated as a result of visible flaw which excluded individual from the payment of tax. When this mistake was discovered, the Nigeria Income Tax Ordinance was promulgated as a replacement.

applied to both corporate and individual income. This common legislative structure for taxing individuals and companies persisted until it was repealed with the Amendment Ordinance of the Companies Income Tax Act in 1961. Instead of conducting a thorough review of the system to address visible tax losses, the focus was primarily on expanding the corporate tax base to include a wide range of businesses and operations in order to increase tax revenue. Consequently, the Companies Income Tax Act was re-promulgated in 1979.⁹

Since 1979, tax administration in Nigeria has undergone significant changes, especially in the early 1980s. During this period, state governments, such as Bendel, Ogun, Lagos, Oyo, and Cross River, advocated for expanded taxing powers to boost revenue from internal sources for development projects. The focus of their agitation was on the importance of sales tax in meeting the revenue requirements of the states. A sales tax is imposed on the purchase or sale of specified goods or services and is intended to be paid by the final consumer. However, challenges arose, such as potential breaches of the country's constitution, confusion stemming from varying pieces legislation in different states, and disputes over tax jurisdiction for interstate trade.¹⁰ To address these issues, the federal government enacted the Sales Tax Decree in 1986, which nullified previous sales tax laws enacted by state governments. This legislative measure aims to streamline tax administration, address constitutional concerns, and establish a uniform approach to implementing sales tax nationwide.¹¹

Furthermore, the Finance (Miscellaneous Taxation Provision) Decree No. 12 of 1987 incorporated specific proposals from President Ibrahim Babangida's 1986 and 1987 budget speeches into law. Key provisions include the reduction of corporate and individual tax rates, the introduction of withholding tax on various services, the authority to impose 10% penalties on annual outstanding tax, and the requirement for companies under the Petroleum Profit Tax Act to promptly settle tax liabilities. Furthermore, the decree granted tax exemptions for private sector bonuses and provided incentives for importing capital for business ventures and research and development efforts by both companies and individuals.

In 1987, the federal government introduced the National Economic Emergency Power Order, which imposed a surcharge on after-tax profit, dividends, and rent. This order specified that National Economic Recovery Fund (NERF) deductions would be limited to after-tax profits for the accounting period ending in 1984, which formed the basis for the 1985 assessment year. It also included dividends payable from 1985 profits and rent payable for the year 1986.¹²

During this period, Nigeria also concluded double taxation avoidance agreements with Pakistan, the Philippines, Sweden, Belgium, and Czechoslovakia. Notably, a comparable agreement was signed with the United Kingdom in 1987. Commencing from the 1987 tax year, companies or individuals who derived income from a company enjoyed a tax-free dividend for three years under specific conditions. These conditions included incorporation in Nigeria, engagement in agriculture, petrochemical, or liquefied natural gas (LNG) sectors, and an equity participation of at least 10 percent.¹³

⁹ No. 28 of 1979.

¹⁰ M Omolewa *Certificate History of Nigeria* (Longman Group, Lagos 1986) p. 41.

¹¹ *Ibid.*

¹² IA Ayua, *The Nigerian Tax Law* (Ibadan: Spectrum Law Publishing, 1996) p. 26.

¹³ *Ibid.*

In 1990, the Companies Income Tax Act was re-promulgation¹⁴ as part of the law revision exercise for that year.¹⁵ In 1991, the federal government established a Study Group, led by Professor Emmanuel Edozien, to comprehensively review Nigeria's tax system and administration. The findings led to the implementation of the Finance (Miscellaneous Taxation Provisions) (Amendment) Decree No. 3 of 1993. This decree acknowledges the continued existence of the Federal Board of Inland Revenue and expands its composition to fifteen members, including the Board Secretary. The study group recommended the establishment of legal entities, such as the Federal Inland Revenue Service at the federal level, State Internal Revenue Service at the state level, and Local Government Revenue Committees. Each entity would have a governing board, with the Federal Inland Revenue Service designated as the operational arm of the Federal Board of Inland Revenue. The government accepted these recommendations, leading to the expansion and modernization of the board responsible for tax collection, policy recommendations, financial accountability, and overall management of the Service.¹⁶

The years between 1992 and 1998 marked a period of military administration in Nigeria. During this period, the military leadership periodically utilised a comprehensive decree known as the "Finance (Miscellaneous Taxation Provisions) Decree" to simultaneously amend¹⁷ various tax legislation as part of the government's annual fiscal process.

When Nigeria transitioned back to democracy in 1999, the federal government aimed to establish and implement an effective tax system to address the budgetary and administrative inefficiencies of the military era. The goal was to ensure that citizens could promptly enjoy the benefits of taxation. To accomplish this, a study committee led by Professor Dotun Phillips was established on August 6, 2002, by the then Minister of Finance, Mallam Adamu Ciroma. In 2003, the study group presented its report, which included comprehensive proposals. Some of these proposals may have been considered revolutionary, unattainable, or lacking the necessary political will for implementation by the government.¹⁸

Subsequently, a working group chaired by Seyi Bickersteth was established to review the recommendations proposed by the study group. As a result, the proposals put forth by the working group have served as a significant foundation for the ongoing tax review process. This led to the drafting of nine bills related to tax review, which were submitted to the National Assembly.¹⁹

¹⁴ Cap 60 of 1990.

¹⁵ There were Law Revisions in Nigeria in 1948, 1958, 1990 and 2004. Law of Federation of Nigeria 2004 however it did not become active until May 2007, after the operational of the Companies Income Amendment Act No. 11 2007. Consequently, the modifying Acts were in accordance with the provisions of the Companies Income Tax Act as set out in the LFN 1990, as amended, which was the then extant Law.

¹⁶ *Ibid* (n. 12).

¹⁷ For instance, Finance (Miscellaneous Taxation Provisions) Decrees No. 21 & 63 of 1991; No. 3 of 1993; No. 30, 31 & 32 of 1996; No. 18, 19, 21 & 40 of 1998; No. 30 of 1999. See The Nigerian Tax Reform in 2003& Beyond; The Main Report of the Study Group on Nigerian Tax System, July, 2003) pp. 8- 9.

¹⁸ IMO Okauru 'Insights on the Reform of the Nigerian Tax System (2002–2012)'

<http://www.nli-global.org/WhitePapers/WhitePapersVol2.pdf> accessed on 20 October 2024. p. 15

¹⁹ The Federal Government had launched the following nine principal tax bills to the National Assembly in 2005 to develop a statutory structure for his tax review. Those bills were:

- a. A bill for an Act to establish Federal Inland Revenue Service (FIRS) as an autonomous service;
- b. A bill for an Act to amend Companies Income Tax Act;
- c. A bill for an Act to amend Petroleum Profit Tax Act;
- d. A bill for an Act to amend Personal Income Tax Act;
- e. A bill for an Act to amend Value-Added Tax Act;
- f. A bill for an Act to amend Education Tax Act;
- g. A bill for an Act to amend the Customs, Excise, Tariff etc (consolidation) Act;
- h. A bill for an Act to amend the National Sugar Development Council Act;
- i. A bill for an act to amend the National Automotive Act.

The efforts resulted in the enactment of several significant tax legislation, which were signed into law on April 6, 2007, by then President Olusegun Obasanjo. These pieces of legislation included:

- i. The Federal Inland Revenue Service (Establishment) Act 2007.²⁰
- ii. The Companies Income Tax Amendment Act 2007,²¹ encompassed all 49 proposed amendments to the Companies Income Tax Act.
- iii. The Value Added Tax Amendment Act 2007.²²

On October 8, 2019, the Finance Bill 2019 was presented to a joint session of the National Assembly by the former President, Muhammadu Buhari. This bill represents a comprehensive legislative proposal aimed at addressing fundamental shortcomings in primary tax laws by revising divisive and outdated provisions. The initiative resulted from collaborative efforts between the National Tax Policy Operational Committee and the Presidential Enabling Business Environment Council (PEBEC).²³

The legislation also aims to support micro, small, and medium-sized enterprises, increase revenues, and harmonise indigenous laws with global best practices. It includes measures to increase tax revenues, promote stakeholder investments, and stimulate capital markets through incentive-driven operational practices.

Former President Muhammad Buhari officially enacted the Finance Act on January 13, 2020. This Act amends several important tax laws, including the Companies Income Tax Act (CITA), Value Added Tax Act (VATA), Personal Income Tax Act (PITA), Petroleum Profit Tax Act (PPT), Stamp Duty Act, and Customs and Excise Tariff Act (Consolidation Act). The Companies Income Tax Act (CITA) has undergone several amendments since its initial publication in 1961, with the most recent changes occurring recently 2007,²⁴ 2011,²⁵ 2020,²⁶ and 2022.²⁷ The Federal Inland Revenue Service (FIRS) is responsible for administering and collecting companies' income tax.

According to the Companies Income Tax Act, every registered company must file a tax return within six (6) months of the end of its fiscal year. Newly registered companies have six (6) months from the end of their first accounting period, or a total of 18 months from registration, to submit their tax reports to the Federal Inland Revenue Service (FIRS). This includes one year and six (6) months.

Companies are required by law to file for Companies Income Tax, which includes submitting the company's audited financial statements and the completed self-assessment form.²⁸ Completing the tax return also involves calculating taxes and capital allowances on the company's eligible assets. The current Companies Income Tax rate is 30%, and it applies to net profits. It also serves as the basis for calculating prior-year profits.²⁹

All corporate entities in Nigeria are obligated to pay Companies Income Tax on profits earned, derived, brought into, or received in Nigeria. These profits are considered to have been earned in

²⁰No. 11 of 2007.

²¹No. 11 of 2007.

²²No. 12 of 2007.

²³A Presidential Group established to improve ease of working business in Nigeria.

²⁴Companies Income Tax Amendment No. 11 of 2007 (which promulgated all the 49 proposed amendment to (Companies Income Act) and signed into law by President Olusegun Obasanjo on 16th April, 2007.

²⁵Companies Income Tax Amendment Act CITAA No. 1 of 2011, which amended the Fifth Schedule to the Companies Income Tax Act and Companies Income Tax Exemption Order signed into law by President Good luck Ebele Jonathan on 9th December, 2011.

²⁶Companies Income Tax Amendment Act CITAA, 2020 referred to as (Finance Act 2023).

²⁷ Companies Income Tax Amendment Act CITAA, 2022 referred to as (Finance Act 2023).

²⁸<<https://www.Rockvilleandco.com/2011/03/15/taxation-of-Nigerian-companies-relevant-taxregulations>> accessed on 09 February 2024.

²⁹Assessable profits for newly incorporated companies for the first year is the profit of that year.

Nigeria, regardless of their global origin and whether they were brought into or received in Nigeria. Such profits include trade or commercial earnings, rent from property used for business, dividends, interest, royalties, discounts, charges, annuities, fees for services rendered, or any other sources of annual profit or gain.³⁰ Non-resident companies engaging in any form of trade or commerce in Nigeria will have their profits considered to have originated in Nigeria for tax purposes.³¹

3. Stakeholders in Company Taxation in Nigeria

Stakeholders in company taxation in Nigeria encompass a diverse range of individuals, groups, and entities, each contributing a unique role in shaping and engaging with the country's tax environment. At the core of this network are government authorities at both the federal and state levels, responsible for formulating and enforcing tax laws and collecting revenues from companies. In response to these regulations, companies themselves emerge as crucial stakeholders, responsible for understanding and adhering to these fiscal frameworks.

To navigate the complex world of taxation, businesses often seek the assistance of tax consultants, advisors, legal professionals, and accountants, relying on their expertise to ensure compliance and optimise their tax strategies. Furthermore, professional associations, such as the Chartered Institutes of Taxation (CITN), act as advocates for their members, voicing concerns and advocating for favorable tax policies.

Beyond the corporate sphere, taxpayers and citizens also have indirect interests in company taxation, as it significantly impacts the economy and public services.

3.1 Who Are Stakeholders?

Between 2002 and 2003, the study and working groups that were established made several recommendations. One of these recommendations was the approval of a National Tax Policy by the federal government. This policy involves various stakeholders, including Nigerian citizens and residents, corporations, all levels of government, and government agencies that contribute to or benefit from the nation's tax system. The stakeholders were assigned to re-examine the tax system and administration in order to provide suitable recommendations.

It is impossible to overstate the responsibilities and obligations of participants in the Nigerian tax system. Their roles in all fiscal matters are clearly outlined and governed by the Constitution of the Federal Republic of Nigeria, as well as the National Tax Policy.³² This document provides guidelines for the general operation of all stakeholders in Nigeria. These groups represent the most significant stakeholders in the Nigerian tax system and include:

3.2 The Legislature

At the federal level, the National Assembly is the legislative body responsible for establishing the government's authority and legitimising its power. As a component of the legislative branch of government, the National Assembly is responsible for enacting and amending federal tax legislation,³³ including the Companies Income Tax Act as outlined in the second schedule of the constitution. This legislation has received official approval and recommendations from the federal ministry of finance, as well as other significant governmental organisations, and the general public, all of whom understand the economy and the importance of taxation.

The National Assembly is responsible for impartially enacting laws and ensuring that the public complies with the provisions of the constitution regarding company income tax and other regulations.

³⁰Section 9(1) (a) & (g) Companies Income Tax Act (CITA) Cap C21 LFN, 2004.

³¹Section 13 (2) (a-d) Companies Income Tax Act (CITA) Cap C21 LFN, 2004.

³² Article 2.5 of the Nigerian National Tax Policy 2012 < available at <<https://admin.theiguides.org/Media/Documents/NATIONAL%20TAX%20POLICY.pdf>>, accessed on 09 February 2004.

³³ Section 4 of the Constitution of the Federal Republic of Nigeria 1999 (As amended).

To do this effectively, the National Assembly collaborates with other government bodies and seeks input from the general public, taking into account their perspectives on the relevant laws and regulations.³⁴ The Companies Income Tax Act imposes taxes on the revenue and profits of companies operating in Nigeria, including the profits of non-resident companies conducting business in the country.

3.3 The Executives

A bill passed by the National Assembly in Nigeria does not become law until it is approved by the President. It is important to note that bills also originate from the executive arm of government. The executive branch of government, which consists of the President and ministers, is responsible for implementing and enforcing laws, including the Companies Income Tax Act. At the federal level, the President signs bills into law, such as the Finance Bill (now Finance Act) signed by former President Muhammad Buhari on January 13, 2020. The Finance Act amends several laws, including the Companies Income Tax Act (CITA), Value Added Tax Act (VATA), Personal Income Tax Act (PITA), Petroleum Profit Tax Act (PPTA), Stamp Duty Act, and Customs and Excise Tariff Act (Consolidation Act).³⁵

The signed act also aims to promote fiscal fairness, align indigenous laws with international best practices, and provide assistance for micro, small, and medium-sized enterprises. Incentives can be used to increase government revenue, promote stakeholder investments, and stimulate capital markets.

3.4 The Judiciary

The judiciary is the third arm of government empowered by the constitution to administer justice to individuals, corporate organisations, and the country as a whole when they seek redress in court. The primary role of the judiciary is to interpret laws passed by the legislature and apply these provisions to resolve disputes and administer justice in cases. Disputed tax cases involving companies must be presented to the Tax Appeal Tribunal (TAT) or the Federal High Court for resolution and adjudication.³⁶ Appeals regarding tax rulings from the Court of Appeal can be brought to the Supreme Court, Nigeria's highest court, which has the authority to review tax matters originating from the Federal High Court. The judicial system ensures the enforcement of the provisions of the Companies' Income Tax Act and imposes penalties on business entities found guilty of tax offenses.

3.5 The Federal Inland Revenue Service (FIRS)

All employed individuals, business owners, non-residents earning income from Nigeria, and organisations conducting business in the country are liable to pay taxes in Nigeria.³⁷ To facilitate this, the Federal Inland Revenue Service (FIRS) was established by legislation to assess, collect, and manage income taxes for companies operating in Nigeria. Unfortunately, it has been observed that taxpayers, including companies, sometimes engage in fraudulent practices, such as filing false returns, using both legal and illegal means to evade or avoid paying taxes in the current assessment year.³⁸

³⁴ Available at <<https://pml.com.ng/nigerian-tax-system-structure-and-administration/>> accessed on 9 September 2024.

³⁵ *Ibid.*

³⁶ *SNEPCO & 3ORS v. FIRS CA/A/208/2012.*

³⁷ C.M. Leyira, E. Chukwuma and A.A. Umobong, 'Tax System in Nigeria – Challenges and the Way Forward' <<https://www.elibrary.imf.org/display/book/9781557755872/ch02.xml>> accessed 9 September 2024.

³⁸ M.T. Abdulrazaq, *Revenue Law and Practice in Nigeria* (Malthouse Press Ltd, Lagos 2015) p.36.

3.6 The Taxpayers (Companies)

A taxpayer is an individual or a corporate organisation legally obligated to pay taxes. Paying taxes is both a civil obligation and a compulsory duty that must be promptly fulfilled. Consequently, failure to pay taxes is considered an offense. Taxpayers play a crucial role in the administration of the tax system because tax authorities derive a significant portion of their revenue from them. In this context, a company, as a taxpayer, is expected to fulfill the following responsibilities to prevent tax evasion and fraud.³⁹

3.7 Professional Bodies, Tax Consultants and Practitioners

Professional organisations play a crucial role in the Nigerian tax system, as mandated by Nigerian law. In this context, the Chartered Institutes of Taxation of Nigeria (CITN), through their enabling Act, have the authority to establish, maintain, oversee, and regulate the activities of their members, as well as to set the knowledge and skill requirements for tax practitioners.⁴⁰ On the other hand, the Institute of Chartered Accountants of Nigeria (ICAN) comprises talented, ethical, and committed professionals who promote inclusivity, diversity, and fairness. They also equip talented professionals with the skills and values necessary to build resilient businesses, economies, and societies. Chartered Accountants working in practice provide professional financial services to businesses. Chartered Accountancy Firms provide a wide range of services, including auditing, taxation, accounting, financial analysis, risk management, and financial structure advising. The sister organisation of (ICAN) is the Association of National Accountants of Nigeria (ANAN). In the field of accounting, the primary responsibilities center on the careful maintenance and interpretation of financial records. Accountants specialize in providing these services primarily for conglomerates, corporate entities, formal sector businesses, and prominent individuals. As attention increasingly turns toward leveraging the potential of the informal sector to strengthen the tax base and increase tax revenue, accountants must strategically position themselves to take advantage of the abundant opportunities within this sector. Effectively navigating the tax implications of the informal sector requires the availability of well-prepared formal records. This crucial task falls under the purview of accountants, who are summoned to play a pivotal role in this area.⁴¹ Beyond the traditional informal sector, which includes traders, artisans, and micro, small, and medium enterprises, certain professionals who fall within the SME definition require special attention from training professionals, such as accountants and tax practitioners. These professionals play a crucial role in ensuring that the expertise of accountants is optimally utilised, even within the diverse setting of SMEs.⁴²

Therefore, the role of professional bodies, tax consultants, and practitioners in preventing tax criminality cannot be underestimated. They are expected to improve the tax compliance process by applying their knowledge and skills to streamline tax procedures, provide effective advice to taxpayers regarding their compliance obligations, and offer the support and information required by tax authorities.⁴³ They must always carry out their duties with a strong sense of moral character and patriotism.

3.8 Professional Bodies⁴⁴

Professional organisations play a multifaceted role in the field of taxation. Firstly, they establish and uphold standards and ethical guidelines for tax practitioners, promoting competence, integrity, and

³⁹Article 2.11 of the Nigerian National Tax Policy 2012 <

<https://admin.theiguides.org/Media/Documents/NATIONAL%20TAX%20POLICY.pdf>> accessed on 09 February 2024.

⁴⁰As was held in the case of CITN v. ICAN (2013) N.R.L.R. @ p.10 holden 1 and ICAN v. CITN suit No CA/L/673/07 reported in N.R.L.R. (2013) 42 holden 3.

⁴¹J Monye and O. Abang,

<<https://news.bloombergtax.com/daily-tax-report-international/taxing-the-informal-sector-nigerias-missing-goldmine>> accessed on 18 January 2024.

⁴²< <https://anan.org.ng/wp-content/uploads/2022/09/DAME-GLADYS-SIMPLICE.pdf>> accessed on 18 January 2024.

⁴³Article 2.11 of the Nigerian National Tax Policy 2012 available at

<<https://admin.theiguides.org/Media/Documents/NATIONAL%20TAX%20POLICY.pdf>> accessed on 09 February 2024.

⁴⁴Ibid.

professionalism within the field. Secondly, these organisations contribute to the education and training of tax professionals through seminars, workshops, and certification programs. This ensures continuous learning and keeps members abreast of evolving tax laws. Advocacy is another crucial function, where these organisations advocate for favorable tax policies and represent the interests of tax professionals before governmental and regulatory entities. Furthermore, professional organisations act as networking hubs, promoting the exchange of knowledge and collaboration among members. They provide platforms for tax professionals to connect, share insights, and foster professional relationships. Finally, many of these organisations offer certification and accreditation programs, recognizing qualified practitioners and highlighting their expertise and credibility in the ever-changing field of taxation.

3.9 Tax Consultants⁴⁵

Tax consultants play a crucial role in providing comprehensive services to individuals and businesses, helping them navigate the intricacies of tax-related matters. Their advisory services include expert guidance on tax planning, compliance, and optimization. Consultants offer insights into complex tax laws and regulations to help clients minimise tax liabilities while ensuring compliance with legal requirements. Additionally, tax professionals play a crucial role in ensuring tax compliance by assisting clients in accurately and promptly preparing and filing tax returns, thereby averting potential penalties and legal complications.

Staying updated on dynamic tax landscapes, tax consultants engage in continuous tax research to comprehend the implications of evolving laws and regulations. This enables them to provide clients with informed guidance based on the latest information. During a tax audit, consultants act on behalf of clients and assist in addressing inquiries from tax authorities, ensuring a fair and efficient audit process. Furthermore, tax consultants actively contribute to tax optimisation, helping clients identify opportunities for savings within the bounds of the law. This involves utilising tax incentives, deductions, and credits to improve financial efficiency for their clients.

3.10 Tax Practitioners⁴⁶

Tax practitioners play a multifaceted role that encompasses various aspects of tax management. They primarily ensure tax compliance by meticulously preparing and filing accurate tax returns for individuals, businesses, and organizations, meeting their tax obligations promptly. In addition, tax practitioners may represent clients in dealings with tax authorities, managing inquiries, negotiating settlements, and resolving tax disputes to ensure a seamless process.

Another critical responsibility involves assisting clients in maintaining well-organized financial records, ensuring compliance, and facilitating seamless reporting. Tax practitioners collaborate with clients on tax planning, developing strategies aligned with financial goals to minimize tax liabilities while staying within the bounds of applicable laws.

Continuous education is essential in this field, with tax practitioners staying updated on constantly evolving tax laws and regulations. Engaging in continuous education is crucial for maintaining competence and providing clients with current advice. Upholding high ethical standards is essential to their role, which includes maintaining confidentiality and integrity in all interactions with clients and tax authorities.

4. Federal Tax Administrators and their Functions

Federal tax administrators, operating under the auspices of the Federal Inland Revenue Service (FIRS), play crucial roles in Nigeria's tax system. They are responsible for assessing, collecting, and administering income taxes, particularly the Companies Income Tax (CIT) and other federal levies.

⁴⁵ Ibid.

⁴⁶ Ibid.

These professionals carefully evaluate financial records, enforce tax laws, and maintain taxpayer databases. Their responsibilities include tax education, compliance monitoring, and enforcement, which are crucial for promoting voluntary tax compliance. They adapt to evolving tax policies, ensure efficient tax collection, and offer responsive customer service. By ensuring compliance and improving taxpayer understanding, federal tax administrators make a significant contribution to Nigeria's fiscal stability and economic development.

4.1 Enforcement Function

Enforcement involves making a law effective, and federal tax authorities are responsible for enforcing tax laws. It has been observed that taxpayers often employ various tactics, including submitting incorrect returns, both legally and illegally, to evade or avoid paying taxes in the appropriate year of assessment.⁴⁷ Due to taxpayers' noncompliance with tax payment, tax authorities are empowered by the law to enforce tax payments.

4.1.1 Enforcement by Distrain

Distrain can be defined as the confiscation of someone's property to obtain payment or settlement of a claim, as a guarantee for the execution of a responsibility, or as compensation for damage. In order to enforce the payment of overdue taxes, tax administrators are legally authorised to place a distrain on the property of any taxpayer who has defaulted. However, specific procedures must be followed before an act of distrain can be considered legal:⁴⁸

- (i) A warrant of distrain must be addressed to the defaulting taxpayer.
- (ii) The exact amount to be imposed as distrain must be specified.
- (iii) The tax liability.
- (iv) The business location.
- (v) The warrant must be properly signed and dated by the relevant authority.

Furthermore, there are specific conditions that must be met before the power to distrain can be exercised. These conditions include the issuance of an assessment with a payment demand for the unpaid tax, which has been finalised and deemed conclusive. The taxpayer must have received notice through publication in a newspaper or gazette, as well as through personal delivery.⁴⁹ Once the aforementioned conditions have been met, the relevant tax officials are authorised to sell the distrained property after 14 days. If the taxpayer fails or refuses to pay the overdue tax within the specified period stated in the warrant, the total amount owed for the tax, along with any costs and charges incurred during the distraintment and sale process, will be deducted. If there is any remaining balance, it must be paid to the taxpayer upon request within one year from the date the property was sold, either in person or through a representative. These are the prescribed procedures that must be followed for a tax authority to effectively exercise distraintment.⁵⁰

4.1.2 Enforcement by Search and Seizure

Tax authorities are legally authorised to conduct searches of premises belonging to taxpayers who are in default, including registered offices, places of business, or the residences of principal officers, agents, or assignees of the taxpayer. This power to search and seise can be exercised when there are reasonable grounds to believe that a misdemeanor related to the non-disclosure of information,

⁴⁷ MT Abdulrazaq, *Revenue Law and Practice in Nigeria* (Malthouse Press Ltd, Lagos 2015) p.36.

⁴⁸ A Adeoluwa, 'A Review of the Nigerian Tax Authorities' Powers of Distrain' available at <<https://www.linkedin.com/pulse/review-nigerian-tax-authorities-powers-distrain-adeoluwa>>, accessed 9 September 2024.

⁴⁹ Available at <https://pwc-nigeria.typepad.com/files/pwc-tax-alert_firs-clamps-down-on-tax-defaulters.pdf>, accessed 9 September 2024.

⁵⁰ Section 33 and 34 of Federal Inland Revenue Service (Establishment) Act 2007; Section 86 Companies Income Tax Act

whether in part or in full, or any tax-related crime has been committed, and evidence of the offense can likely be found at the location.⁵¹ Before conducting a search, tax authorities are required to obtain a warrant.⁵² This warrant must explicitly specify the location to be searched and the individuals to be arrested or the property to be seized. In order to obtain the warrant, a tax officer must make an oath or declaration requesting its issuance. The subject of the warrant must also be served with it within the premises.⁵³

4.1.3 Enforcement through Monetary Penalty

In Nigeria, the Companies Income Tax Act includes provisions for financial penalties and imprisonment as alternatives to fines for taxpayers who commit tax offenses.⁵⁴ Tax authorities have the authority to levy financial penalties on taxpayers engaged in tax offenses, such as failure to register on time, non-payment of tax obligations, submission of inaccurate returns, complete failure to file returns, inadequate record-keeping, failure to issue tax invoices, failure to notify tax authorities of address changes, failure to collect unpaid taxes, and failure to remit workers' withheld taxes to the appropriate tax authorities.

On the other hand, tax administrators, as defined by the law,⁵⁵ Establish offenses and penalties for certain acts committed by both authorized and unauthorised individuals. These offenses include the unauthorized collection of excessive money from taxpayers beyond legal limits for tax assessments, the misappropriation of funds intended for personal use by tax officials, and the submission of fraudulent tax returns for taxes that were collected or received by tax officials.

4.1.4 Enforcement By Litigation

Tax administrators have the authority to initiate legal action, either civil or criminal, against a taxpayer who intends to commit any of the offenses listed in the relevant tax law.⁵⁶ Before the Federal Inland Revenue Service can deploy lawyers from its legal department to prosecute tax evaders,⁵⁷ Approval must be obtained from the Attorney General. Delinquent taxpayers or tax authorities may face various penalties and possible imprisonment upon conviction.

4.1.5 Enforcement by Tax Clearance Certificate

A tax clearance certificate is an official declaration from the tax authorities confirming that a person's tax affairs were in order as of the certificate's issuance date. The law empowers tax authorities⁵⁸ Tax clearance certificates are issued as written proof of a taxpayer's compliance with their tax obligations up to the date of issuance of the certificate. A valid tax clearance certificate typically includes information from the previous three years, detailing the taxpayer's total income, any outstanding tax liabilities, the amount of tax already paid, and confirmation that no additional taxes are owed, among other details. The law mandates the need for a tax clearance certificate. All government departments and commercial banks are required to request a tax clearance certificate from individuals who are

⁵¹ Section 64 Companies Income Tax Act Cap C21 Law of Federation 2010; Sections 29, 30, 31 and 36 Federal Inland Revenue Service (Establishment) Act 2007 K.A. Adedokun, *Enforcement of Income Taxes (Law, Practice and Procedure)* (Princeton & Associate Publishing Co. Ltd, Lagos, 2023). p. 85.

⁵² Section 36 (3) Federal Inland Revenue Service (Establishment) Act 2007.

⁵³ *FIRS v. NNPC (2012) 6 TLRN 1*.

⁵⁴ Section 92 and 94 Companies Income Tax Act Cap C21 Law of Federation 2010.

⁵⁵ Sections 44, 45, 46, 48 & 49 Federal Inland Revenue Service (Establishment) Act 2007.

⁵⁶ Section 34(1) Federal Inland Revenue Service (Establishment) Act 2007; *Unipetrol Nigeria Plc. v. Edo State Board of Internal Revenue (2006) CLR 28*.

⁵⁷ Section 47 Federal Inland Revenue Service (Establishment) Act 2007.

⁵⁸ Companies Income Tax Act Cap C21 Law of Federation 2010, Section 101(1) & (4).

applying for government loans, contracts, or engaging in business-related transactions. This requirement also applies to various other purposes, including vehicle registration, firearms licenses, land-related transactions such as certificates of occupancy and changes in land ownership, as well as import and export licenses, among others.⁵⁹

4.2 Prosecutorial Function

The federal tax authorities are the main institution responsible for evaluating, collecting, and investigating individuals or entities suspected of involvement in tax fraud, tax avoidance, tax evasion, or any other tax-related criminal activities. Their role is to assess the scope of the alleged tax-related crimes and collect evidence for potential prosecution.⁶⁰ in a court of competent jurisdiction.

During the investigation process, the administrators are responsible for initiating, supervising, directing, and coordinating all the established rules and procedures related to the investigation and prosecution of such offenses, as outlined by the law and in coordination with the Attorney General of the Federation.⁶¹

In carrying out their prosecutorial duties, they closely collaborate with relevant agencies such as the Attorney General's Office, the Independent Corrupt Practices and Other Related Offenses Commission (ICPC), the Economic and Financial Crimes Commission (EFCC), the Civil Defense Corps, and financial institutions. These organisations collaborate to combat tax-related offenses and support tax administrators in enforcing tax laws.⁶²

4.3 Other Functions

One of the functions performed by tax administrators is to conduct public enlightenment campaigns. These campaigns are essential for maintaining and maximising tax compliance. It is their responsibility to provide taxpayers with accurate, affordable, and reliable information regarding their rights and obligations within the confines of the law.⁶³

The Federal Inland Revenue Service is responsible for conducting and funding studies and other initiatives aimed at promoting economic development. This involves evaluating the extent, magnitude, and repercussions of tax fraud or evasion, and providing guidance to the government on the most efficient interventions and preventive measures to address it.⁶⁴

They are responsible for maintaining accurate and current records of all individuals and corporations subject to taxation. Maintaining such records is essential to enable organisations to fulfill their functions and duties effectively, especially in the areas of accurate tax assessment and the prevention of tax evasion or fraud.⁶⁵

While operating in different jurisdictions, the Federal Inland Revenue Service carries out duties as specified in the Companies Income Tax Act. The following are the enforcement rights outlined in the tax laws:

- (i) Interest and penalties are imposed for late payment or under-remittance⁶⁶

⁵⁹ Companies Income Tax Act Cap C21 Law of Federation 2010, Section 101(2) & (4).

⁶⁰ Federal Inland Revenue Service (Establishment) Act 2007, Section 8 (1) (e)&(f) .

⁶¹ Federal Inland Revenue Service (Establishment) Act, 2007, Section 8 (1) (p).

⁶² *Ibid.*, Section 8 (1) (J) & (P).

⁶³ *Ibid.*, Section 8 (1) (r).

⁶⁴ *Ibid.*, Section 8 (1) (n) & (d).

⁶⁵ Federal Inland Revenue Service (Establishment), 2007, Section 8 (1) (L)& (m) .

⁶⁶ Federal Inland Revenue Service (Establishment) Act 2007, Section 32; Companies Income Tax Act Cap C21 Law of Federation 2010, Section 85.

- (ii) Instituting civil action to recover tax payments from the taxpayer.⁶⁷
- (iii) The Power of Substitution. Prosecution of taxpayers.⁶⁹
- (iv) Seizure of the taxpayers' goods or other personal property, bonds, or other securities.
- (v) The Accountant General of the Federation has the authority to deduct taxes owed from any ministry or government agency at the point of origin, as allocated in the budget. They must then transmit these deductions to the service within 30 days of making them. Unresolved taxes, however, are subject to the prevailing commercial rate.⁷²

5. Conclusion

The examination of the legal frameworks regulating corporate taxation in Nigeria has revealed an intricate and multifaceted environment. Through a thorough examination of historical foundations, stakeholders' roles, and tax administrators' functions, this study has provided valuable insights into this critical aspect of the nation's fiscal framework. One of the main findings of this study is the significant role played by the Companies Income Tax Act in influencing the company tax environment in Nigeria. This legislative instrument, with its historical evolution and amendments, highlights the dynamic nature of tax regulations and their ability to adapt to changing economic conditions.

Furthermore, the identification and analysis of stakeholders, including legislative bodies, tax authorities, and taxpayers themselves, have revealed the complex network of relationships that define the corporate tax environment. Understanding the roles and interests of these stakeholders is essential for formulating and implementing effective policies. The functions of federal tax administrators, as explained in this chapter, emphasise the significance of efficient and effective tax collection mechanisms. From enforcement and prosecution to other critical functions, these administrators play a crucial role in ensuring compliance and maintaining the tax system's contribution to the nation's revenue stream.

This study not only explores the legal frameworks of company taxation in Nigeria but also highlights the interplay of historical, legislative, administrative, and stakeholder elements that constitute this complex framework. It is crucial for policymakers and tax authorities to take these insights into account when developing and implementing tax policies to promote economic growth, fairness, and compliance in Nigeria's changing economic landscape.

6. Recommendations

Based on the findings of this study, several strategic recommendations are proposed to enhance the efficiency and effectiveness of corporate taxation in Nigeria. These recommendations are designed to address the identified challenges, optimize revenue collection, and promote compliance among businesses. The key recommendations include:

- (a) **Enhancing Collaboration Between Tax Authorities and Businesses:** To foster a more conducive tax environment, it is essential to strengthen collaboration between the Federal Inland Revenue Service (FIRS) and the corporate sector. This can be achieved through:

⁶⁷ *Ibid.*, Section 34.

⁶⁸ *Ibid.*, Section 31.

⁶⁹ Federal Inland Revenue Service (Establishment) Act 2007, Section 47; Companies Income Tax Act Cap C21 Law of Federation 2010, Section 97.

⁷⁰ + Federal Inland Revenue Service (Establishment) Act 2007, Section 33; Companies Income Tax Act Cap C21 Law of Federation 2010, Section 86.

⁷¹ 7171 Federal Inland Revenue Service (Establishment) Act 2007 Act, Section 24; Companies Income Tax Act Cap C21 Law of Federation 2010, Section 83.

⁷² JAA Agbonika, 'Tax System in Nigeria: Emerging Issues and Way Forward', in Olorunju E.K, (Ed.), *Tax Matters Journal* (McbanktduffLegal 2019) p. 204.

- (i) Establishing Consultative Forums:** Regular forums and workshops should be organized to facilitate dialogue between tax authorities and business representatives. These platforms will allow for the exchange of ideas, concerns, and feedback, fostering a spirit of cooperation and mutual understanding.
- (ii) Creating Incentive Programs:** The FIRS could develop incentive programs that reward businesses for timely compliance and accurate reporting. This could include tax credits, reduced penalties for first-time offenses, or public recognition for exemplary compliance.
- (b) Revising the Companies Income Tax Act:** The Companies Income Tax Act should be periodically reviewed and revised to address emerging challenges and ensure its relevance in the contemporary economic landscape. Suggested revisions include:
- (i) Simplifying Tax Provisions:** The complexity of tax laws can deter compliance. Streamlining the language and provisions within CITA can enhance understanding and accessibility for taxpayers.
- (ii) Introducing Flexible Taxation Policies:** Given the dynamic nature of the business environment, introducing provisions for flexible tax rates or deferrals during economic downturns can help businesses manage their cash flow while still fulfilling their tax obligations.
- (c) Implementing Targeted Educational Initiatives:** Improving taxpayer awareness and understanding of tax obligations is crucial for enhancing compliance. Recommended educational initiatives include:
- (i) Public Awareness Campaigns:** The FIRS should launch comprehensive public awareness campaigns utilizing various media platforms to educate businesses about their tax obligations, the importance of compliance, and the benefits of contributing to national revenue.
- (ii) Training Programs for Corporates:** Conducting targeted training sessions and workshops for corporate tax departments and financial professionals can improve their understanding of tax laws, reporting requirements, and best practices for compliance.
- (d) Strengthening Inter-Agency Collaboration:** Effective tax administration requires collaboration among various governmental bodies. This can be achieved by:
- (i) Establishing Joint Task Forces:** Forming joint task forces involving the FIRS, the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Other Related Offenses Commission (ICPC), and other relevant agencies can enhance the enforcement of tax laws and tackle tax fraud effectively.
- (ii) Sharing Data and Resources:** Encouraging inter-agency data sharing can streamline investigations and improve the efficiency of compliance monitoring. Utilizing shared resources and expertise can lead to more effective enforcement actions.
- (e) Leveraging Technology for Tax Administration:** To modernize tax administration, leveraging technology is essential. Recommendations include:
- (i) Implementing E-Government Solutions:** The adoption of e-government solutions can simplify tax filing and payment processes, making it more convenient for businesses to comply with their tax obligations.
- (ii) Enhancing Data Analytics Capabilities:** Investing in data analytics can help tax authorities identify trends, detect anomalies in tax filings, and enhance compliance monitoring efforts.

Implementing these recommendations can significantly improve the corporate taxation landscape in Nigeria. By fostering collaboration, revising legal frameworks, enhancing public education, strengthening inter-agency cooperation, and embracing technology, the country can create a more efficient, fair and transparent tax system. These efforts will not only optimize revenue collection but also promote a culture of compliance among corporate entities, contributing to the sustainable growth of Nigeria's economy.