TAXING THE RICH

Nigerian Fair Tax Monitor Thematic Report

OCTOBER 2024

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TAX JUSTICE NETWORK AFRICA

Acknowledgement

The successful completion of this report would not have been possible without the invaluable contributions, dedication, and support of several individuals and institutions.

First and foremost, we extend our gratitude to Mtwalo Msoni, the Lead Author of this report. His expertise, hard work, and insights were crucial in shaping the depth and direction of the study.

We thank Mr Ishmael Zulu from Tax Justice Network Africa (TJNA) and Mr Martin-Brehm Christensen from Oxfam Novib, who meticulously edited and reviewed the report, ensuring clarity, precision, and high-quality analysis. Their commitment to refining the work was invaluable.
We also express our appreciation to Henry Ushie, who provided an expert peer review, offering insightful feedback that helped strengthen the report further.

The production of this report would not have been possible without the support of the following institutions: Civil Society Legislative Advocacy Centre (CISLAC) Nigeria, Oxfam Nigeria, Tax Justice Network Africa (TJNA), and Oxfam Novib. Their commitment to advocating for tax justice and fair fiscal policies has been instrumental in the actualisation of this report. We are grateful for the collaborative spirit and shared vision of all those involved, whose efforts have made this report possible.

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Executive Summary

Nigeria, a powerhouse in Africa's economic landscape, stands at a critical juncture as it seeks to overcome a significant challenge: a yawning revenue gap that threatens its developmental ambitions. Nigeria faces an annual financing shortfall of over US$10 billion to meet its Sustainable Development Goals (SDGs). Not the least can taxes be used to address the rampant inequality in Nigeria by targeting taxes at the richest top1% who currently holds a disproportional large part of both national income and wealth, that is income and wealth that is urgently needed to develop the whole of the country atind population - not only a privileged few. How to tax the rich is the focus of this thematic Fair Tax Monitor report.

According to the World Inequality Database, in 2022, the wealthiest top1% of population owned five times as much wealth (25.5%) as the poorest bottom 50% of population with lowest wealth (4.7%), which implies that the wealth of a person in the top 1% is approximately 271 times wealthier than a person in the bottom 50%. It will take the richest Nigerian 42 years to spend all his wealth at a rate of one million naira per day. The amount of money he can earn annually from his wealth is sufficient to lift 2 million people out of poverty for one year[1]. Going from wealth to looking at income, the bottom half of the Nigerian population received only 15.6 percent of national income[2]. Furthermore, Nigerian lawmakers are among the highest paid in the world, earning 116 times the country's per capita income, with an average annual salary of $189,500 which is among the highest paid parliamentarians in the world[3].

The 2022 Multidimensional Poverty Index survey reveal that 63% of persons living within Nigeria (133 million people) are multidimensionally poor[4]. By 2020 the number of people in extreme poverty increased to 89 million thereby surpassing India. Nigeria is also at the top of the list of countries with the highest number of children out of school (10.1 million)[5]. A more recent UNICEF report put the figure at 18.5 million out of school children in Nigeria and 60% of these are girls[6].

Taxation can play a crucial role in addressing these challenges. The government *"Strategic Revenue Growth Initiative (SRGI)"* aims to both expand the tax base, counter evasion and infuse transparency into a system often shrouded in opacity. However, the SRGI is marred by regressive features. For instance the initiative Voluntary Offshore Assets Regularization Scheme (VOARS), offers very rich taxpayers an opportunity to come clean on offshore assets with immunity from prosecution, which both is unjust and undermines the efficacy of VOARS. The Nigerian government has also introduced regressive taxes worsening inequality: Starting from February 1st, 2020, the government raised the VAT on purchased goods and services from 5% to 7.5%, along with an additional 5% excise duty on telecom services[7] to boost its revenue[8]. Experts criticized this move as an arbitrary imposition of taxes on an already impoverished population, further exacerbating the country's inflationary pressures. Hence, this FTM report makes a valuable contribution to the ongoing debate by examining how taxing the wealthiest individuals can both reduce inequality and increase Nigeria's low tax revenue. Specifically, it highlights the need to broaden the tax base on and increase taxation of High Net-Worth Individuals (HNWIs), address tax exemptions, and improve

1 Upcoming Oxfam's Nigeria Inequality Report

2 https://wid.world/country/nigeria/

3 Upcoming Oxfam's Nigeria Inequality Report

4

5 https://thewillnigeria.com/news/opinion-review-of-inequality-in-nigeria-exploring-the-drivers/

6 https://www.premiumtimesng.com/news/top-news/529067-ten-million-nigerian-girls-are-out-of-school-unicef.html

7 https://dailytrust.com/ncc-telecom-sector-operators-and-5-excise-duty

8 https://www.premiumtimesng.com/business/372793-nigerias-new-vat-rate-kicked-off-monday-accountant-general.html

the remarkably low compliance rates among the top 1% of income earners. The report provides a comprehensive analysis of the taxation of HNWIs in Nigeria and proposes ways for Nigeria to unlock doors to equitable growth and sustainable development by targeting the wealthiest segments of society through several key reforms. These include tightening tax compliance, enhancing offshore asset disclosure, reforming property taxation, and introducing direct taxation on net wealth. For instance, introducing a progressive net wealth tax in Nigeria could raise more than $6 billion annually with rates at 2% on wealth over $5 million, 5% on wealth over $50 million and 10% on wealth over $1 billion. This would be enough to more than double the government's health budget or reduce households' out of pocket health expenditure by 40%. And introducing a tax of 1% on the value of the stock of shares could bring in an approximate revenue of $492 million annually or $389 million annually from just the 11 largest companies.

Also, property taxes hold great potential but they are challenged by excessive gubernatorial discretion and a lack of proper adjudicatory systems, making the tax landscape a minefield of inequity.

Furthermore the report examines the current state of HNWI taxation, identifies the obstacles and opportunities within the system, and offers revenue estimates that could be generated from implementing such taxes. The disparity in registered HNWIs is striking, with numbers and methodology differing between states, ranging from a handful registered NHWIs in Niger State to thousands in Lagos, revealing a fragmented and inconsistent approach to taxation. Shockingly, 99% of high-net-worth individuals (HNWIs) dodge their tax obligations, exploiting a system devoid of a comprehensive registry of wealth and beneficial ownership of financial and non-financial assets.

Key Findings

1. At least 99% of the super-rich avoid paying their fair share of taxes - a compliance rate of just 0.035%

A governmental report, commissioned jointly by the Federal Inland Revenue Service (FIRS) and the Joint Tax Board (JTB), sheds light on poor tax compliance of High Net Worth Individuals (HNWIs)[9]. Using the FIRS/JBT definition of High Net-Worth Individuals (HNWIs) - individuals earning at least N40 million ($126,984[10] USD) a year - the World Inequality Lab shows that approximately 115,000 Nigerians are meeting this threshold. According to Minister of Finance at that time, Mrs. Kemi Adeosun, the Federal Government itself set the number at 130,000 high net worth individuals (HNWIs)[11].

However, only 40 of these individuals were identified as compliant taxpayers by the FIRS and JBT criteria, indicating a compliance rate of 0.035% or less. This stark discrepancy highlights significant challenges in tax compliance (and probably also statistical capacity of FITS/JBT) and among Nigeria's wealthiest citizens, pointing to a severe issue in effectively taxing the rich. Having only 40 of 115.000 Nigerian HNWIs fulfilled their tax obligations accurately, means that more than 99% of the super-rich individuals in Nigeria didn't paying their fair share of taxes. Or as *SUNDAY PUNCH*[12] puts it: *"Of course, there are more than 40 people who earn more than N40m in Nigeria in 2016. The rich are not paying. It is the reason tax is just six per cent of our GDP,.... Most HNIs are playing games with the system. They pay tax only on their salaries, which is just a fraction of their income and hide the rest."*

9 https://saharareporters.com/2017/01/29/only-40-super-rich-nigerians-pay-correct-tax-government-report-states

10 in 2016 as that the year of the government report

11 https://ng.andersen.com/fg-identifies-130k-hnis-and-companies-with-potential-tax-underpayments/

12 https://saharareporters.com/2017/01/29/only-40-super-rich-nigerians-pay-correct-tax-government-report-states

2. Huge revenue potential from taxing the super-rich

Nigeria Could Yield more than **₦4.59 trillion ($6 billion) annually from taxing just 4,690 wealthy individuals.** As estimated by Institute for Policy Studies, Oxfam, Fighting Inequality Alliance, and Patriotic Millionaires, implementing an annual ***net wealth tax*** in Nigeria would raise **more than $6 billion** with rates at 2% on wealth over $5 million, 5% on wealth over $50 million and 10% on wealth over $1 billion[13]. This would be enough to more than double the government's health budget or reduce households' out of pocket health expenditure by 40%. There are 4,690 individuals with a net worth of $5 million or more, with wealth totaling $107.2 billion, and 245 individuals with $50 million or more with a combined wealth of $56.5 billion. A step toward a comprehensive net wealth tax could be to introduce a ***tax rate of 1% on the stock value of shares***. This could bring in an approximate revenue in Nigeria of **$492 million annually** or $389 million annually from just the 11 largest companies.

3. Insufficient Revenue from Capital Gains Tax (CGT)

CGT contributes only 0.24% of Nigeria's total tax revenue, far below its potential. The current CGT rate of 10% is significantly lower than in peer countries such as South Africa (18-21.6%), Ghana (15-35%), and Kenya (15%). Additionally, numerous exemptions and loopholes enable wealthy individuals and corporations to evade paying taxes on substantial capital gains, undermining both revenue generation and tax equity.

4. Inequitable Tax Burden:

The report criticizes recent tax policies, such as the increase in Value Added Tax (VAT) from 5% to 7.5%, which disproportionately impacts low-income households. This regressive taxation exacerbates existing inequalities, placing a heavier burden on those who are least able to afford it, while wealthier individuals continue to benefit from inadequate enforcement of progressive taxes.

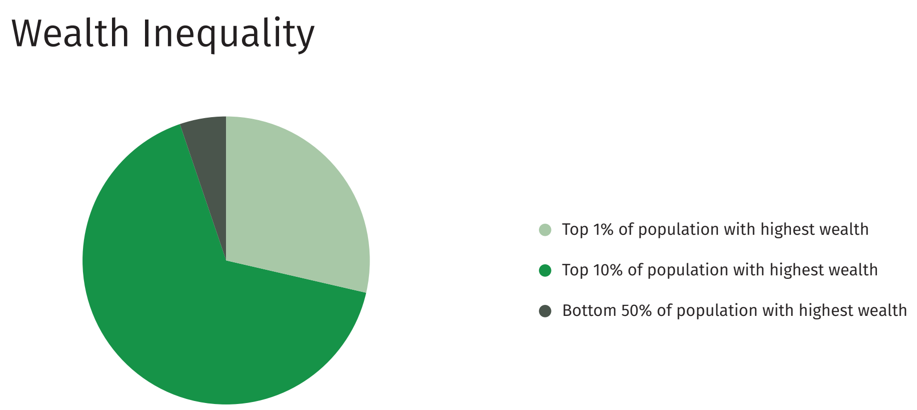
5. Need to revitalize property taxation.

The report reveals Nigeria's property tax system is inequitable and poorly enforced, with significant disparities in property values. The property tax system in Nigeria holds significant potential for reducing economic inequality and generating substantial revenue for public services. By targeting high-value properties, it can ensure wealthier individuals contribute fairly. Effective property taxes can also promote transparent land ownership records and foster accountable local governance, enhancing regional development. It has been facing criticism for granting governors excessive discretion in tax management, imposing harsh and unfair penalties on tax defaulters, and lacking a tax adjudicatory system.

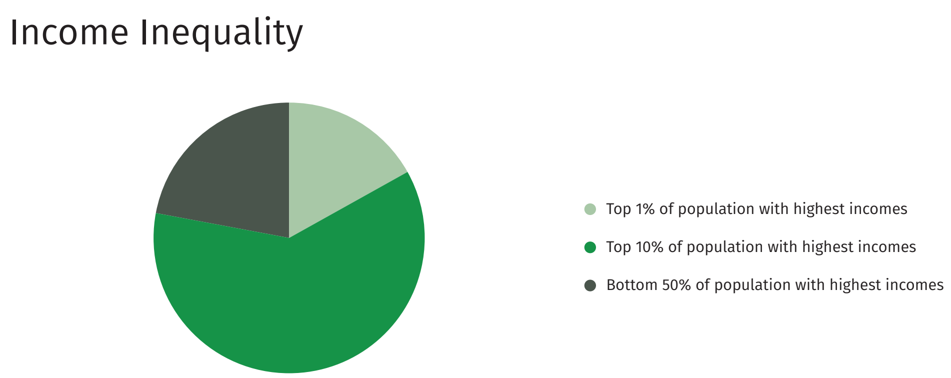
6. Income and wealth inequality in Nigeria

In Nigeria there are 4,690 individuals with a net worth of $5 million or more, with wealth totaling $107.2 billion. There are 245 individuals with $50 million or more with a combined wealth of $56.5 billion. The starking inequality of income and wealth is significant, with e.g. the wealthiest top1% of population owning five times as much wealth (25.5%) as the poorest bottom 50% of population with lowest wealth (4.7%), which implies that the wealth of a person in the top 1% is approximately 271 times higher than the wealth of a person in the bottom 50%.

13 https://ips-dc.org/wp-content/uploads/2022/01/Report-Taxing-Extreme-Wealth-What-It-Would-Raise-What-It-Could-Pay-For.pdf



Source: World Inequality database



Source: World Inequality database 2022

7. Challenges and opportunities of Nigeria's decentralized tax administration.

Federal laws establish the fundamental guidelines for addressing compliance among high-net-worth individuals (HNWIs). However, each state possesses the authority to enact legislation dealing with tax administrative matters concerning individuals living within its jurisdiction[14]. While these state laws must align with the stipulations of the federal acts, they can endow State Boards of Internal Revenue (SBIRs) with considerable additional authority. This brings advantages, including increased local autonomy, improved compliance, and tailored solutions. However, it also poses challenges such as potential inconsistency, administrative complexity, and the risk of tax competition between states within Nigeria.

8. Success and failure of the Voluntary Assets and Income Declaration Scheme (VAIDS):

The Voluntary Assets and Income Declaration Scheme (VAIDS) expanded the taxpayer database by 36%, growing from 14 million to 19 million active taxpayers by 2018. This was achieved through increased awareness and compliance efforts targeting various categories of taxpayers, including employers, employees, and professionals. However, VAIDS achieved only 20% of its revenue target, raising around N70 billion ($193 million). The program's underperformance was attributed to inadequate data, lack of trained staff, and widespread corruption among tax officials, highlighting the need for a more robust

14 As outlined in the Personal Income Tax Act, Section 2, and the Capital Gains Tax Act, Section 165

enforcement mechanism.

Recommendations

Public officials, politicians key administrative stakeholders at national as well as sub-national administrative are recommended to:

1. Establish a Dedicated HNWI Unit and Invest in Capacity Building:

Similar to Uganda's approach, Nigeria should set up a specialized unit to focus on wealthy individuals, distinct from the Large Taxpayers Office. A specialized unit within the Federal Inland Revenue Service (FIRS) dedicated to managing the tax affairs of high-net-worth individuals (HNWIs) should be empowered to conduct detailed audits and use data from multiple sources, such as financial institutions and property registries, to track and verify assets. This unit should emphasize proactive engagement and tax education for long-term compliance. And tax officials should receive training enabling them to address the complexities of international tax law and high-net-worth taxation to better handle the challenges posed by the financial sophistication of wealthy individuals.

2. Introduce a Comprehensive Net Wealth Tax:

Implement a progressive wealth tax targeting very wealthy individuals. This tax should be progressive with multiple tiers. The exact thresholds and rates should be discussed and negotiated. One suggestion could be:

- 1% for wealth between $1 million and $5 million,
- 2% for wealth between $5 million and $50 million,
- 5% for wealth over $50 million.

This would help reduce extreme wealth concentration and generate significant revenue for poverty alleviation and social services. Such a system should be designed to minimize avoidance by including comprehensive reporting requirements and strong enforcement measures

3. Enhance Capital Gains Tax (CGT):

Raise the CGT rate from the current 10% to align with other African nations, like South Africa and Kenya, which levy between 15% and 35%. This would address revenue leakage due to the low rate and broaden the tax base by including financial assets, options, and intangible properties. Exemptions such as life insurance policies and Nigerian government securities should be reexamined to avoid loopholes that the wealthy exploit.

4. Implement Targeted VAT Exemptions and Progressive Luxury Taxes:

Exempt essential goods such as food, clothing, and basic housing from the general VAT to alleviate the disproportionate burden on low-income households. Simultaneously, introduce a progressive luxury tax on high-end items like private jets, yachts, luxury cars, and premium alcoholic beverages. This dual approach will reduce the regressive impact of VAT on necessities while ensuring that wealthier individuals contribute fairly through higher taxes on non-essential luxury goods.

5. Strengthen Property Taxation through Standardization, Digitization, and Legislative Reform:

Implement a comprehensive property tax reform strategy that includes standardizing property valuation methods across states, regularly updating property values to reflect market conditions, and digitizing property registries to improve accuracy and reduce evasion. Introduce a Land Value Tax (LVT) to promote efficient land use and capture the benefits of public infrastructure investments. Strengthen legislation by amending the Land Use Act to limit discretionary powers in granting exemptions and establish clear guidelines to ensure equitable application of property taxes nationwide. This approach will maximize revenue generation and support sustainable local development.

6. Reform Personal Income (PIT) tax Rates:

Fully exempt Nigerians earning the minimum wage or below ₦840,000 ($510) annually from Personal Income Tax (PIT). At the same time introduce new tax brackets with a top rate of at least 40%. Additional brackets should be introduced for the rich, e.g. 40% for the top1% which is for an annual income of above personal incomes above ₦100 million ($60,000), and 47% for annual income above ₦230 million ($140,000) which correspond to the threshold for the top0.1% richest. This reform would increase revenue, reduce inequality, and make Nigeria's tax system more progressive and equitable. And it would alleviate the burden on low-income earners.

7. Promote Public Engagement and Support Civil Society to Enhance Wealth and Tax Transparency

The Ministry of Finance, the Federal Inland Revenue Service (FIRS) as well as sub-national administrative units are recommended to implement a coordinated strategy to raise public awareness about the importance of equitable tax policies for societal development. Launch educational campaigns to increase understanding of wealth distribution and the need for taxing high incomes to foster inclusive growth. Ensure transparency by making wealth data publicly accessible and regularly reporting on the impact of income and consumption taxes on revenue and inequality. Provide resources and training to civil society and media organizations to monitor and report on tax compliance and tax policy effectiveness. This approach will build public trust, enhance accountability, and support the development of tax policies that effectively reduce inequality and generate sustainable revenue.

8. Establish a Progressive Inheritance and Gift Tax System with Targeted Exemptions:

Reintroduce a federal inheritance tax and strengthen gift taxation to ensure equitable wealth transfers. Implement a progressive tax structure targeting only the top1%-top10% richest, fully exempting more than 90% of the population. Thresholds and rates could for instance be:

Inheritance Tax:

- Exemption Threshold: NGN 50 million (USD 30,306).
- 20% Tax Rate: On estates between NGN 50 million and NGN 100 million (USD 30,306 - USD 60,612). Less than 10% of recipients affected.
- 30% Tax Rate: On estates up to NGN 500 million (USD 303,062). Less than 1% of recipients affected.
- 50% Tax Rate: On estates exceeding NGN 500 million (USD 303,062). Much less than 1% of recipients affected.

Gift Tax:

Introduce tax rates and thresholds in harmony with the inheritance tax in order to prevent tax avoidance via converting inheritance into gifts. Make an annual exemption of NGN 5 million (USD 3,000) per individual to allow for small, routine gifts without tax burdens. Secure transparency and prevent tax loopholes by limit the splitting of high-value gifts into smaller amounts to evade taxation, and by implementing strict valuation methods for high-value properties and estates to prevent underreporting. This comprehensive approach will promote social equity, reduce wealth inequality, and strengthen the tax base by ensuring that the wealthiest individuals contribute fairly to public revenues.

9. Strengthen Enforcement and Renegotiation of Double Taxation Agreements (DTAs) through Capacity Building, Analysis, and Transparency:

Enhance Nigeria's capacity to effectively enforce and renegotiate Double Taxation Agreements (DTAs) by establishing a specialized DTA Enforcement Unit within the Federal Inland Revenue Service (FIRS). Conduct thorough cost-benefit analyses of existing DTAs to evaluate their fiscal impact and guide renegotiations or cancellations of agreements that disproportionately favor multinational corporations at the expense of Nigeria's tax base. Mandate the disclosure of beneficial ownership information for entities benefiting from DTA provisions to prevent tax avoidance. Strengthen anti-avoidance measures, close loopholes that allow profit shifting and offshore asset transfers, and ensure public transparency by publishing DTA summaries and involving stakeholders in the review process to align DTAs with Nigeria's economic interests.

1. Introduction

Taxing rich individuals has gained prominence in the economic policy landscape as societies grapple with the dual challenges of economic inequality and sustainable fiscal practices. Africa, a continent marked by economic inequality and acute lack of public revenue, presents a compelling arena for exploring progressive tax policies. Nigeria emerges as a pivotal case with pronounced wealth and income disparity and an obvious need of increasing the progressivity taxes targeting the rich. Nigeria allows for a comprehensive analysis of how progressive tax policies may mitigate economic disparities and foster inclusive development.

This Fair Tax Monitor (FTM) report sets out to achieve a multifaceted exploration of progressive taxes in Nigeria targeting rich individuals. By examining the economic landscape, wealth distribution patterns, and the institutional capacity for implementation, we aim to provide valuable insights that can inform evidence-based policy recommendations. Our findings aspire to contribute to the academic discourse on progressive taxes targeting rich individuals and offer practical guidance for policymakers in Nigeria and other African nations facing similar economic challenges.

This report draws on empirical evidence, comparative analyses, expert and stakeholder interviews and perspectives.

2. Nigeria's Wealth Distribution and lack of direct taxation of net wealth

In 2023, an analysis conducted by OXFAM and other CSOs[15] highlighted that the three richest people in Nigeria have the combined wealth of $24.9 billion USD.

- Aliko Dangote, $13.5 billion
- Mike Adenuga, $6.5 billion
- Abdulsamad Rabiu, $4.9 billion

This underscored how affluent elites have disproportionately benefited from economic growth to the detriment of the average Nigerian citizen[16], e.g. the two richest billionaires have more wealth than the bottom 63 million of Nigerian society. And Forbes' 2024 list of *African Billionaires*[17] disclose that the wealth of the wealthiest Nigerians withstood the global shocks of the COVID-19 pandemic very well while the number of people estimated to be living in multidimensional poverty in Nigeria is now estimated to 133 million [18].

There are 4,690 individuals with a net worth of $5 million or more, with wealth totaling $107.2 billion. There are 245 individuals with $50 million or more with a combined wealth of $56.5 billion[19].

Data on Nigeria's wealth distribution is provided by the 2022 Gini Coefficient[20], which stands at 35.1. This places Nigeria among the most unequal countries in West Africa as well as globally[21].

	Average Income PPP in Euros	Share of Total (%)	Average Wealth Euros PPP
Full Population	7,600	100	26,000
Bottom 50%	2,400	15.6	3,000
Middle 40%	8,000	41.7	156,300
Top 10%	32,700	42.7	154,300
Top 1 %	88,600	11.6	669,500

There are 4,690 individuals with a net worth of $5 million or more, with wealth totaling $107.2 billion.

Source: Nigeria's Inequality Outlook-Sourced from Dataphyte[22]

The data presented above reveals a significant disparity in wealth and income distribution

15 https://ips-dc.org/wp-content/uploads/2022/01/Report-Taxing-Extreme-Wealth-What-It-Would-Raise-What-It-Could-Pay-For.pdf

16 See Inequality in Nigeria: Exploring the drivers available at https://www.oxfam.org/en/research/inequality-nigeria-exploring-drivers/

17 https://www.forbes.com/lists/africa-billionaires/

18 See Dataphyte (2022) What does Multidimensional Poverty Really Mean For 133 Million Nigerians? Available at https://www.dataphyte.com/latest-reports/what-does-multidimensional-poverty-really-mean-for-133-million-nigerians/

19 https://ips-dc.org/wp-content/uploads/2022/01/Report-Taxing-Extreme-Wealth-What-It-Would-Raise-What-It-Could-Pay-For.pdf

20 The Gini Coefficient measures inequality from 0 to 1, where 0 signifies perfect equality and 1 represents perfect inequality. The calculation analyses various economic indicators, including GDP at purchasing power parity, poverty rates, unemployment figures, GDP per capita, and social expenditure.

21 See Niarametrics (2023) Gini Coefficient shows progress in Nigerias Wealth Distribution Under Democracy available at https://nairametrics.com/2023/03/21/gini-coefficient-shows-progress-in-nigerias-wealth-distribution-under-democracy/

22 Dataphyte (2024) Nigeria's Wealth Inequality Score is 35.1 and its 11th in West Africa https://www.dataphyte.com/latest-reports/nigerias-wealth-inequality-score-is-35-1-and-its-11th-in-west-africa/#:~:text=Nigeria%20scored%2035.1%20in%20the,%25%20to%20the%20bottom%2050%25.

in Nigeria. The income gap between the top1%, top10% and the bottom 50% of the population is substantial, with one person's income in the top 1% being equal that of 37 individuals in the bottom 50%. Around 4 in 10 Nigerians live in poverty, and by 2020, the number of people in extreme poverty increased to 89 million[23]. Additionally, 55% of the active population suffers from unemployment and underemployment, with 42.5% unemployment among young people.

The country is also at the top of the list of countries with the highest number of children out of school, with 60% being girls[24]. Men are more privileged in terms of access to and undertaking formal education, with only 5.6% of women ableto undergo post-secondary education[25]. Nigeria's public services spending remains low, contributing to poor outcomes in public services, with only 15% of the poorest children completing secondary school and 40% of Nigerians lacking access to universal healthcare[26].

The recent highlights of the 2022 Multidimensional Poverty Index survey for Nigeria reveal that: 63% of persons living in Nigeria 133 million people are multidimensionally poor.

According to the World inequality data base, in 2022, the poorest half of the population held only 15.6 percent of national income[10]. Meanwhile, the richest Nigerian man will take 42 years to spend all his wealth at one million per day. The report notes that the amount of money that the richest Nigerian man can earn annually from his wealth is sufficient to lift 2 million people out of poverty[27].

Nigerian lawmakers are among the highest paid in the world, with an average $597,000 per year in salaries and allowances $597,000 per year maybe the highest in the world[28]. A stark illustration of this inequality is evident in lawmakers' earnings compared to minimum wage workers. One Nigerian senator earns in one year what it would take an average Nigerian federal worker 792 years to earn[29]. This disparity is further highlighted by former Senator Shehu Sani, who notes that top politicians in Nigeria are paid hundreds of times more than teachers or security personnel. Taxing the combined wealth of affluent individuals could generate substantial revenue to address basic societal needs, such as water supply, housing, education, healthcare, and infrastructure.

However, despite the glaring wealth and income inequality, there is a lack of publicly available data on tax revenue generated from different income groups and wealth owners in Nigeria. A governmental report, commissioned jointly by the Federal Inland Revenue Service (FIRS) and the Joint Tax Board (JTB), sheds light on poor tax compliance of High Net Worth Individuals (HNWIs)[30]. It unveils that only 40 of 130.000 Nigerian HNWIs[31] fulfilled their tax obligations accurately, in 2016. The HNWI were defined as Nigerians with income above $131,148 (N40 million) and compliance defined as paying at least $32,786 (N10 million)[32] in taxes. This means that more than 99% of the super-rich individuals in Nigeria avoid paying their fair share of taxes.

Between 2016 and 2021, the number of individuals with wealth exceeding $50 million increased from 205 to 245. Furthermore, the total wealth of Nigeria's three billionaires amounts to $24.9 billion. and rose during the

Between 2016 and 2021, the number of individuals with wealth exceeding $50 million increased from 205 to 245

23 World Bank (2021) Poverty & Equity Brief: Africa Western and Central. Nigeria

24 Nigeria has 'largest number of children out-of-school' in the world (2017) BBC News. Available at: https://www.bbc.com/news/world-africa-40715305 (Accessed: 30 September 2024).

25 Poverty and widening inequality in Nigeria (2020) THISDAYLIVE. Available at: https://www.thisdaylive.com/index.php/2020/11/14/poverty-and-widening-inequality-in-nigeria/ (Accessed: 30 September 2024).

26 Abubakar, I. et al. (2022) The Lancet Nigeria Commission: Investing in health and the future of the nation, Lancet (London, England). Available at: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8943278/ (Accessed: 30 September 2024).

27 https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/file_attachments/cr-inequality-in-nigeria-170517-en.pdf

28 https://www.stears.co/article/how-much-does-lawmaking-cost-nigerians/

29 https://www.researchgate.net/publication/330555629_NIGERIA'S_SENATORS_AND_THEIR_JUMBO_PAY

30 SubSahara Reports (2017) Only 40 Super-Rich Nigerians Pay Correct Tax, Government Report States https://saharareporters.com/2017/01/29/only-40-super-rich-nigerians-pay-correct-tax-government-report-states

31 https://ng.andersen.com/fg-identifies-130k-hnis-and-companies-with-potential-tax-underpayments/

32 https://saharareporters.com/2017/01/29/only-40-super-rich-nigerians-pay-correct-tax-government-report-states

pandemic by $6.9 billion.
Nigeria now has 4 billionaires according to Forbes data[33] and recent data from Henley & Partners (2023) reinforces this observation, indicating that Nigeria is home to approximately 9,800 individuals possessing a net worth exceeding $1 million, and 27 individuals whose net worth surpasses $100 million. [34]

Wealth threshold (2022/2023)	Number of Individuals
More than $1 million	9,800
More than $5 million	4690
More than $50 million	245
More than $100m	27
Billionaires	4

Source: Henley & Partners (2023) Africa Wealth Report 2023, Henley & Partners available at https://cdn.henleyglobal.com/storage/app/media/Africa_Wealth_Report_2023_Digital_FINAL_4.pdf

Potential Revenue from a Net Tax on the Wealth in Nigeria.

As estimated by Institute for Policy Studies, Oxfam, Fighting Inequality Alliance, and Patriotic Millionaires, implementing an annual wealth tax in Nigeria would raise more than $6 billion (with rates at 2% on wealth over $5 million, 5% on wealth over $50 million and 10% on wealth over $1 billion). This would be enough to more than double the government's health budget or reduce households' out of pocket health expenditure by 40%[35].

There are 4,690 individuals with a net worth of $5 million or more, with wealth totaling $107.2 billion. There are 245 individuals with $50 million or more with a combined wealth of $56.5 billion.

If the wealth tax regime is further extended to individuals whose worth is over $1 million (total of 9,800 people) this would raise revenue additionally.

Identification and taxation of High Net Worth Individuals (HIWIs) What the Rich Pay in Taxes?

Historically, as is the case in many African countries, the identification of HNWIs remains challenging, with different states using different criteria in Nigeria. The endeavor to tax wealth is not merely a fiscal exercise but a strategic pursuit to address economic disparities and ensure sustainable development. Asset registration is crucial in effectively implementing wealth taxation policies within this context. This brings to the fore the concepts of beneficial ownership and asset registration. In May 2023, Nigeria became the first African country to collect beneficial ownership data in line with Open Ownership's data standard and has committed to making this information public. Nigeria's updated Persons with Significant Control (PSC) Register uses the Beneficial Ownership Data

33 Forbes (2024) Africa's Billionaires available at https://www.forbes.com/lists/africa-billionaires/
and Institute for Policy Studies. (2022). Taxing Extreme Wealth: What It Would Raise, What It Could Pay For. Retrieved from https://ips-dc.org/wp-content/uploads/2022/01/Report-Taxing-Extreme-Wealth-What-It-Would-Raise-What-It-Could-Pay-For.pdf

34 Henley & Partners (2023) Africa Wealth Report 2023, Henley & Partners available at https://cdn.henleyglobal.com/storage/app/media/Africa_Wealth_Report_2023_Digital_FINAL_4.pdf

35 https://ips-dc.org/wp-content/uploads/2022/01/Report-Taxing-Extreme-Wealth-What-It-Would-Raise-What-It-Could-Pay-For.pdf

Standard (BODS) to gather high-quality structured data on the beneficial owners of Nigerian companies[36]. This means that government agencies such as the Bureau of Public Procurement, Federal Inland Revenue Service, National Identity Management Commission and the Nigerian Financial Intelligence Unit, among others, can now more easily make use of this data especially in identifying HNWI. Identifying the ultimate beneficiaries of assets allows tax authorities to pierce the veil of financial secrecy that often shrouds high-net-worth individuals and corporate entities. This transparency is essential for holding individuals accountable and ensuring the tax burden is equally distributed. When beneficial ownership is obscured, there is a risk of wealth being artificially structured to avoid taxation, undermining the very essence of a fair tax system. Given that Nigeria's open central register of beneficial ownership was only officially launched last year (2023), it is yet to be analyzed how it has contributed towards transparency and identification of HNWI, however, according to a case study by FIRS, the beneficial ownership register has already helped in exposing many HNWI for tax purposes[37].

Asset registration is a foundational mechanism that facilitates fair and equitable taxation and bolsters transparency, accountability, and the overall efficiency of wealth taxation systems. Through asset registration and beneficial ownership structures, the tax authorities gain insight into the actual wealth holdings of citizens. This transparency is vital for ensuring that wealth taxation is distributed fairly across different income groups. At present, Nigeria has an asset registration process for all Public Officers whether elected, appointed, recruited, contracted etc., under the Code of Conduct Bureau[38], but, unfortunately does not have one for the general public.

While there is no comprehensive BO registry for tax purposes (before the PSC register) across Nigeria, evidence from the ICTD 2024 report indicates that State Boards of Inland Revenue Service (SBIRS) do maintain individual registers of taxpayers, including High Net Worth Individuals (HNWIs). At the state level, several SBIRS have declared the presence of HNWIs in their records, with numbers ranging from 5 in Niger State to over 3,000 in Lagos State. However, only six SBIRS have established dedicated units to manage HNWI affairs. Most SBIRS, even three of those without dedicated units, have working definitions of who qualifies as an HNWI. These definitions, though not always officially documented or formalized, guide their classification and management of such individuals. Its important to note here that While differences in these definitions are to an extent connected with underlying economic structures, the data SBIRS that are able to access for identification purposes inevitably affects how HNWIs are defined.[39]

When beneficial ownership is obscured, there is a risk of wealth being artificially structured to avoid taxation, undermining the very essence of a fair tax system.

36 Open Ownership (2023) Nigeria adopts Beneficial Ownership Data Standard for its new national register. Available from: https://www.openownership.org/en/news/nigeria-adopts-beneficial-ownership-data-standard-for-its-new-national-register/

37 Abdullahi Aliyu (2024) ***Case Study of Nigerian Success and Challenges in the Taxation of High-Networth Individuals***. FIRS & UNDP

38 https://ccb.gov.ng/?page_id=325

39 Occhiali, G.; Kangave, J. and Khan, H.A. (2024) Taxing High Net Worth Individuals in Nigeria: Preliminary Insights and the Case of Borno State, ICTD Working Paper 188, Brighton: Institute of Development Studies, DOI: 10.19088/ICTD.2024.024

The table below presents this definition of HNWI across selected states in Nigeria

Table 1 Defination of HNWI as per ICTD 2024

	Assets	Income	Others
Bauchi	N50 million across real estate owned (approx. $34,000)	-	Qualify as Politically Exposed person
Borno	-	N 2million and above ($1400)	-
Ekiti	-	-	N200 thousand in tax liability ($140)
FCT	N500 million net worth ($ 340,000)	-	-
Imo	-	N15 Million and above ($10,000)	
Kaduna	N10 Million across real estate and cars ($6800)	1 Billion Naira in turnover ($676000)	Bank transactions over N5 million($3400) per month over 2 consecutive months, income from dividends, FOREX, investments and state contracts
Kano	Owning multiple properties in high value economic zones	N 2million and above ($1400)	N200 thousand in tax liability ($140)
Lagos	-	N25 million and above($17,000)	-
Niger	-	N20 million and above ($14000)	-
Ondo	Owning multiple properties in high value economic zones	-	-
Plateau	-	N2.5 million and above($1700)	

It is crucial to recognize the significant variation in definitions of High Net Worth Individuals (HNWIs) across different states in Nigeria. Each State Board of Inland Revenue Service (SBIRS) operates with its own criteria for identifying HNWIs, leading to inconsistencies that can complicate tax administration. When designing tax policies, there is a pressing need to harmonize these definitions to prevent potential taxpayers from exploiting these differences to shift their wealth across state boundaries for tax avoidance purposes. Harmonization would ensure a more consistent and equitable tax landscape, reducing opportunities for tax evasion and enhancing the integrity of the tax system.

Moreover, it is essential to highlight that the mere existence of a working definition for HNWIs in some states has not necessarily resulted in improved Personal Income Tax (PIT) collections. Despite having identified and classified HNWIs, many states struggle with effective tax collection is still reliant on personal declarations. In some instances; inadequate administrative capacity and insufficient enforcement mechanisms also hinders effective revenue collection.

The inconsistency in definitions and the lack of dedicated management units in most states have contributed to the varied success in PIT collections. States with more structured and well-defined approaches to HNWI management, such as Lagos, tend to report higher numbers of HNWIs and, consequently, better tax collection outcomes.[40] This further illustrates the need for a unified and well-coordinated effort to enhance tax administration practices across all states. Uniformity in wealth taxation would help prevent the erosion of the tax base and ensure that the tax burden is equitably distributed among wealthy individuals, regardless of their state of residence.

At least 99% of the super-rich dont paying their fair share of taxes

A governmental report, commissioned jointly by the Federal Inland Revenue Service (FIRS) and the Joint Tax Board (JTB), noted that only 40 High Net Worth Individuals (HNWI) Nigerians paid correct tax on their income.[41] HNIs were defined as Nigerians who paid at least N10m ($ 31,746) tax in 2016 and were assumed to have made at least N40m and above in income in the same year. According to the report, all the 40 individuals paid tax in Lagos. It seems absurd that none of the other 35 states in Nigeria have any individuals who had an income of N40m ($126,984) or more in 2016. Thus it seems that majority of the super-rich individuals in Nigeria pay hardly any tax[42].

To investigate further immense magnitude of the administrative and/or data error of only having 40 HNWI individuals registered as tax compliant we looked at World Inequality Lab data[43].

As the HNWIs were defined as Nigerians who earned at least N40m ($ 126,984 in 2016) we looked at what percentage of Nigerians earn above this according to the World Inequality Lab database[44]. Here the the entry threshold for the 99.9 income threshold is 137,520, this means that everyone here meets the above definition of HNWI, we are talking about 115,000 individuals[45]. Forty compliant tax payers out of 115,000 is approximately 0.035%. I.e. comparing 115.000 persons to the 40 tax payers identified as compliant by the Federal Inland Revenue Service and the Joint Tax Board findings[46] point to a compliance rate of 0.035% for the richest Nigerians. This is of course a very rough analysis and the number only indicative, but it surely demonstrates a catastrophic problem of (probably) both statistic capacity and tax compliance regarding taxing the rich in Nigeria.

Harmonization would ensure a more consistent and equitable tax landscape, reducing opportunities for tax evasion and enhancing the integrity of the tax system.

40 Occhiali, G.; Kangave, J. and Khan, H.A. (2024) Taxing High Net Worth Individuals in Nigeria: Preliminary Insights and the Case of Borno State, ICTD Working Paper 188, Brighton: Institute of Development Studies, DOI: 10.19088/ICTD.2024.024

41 Sahara Reporters (2017) Only 40 Super-Rich Nigerians Pay Correct Tax, Government Report States https://saharareporters.com/2017/01/29/only-40-super-rich-nigerians-pay-correct-tax-government-report-states

42 Ibid. And see Punch (2017) Only 40 Super-rich Nigerians Pay Correct Tax available at https://punchng.com/40-super-rich-nigerians-pay-correct-tax-govt-report/

43 https://wid.world/income-comparator/

44 https://wid.world/income-comparator/

45 The World Inequality Database (WID) generally uses the adult population aged 20 and above for their analysis and setting percentiles for income distribution in most countries. For Nigeria this means around 115 million people according to https://nigeria.opendataforafrica.org/htmbyze/nigeria-population-by-age-and-sex

46 Sahara Reporters (2017) Only 40 Super-Rich Nigerians Pay Correct Tax, Government Report States https://saharareporters.com/2017/01/29/only-40-super-rich-nigerians-pay-correct-tax-government-report-states

Recommendations

1) **Introduce a Comprehensive Wealth Tax:** Implement a progressive wealth tax targeting very wealthy individuals. This tax should be progressive with multiple tiers. The exact thresholds and rates should be discussed and negotiated. One suggestion could be:

   - 1% for wealth between $1 million and $5 million,
   - 2% for wealth between $5 million and $50 million,
   - 5% for wealth over $50 million.

   This would help reduce extreme wealth concentration and generate significant revenue for poverty alleviation and social services. Such a system should be designed to minimize avoidance by including comprehensive reporting requirements and strong enforcement measures.

2) **Implement Solidarity Wealth Taxes in Crisis Times:** Introduce temporary "solidarity" wealth taxes during economic crises, such as pandemics, natural disasters or debt-crisis to finance emergency response and recovery efforts. These one-off taxes would target the wealthiest individuals and corporations that benefited disproportionately during crises.

3) **Public Engagement and Transparency Initiatives:** Launch public campaigns to raise awareness about the importance of taxing the rich for societal development. Transparency and accountability can be fostered by making wealth distribution data available to the public, ensuring societal buy-in for new tax policies.

3 Wealth Transparency

Asset Registration and Beneficial Ownership State and Gaps.

Implementing a form of wealth tax in Nigeria is intrinsically linked to the establishment of robust asset registration disclosing the beneficial ownership. Effective wealth taxation requires accurate identification and valuation of assets, which necessitates comprehensive asset registries to track ownership and value. Moreover, beneficial ownership disclosure ensures transparency by revealing the true owners of assets, thereby preventing tax evasion and ensuring compliance. These mechanisms collectively enhance the tax authorities' ability to assess and collect the appropriate tax from wealthy individuals, ensuring the wealth tax's effectiveness and fairness. Without these foundational systems, the wealth tax could be easily circumvented, undermining its objectives of revenue generation and reducing inequality.

In 2023, the Corporate Affairs Commission of Nigeria introduced the Open Central Register of Beneficial Ownership, also known as the Persons with Significant Control (PSC) Register. This initiative aligns with Nigeria's commitment to implementing Financial Action Task Force (FATF) recommendations on combating money laundering and terrorism financing, as well as its membership in the Extractive Transparency Initiative (ETI) and Open Government Partnership (OGP). The PSC Register is a public repository of information regarding the true ownership and control of companies and LLPs in Nigeria. Its purpose is to facilitate easy access for individuals to determine ownership structures within Nigerian entities. This measure is crucial for combating corruption, illicit financial activities, and other forms of criminal behavior often concealed within corporate entities while also promoting transparency in business operations across Nigeria. The collection of Nigeria's beneficial ownership data adheres to the Open Ownership data standard, ensuring accessibility to the public.

Additionally, the Nigeria Extractive Industries Transparency Initiative (NEITI) pioneered the implementation of a Beneficial Ownership Register for extractive companies covered by audit reports. It fulfills Requirement 2.5 of the 2019 EITI Standard, mandating EITI-implementing countries like Nigeria to maintain a publicly available register disclosing the beneficial owners of corporate entities involved in bidding for, operating, or investing in extractive assets.[47]

However In terms of a financial asset register, there is no one statutory entity saddled with the responsibility of maintaining a register in Nigeria. Still, there are partial mandates within some entities like the Security and Exchange Commission (SEC) and the Central Bank of Nigeria through their National Collateral Registry initiative. As the apex regulator of the Nigerian capital market, the SEC is responsible for developing and regulating the market.

Asset Registration for Public Officials

The Nigerian law also requires political officeholders to declare their assets in accordance with the Code of Conduct for Public Officers, as outlined in Part I of the Fifth Schedule to the 1999 Nigerian Constitution. A key provision within this code concerns asset declaration, stating that every public officer must submit a written declaration of their properties, assets, and liabilities to the Code of Conduct Bureau immediately upon assuming office and subsequently at the end of their term, or every four years.

The Constitution mandates asset declaration upon assuming office and periodically thereafter, with a list of officials required to make such declarations including, but not

47 See the Benefical Ownership Registry for Nigeria https://bo.neiti.gov.ng/

limited to, the president, vice-president, senate president, speaker, governors, justices of the Supreme Court and Court of Appeals, commissioners, directors, local council chairmen, and military officers.

Currently, public officials are not legally obligated to disclose their asset declarations publicly, with submissions made solely to the Code of Conduct Bureau. Nonetheless, it has been argued that public officers cannot claim absolute privacy, particularly when it comes to accounting for public funds entrusted to them.[48] It is argued that there is a prevailing public interest in revealing details about the assets of public officers who are charged with the nation's wealth. Consequently, the activities of these public officers cannot be inherently private.[49] It has been suggested that public officers should be classified and not treated uniformly when declaring assets in compliance with the Code of Conduct. Specifically, individuals such as the President, Vice-President, governors, deputy governors, ministers, commissioners, legislators, advisers, and other political officeholders, rather than regular career officials, should disclose their assets publicly. According to Idowu, these individuals hold influential positions that may be prone to abuse due to their access to the nation's resources and opportunities. It is argued that since they have chosen to assume these significant roles, there should be no secrecy surrounding their assets.[50] It is further argued that[51]:

"Many of them (political office holders) are catered for by the public, the public should know their worth. If their assets are publicly declared, it will be easy for the public to point out their assets after coming into office. Nigerians have been known to become millionaires having large properties after about a year in political office, even when there has been evidence that they found it difficult to make ends meet before appointment. The present practice of secret declaration should be limited to public officers in public career appointment."

International Cooperation for Asset Registration

International cooperation is essential in ensuring the adequate capture of wealthy individuals' assets for several reasons; including:

(i) **The global mobility of wealth**: wealthy individuals often have assets spread across multiple jurisdictions, including offshore accounts, investments in foreign companies, or real estate in different countries. Without international cooperation, it's challenging for any single country to track and seize these assets effectively.

(ii) **Complex Financial Structures**: wealthy individuals may utilize complex financial structures, such as trusts, shell companies, or nominee arrangements, to conceal the ownership and movement of their assets. Cooperation between countries allows for sharing information and expertise to unravel these structures and identify the true beneficial owners.

48 T Osipitan et al 'Structuring measures against corruption for sustainable development' in NALT Proceedings of the 38 Annual Conference Faculty of Law LASU (2002) 334 https://www.ahrlj.up.ac.za/lawal-i-b

49 ibid

50 ibid

51 ibid

OECD - Global Forum on Transparency and Exchange of Information for Tax Purposes. The core advantage of a developing country such as Nigeria being part of the Global Forum lies in its opportunities to strengthen tax administration, access information, receive technical assistance, enhance credibility, and align with global norms, ultimately contributing to economic development and financial integrity.

Element		First Round Report (2016)	Second Round Report (2023)
A.1	Availability of ownership and identity information	Partially Compliant	Partially Compliant
A.2	Availability of accounting information	Partially Compliant	Largely Complaint
A.3	Availability of banking information	Compliant	Largely Complaint
B.1	Access of information	Compliant	Compliant
B.2	Rights and Safeguards	Compliant	Compliant
C.1	EOIR Mechanism	Compliant	Compliant
C.2	Network of EOIR Mechanism	Compliant	Compliant
C.3	Confidentiality	Compliant	Compliant
C.4	Rights and Safeguards	Compliant	Compliant
C.5	Quality and timeliness of responses	Largely Complaint	Compliant
	OVERALL RATING	**Largely Complaint**	**Largely Complaint**

Note: The four-scale rating are Complaint, Largely Complaint, Partially Complaint, and Non-Compliant

52

According to the above table, Nigeria is largely compliant. The primary areas requiring enhancement pertain to bolstering the standard to mandate the accessibility of information regarding beneficial owners of legal entities and arrangements, as well as refining the mechanisms established in Nigeria to ensure the provision of such information.[53] Further suggestions concern Nigeria's endeavors to enhance the compliance of entities mandated to submit regulatory filings containing ownership and accounting details to the authorities.[54]

52 OECD (2023), Global Forum on Transparency and Exchange of Information for Tax Purposes: Nigeria 2023 (Second Round): Peer Review Report on the Exchange of Information on Request, Global Forum on Transparency and Exchange of Information for Tax Purposes, OECD Publishing, Paris, https://doi.org/10.1787/90bade22-en

53 ibid

54 ibid

Following participation in the FGAR, the Nigerian government has persistently endeavored to forge partnerships by convening regular meetings among officials and establishing bilateral and multilateral treaties/agreements to recover stolen assets. Bilateral agreements encompass agreements with countries such as the UAE, the United States of America, Switzerland, and the United Kingdom.

The table below summarizes the amounts recovered through bilateral asset recovery arrangements.

Estimated total looting: $3-5billion

Amount	Jurisdictions involved	Status
$ 322m	Switzerland	Returned in 2018
$ 500m	USA,UK, France	Ongoing
$ 233m	Lichtenstein	Returned in 2013-2014
$ 723m	Switzerland	Returned in 2005
$ 160m	Jersey	Returned in 2003
$ 800m	Domestic	Recovered in 1999

Sources: StAR Corruption Cases Database[55]

In addition, in 2017, Nigeria ratified the OECD's Common Reporting Standard Multilateral Competent Authority Agreement (CRS MCAA). Consequently, in 2018, Nigeria's Federal Inland Revenue Service (FIRS) issued the Income Tax (Common Reporting Standards) Regulation, which became effective in July 2019. These guidelines aim to align with Nigeria's commitment to the inclusive framework concerning base erosion and profit shifting, and the exchange of information. The FIRS guidelines demonstrate Nigeria's dedication to adopting internationally recognized standards to address the issue of base erosion and profit shifting by facilitating the automatic exchange of information between Nigeria and other jurisdictions. However, the guidelines lack clarity regarding the types of entities covered under the Income Tax Common Reporting Standards (CRS). They broadly classify covered entities as Multinational Enterprises (MNEs) with headquarters in Nigeria and international affiliations or those with headquarters outside Nigeria but with subsidiaries in Nigeria. Since implementing CRS, numerous taxpayers have voluntarily disclosed their assets to tax authorities. Access to offshore financial information has helped deter taxpayers from concealing taxable income earned abroad. Nevertheless, despite establishing local standards for CRS in Nigeria, there is limited information on the extent to which CRS has assisted Nigeria in generating additional revenue and curbing the illicit outflow of funds.

Despite Nigeria having shown advancement in reclaiming assets held overseas, the retrieved assets 3-5 billion recovered over twenty represent only a tiny fraction of the portion of the approximately $17 billion Nigeria loses *every year* due to illicit financial activities like money laundering, tax evasion, embezzlement, looting, and other crimes, as reported by Global Financial Integrity[56]. This underscores Nigeria's involvement OECD as well as the Global Forum for Asset Recovery (GFAR)[57] is not a sufficient answer to the problem of illicit financial flows (IFFs).

55 StAR Corruption Cases Database, accessible at: https://star.worldbank.org/corruption-cases;"Nigeria: Experience on Asset Recovery. Nigeria CSO Country Report for Global Forum for Asset Recovery", Aneej and SERAP, December 2017.

56 https://businessday.ng/business-economy/article/nigeria-loses-17bn-on-illicit-financial-outflows-through-tax-evasion-cislac/

57 GFAR, serves as a platform to empower investigators and prosecutors tasked with locating and tracing assets, and facilitates cooperation with financial centers to facilitate the recovery and repatriation of assets. https://star.worldbank.org/global-forum-asset-recovery-gfar-action-series

Recommendations

1) **Beneficial Ownership Registration:** Expand the role of the Persons of Significant Control (PSC) Register to be more comprehensive, recording the ownership of all assets, including real estate, financial assets, business interests, and beneficial ownership of legal entities such as trusts and foundations. This registry should be integrated with the tax administration system to enhance the accuracy of asset assessments, facilitate tax compliance, and prevent underreporting. By publicly disclosing the beneficial owners of companies and other entities, the registry will improve transparency, combat tax evasion, and make it easier to trace the true ownership of assets, thereby strengthening Nigeria's capacity to collect taxes effectively and equitably.

2) **Implement Robust Penalties for Non-Compliance:** Strengthen penalties for non-compliance with wealth reporting requirements, including substantial fines and criminal sanctions for repeat offenders. These penalties should be coupled with proactive enforcement to ensure that the wealthy comply with their reporting obligations.

3) **Support Civil Society and Media Oversight:** Provide resources and training to civil society organizations and the media to monitor and report on wealth transparency issues. Enhanced public scrutiny can pressure policymakers and the wealthy to

comply with tax laws and support equitable tax reforms.

4. Property Taxes - a great potential for progressive taxation

Property tax is considered an effective method of taxing the wealth of rich individuals and business entities because it directly targets the value of real estate assets. Property tax is important in targeting wealthy individuals to raise government revenue. It is one of the oldest forms of taxation and is still used today in modern tax systems[58]. Property taxes have the potential to smooth out monetary inequality and can contribute to the budget security of regions and municipalities[59]. By focusing on the value of properties owned, property tax ensures that those who own high-value real estate contribute proportionately more to public revenues.

It is unfortunate that there is currently insufficient data on property tax revenue collection across Nigeria's states. The decentralized nature of property tax reporting and the pooling of property tax revenues with other income sources obscure the true contribution of property taxes to state finances. This lack of transparency hampers the ability to evaluate and optimize property tax policies. To address this, a comprehensive system for the standardized collection and reporting of property tax data at the state and national levels should be developed. Establishing a digital national property registry and integrating state-level data would enable accurate tracking of property tax revenues. This would not only facilitate effective policy evaluation but also provide a clearer picture of the potential for property taxes to contribute to progressive taxation and local development. Access to reliable data would allow policymakers to make informed decisions that can enhance revenue generation and ensure a fairer distribution of the tax burden.

In Nigeria, the wealthiest individuals and business entities often invest in exclusive properties, such as those found in Banana Island, Lagos State. This area is renowned as Nigeria's most affluent neighborhood, a billionaire's paradise home to the country's richest and most well-known families. These residents enjoy a serene and peaceful environment, away from the hustle and bustle of Lagos, highlighting the concentration of significant wealth in real estate within this enclave..[60]

Herein the average cost of a square meter of land in this area ranging from N1.3 million($3,250) to N5 million($12,500). A 500-square-meter plot of land in Banana Island can cost upwards of N650 million($425,000). There many such exclusive neighborhoods in Nigeria.

Other luxury estates in Nigeria include;[61]
Gwarimpa Estate, Abuja: Spanning an impressive expanse of approximately 1,090 hectares, Gwarimpa Estate exudes grandeur. Property values within this estate reflect its upscale nature, with the average price for a property hovering around N65 million (equivalent to approximately $160,000). For those seeking the epitome of luxury, a 5-bedroom detached duplex may command a price of approximately N90 million (around $220,000).

Festac Town, Lagos: Festac Housing Estate, a Lagosian gem boasting over 5,000 housing

58 Danijel, Petrović. (2015). Zašto oporezivati imovinu.

59 Thomas, Dimopoulos. (2015). Theories and philosophy of property taxation.

60 See blog by Niarametrics on These are the wealthiest neighborhoods in Nigeria where the richest buy properties https://nairametrics.com/2023/03/12/these-are-the-wealthiest-neighborhoods-in-nigeria-where-the-richest-buy-properties/

61 See 10 biggest estates in Nigeria https://www.privateproperty.com.ng/news/top-10-biggest-estates-in-nigeria/

units, was originally conceived to accommodate participants of the Second World Festival of Black Arts and Culture held in 1977. Property prices vary within Festac, with a 5-bedroom semi-detached duplex obtainable for around N65 million ($160,000) and a 7-bedroom detached duplex commanding approximately N90 million ($220,000).

Sunnyvale Homes, Abuja: Sunnyvale is relatively new estate nestled within the bustling city of Abuja, covering an impressive 101 hectares of land and boasting a multitude of housing units. Luxury comes at a price within Sunnyvale Estate, with a 3-bedroom semi-detached bungalow potentially setting you back as much as N21 million ($51,000).

Rainbow Town Estate, Port Harcourt: Nestled in the heart of the South-South region of Nigeria lies Rainbow Town Estate, a housing enclave that stands as a testament to luxury and opulence. This prestigious estate sprawls across an impressive 23 hectares of prime real estate. Strategically located within the Trans-Amadi business and industrial district of Port Harcourt, Rainbow Town Estate reigns supreme as the largest housing development in Rivers State, boasting an estimated value of a staggering N82 billion ($200 million).

Parkview Estate, Ikoyi: Parkview Estate offers an array of premium amenities and services, including uninterrupted electricity, high-end hotels, efficient waste management systems, and an enviably serene environment. 4-bedroom and 5-bedroom apartments command significantly higher sums, ranging from N160 million ($390,000) to a staggering N250 million ($610,000), contingent on the size and specifications of the property.

The property tax tends to fall on those with a greater ability to pay, as property is often costly and predominantly owned and purchased by those who have a higher income and wealth. Compared to other types of wealth, property is also relatively difficult to evade, as it can be assessed through physical inspection[62]. Additionally, property taxes can serve as a perfect tax to encourage more responsive, efficient, and accountable local governments, as it can be viewed as payment for local services. Therefore, property tax plays a crucial role in targeting wealthy individuals and generating government revenue.

Property tax is usually based on the property's value, including land. Property taxation as a source of government revenue in Nigeria and other countries is not novel. In Nigeria, the annual rate is 0.3% for recreational property, 0.4% for residential property, 0.6% for commercial property, and 0.7% for others. Property tax is, therefore, levied on many types of real estate. This includes:

- Residential properties
- Commercial properties
- Land, specific improvements to land such as retaining walls and fencing, any mineral rights associated with the property, and any fixtures or equipment affixed to the property
- Taxes may sometimes be imposed on intangible property, such as a business's leasehold improvements.
- Other tangible properties, such as vehicles, boats, and aircraft, may also be subject to taxation[63]

Property taxation in Nigeria is enforced by both the federal and state governments, with various types of property taxes in place[64]

1. **AD Valorem Property Tax**: This is the most common form of property tax in Nigeria, calculated based on the estimated market value of the property. Local governments typically levy it as a percentage or fixed amount.

2. **Stamp Duty Tax**: Applied to documents

62 (2023). The significance of property tax in forming state budget revenues. Economics and education, Available from: 10.55439/eced/vol24_iss1/a61

63 Araoluwa (2023) Property tax in Nigeria, Propsult Realty. Available at: https://propsult.com/blog/property-tax-in-nigeria/ (Accessed: 10 January 2024).

64 ibid and Otubu, Akintunde Kabir, The Land Use Act and Equity Factor in Property Taxation in Nigeria (July 28, 2017). Available at SSRN: https://ssrn.com/abstract=3010197

such as contracts, leases, agreements, and mortgages involved in property transfer or sale. Rates vary between states, ranging from 0% to 10%.

3. **Capital Gains Tax (CGT) on Properties**: Applicable when property owners sell their properties, based on the property's value at the time of sale.

4. **Tenement Rates**: Levied by local governments on houses and buildings, typically as a percentage of the property's value, to fund public services like road maintenance and street lighting.

5. **Land Use Tax (LUT)**: Imposed on properties used for commercial or industrial purposes, varying in rate by state and payable annually.

The challenges of Nigeria's decentralized and complex property administration

There is no one single property register in Nigeria. However, each state with effective land use law has a Land Registry Directorate. The Land Registry Directorate is a very sensitive part of the Bureau that is saddled with the responsibility of keeping an up-to-date record of all land transactions in all of Nigeria. It is the only Agency of Government that is statutorily empowered to store registered documents relating to land virtue. In Nigeria very few records exist as to the exact number of our housing stock and even fewer records exist of titled property – the Nigeria Living Standards Survey (NLSS) report of 2018-2019 shows that as high as 71.4 percent of landlords sampled across the 36 states and the Federal Capital Territory (FCT) are without titles[65]. And while 13.2 per cent of the country's property owners have title deeds, only 8.1 per cent have the certificate of occupancy (C-of-O) issued by both federal and state government authorities.

These lack of data has made property taxation very difficult and only in the last decade has the Geographical Information System (GIS) and property enumeration began to gain ground in many States of the Federation[66]. In 2012 it was estimated that less than 15% of Nigerians had title to land.[67] Of these less than 15% of land registered to physical persons is registered in the name of a woman, either individually or jointly[68]

Some of the property taxes are calculated based on the current value of the property and is determined by a local government or state appraisal board. These taxes are paid annually, and failure to do so can lead to penalties or even the confiscation of the property. The Land Use Act of 1978 serves as Nigeria's primary legislation governing land and property ownership. It advocates for public control over land usage and resources to ensure fair utilization by all citizens. This involves issuing Certificates of Occupancy (C-of-O) to private individuals, granting them legal ownership and usage rights to the land.

Furthermore, the Land Use Act significantly influences property taxation in Nigeria. Individuals and businesses are subjected to property taxes based on the value of their real estate assets. This assists in offsetting government expenses related to infrastructure development and public services while establishing a more equitable tax system based on the taxpayer's ability to pay, i.e. the value,rather than the area size (square meters) of their property

The Land Use Act was designed to promote equity in land usage and property taxation in Nigeria by granting legal rights to private individuals and businesses. It aims to promote a more balanced utilization of land resources through progressive taxation on real estate holdings and an efficient property tax administration system, benefiting all citizens. Among the challenges is the notably need to frequently

65 https://businessday.ng/news/article/why-over-60-of-nigerias-land-lacks-titles/

66 Based on interviews.

67 PROPERTY TAXATION IN NIGERIA – PERSPECTIVES FROM AN ESTATE SURVEYOR AND VALUER | Ubosi Eleh + Co.

68 https://thedocs.worldbank.org/en/doc/a91b90185037e5f11e9f99a989ac11dd-0050062013/related/Nigeria-Synthesis.pdf

update the land register and subsequent valuations.[69]

The Land Use Charge law mentions categories of properties that are exempted from the property tax, helping to make the Nigerian land use tax more fair:

- property occupied by religious bodies or exclusively use for worship;
- property used as registered educational institution;
- property used for library;
- property that is occupied by not profit-making-organization.70

However, according to an analysis by Akintunde Kabir Otubu, the property taxation policy outlined in the Land Use Act fails to adhere to the tax equity principle as it still lacks general progressivity: Both regarding commercial and residential there are no exceptions or threshold for properties of low valued or person owning only limited value in properties. It therefore means that regardless of the value of the same property property tax will be charged on it.

Moreover, critics argue that the Act grants governors excessive discretion in tax management, imposes harsh and unfair penalties on tax defaulters, lacks a tax adjudicatory system, and is therefore perceived as biased, severe, unjust, and inequitable. The analysis suggests that despite the LUC's intention to consider varying land values, its implementation, especially concerning the broad powers given to governors, undermines its fairness and equity[71].

Some of the property taxes are calculated based on the current value of the property and is determined by a local government or state appraisal board.

69 See The Land Use Act and Equity Factor in Property Taxation in Nigeria file:///C:/Users/hp/Downloads/ajol-file-journals_479_articles_168821_submission_proof_168821-5653-434214-1-10-20180328.pdf

70 https://pwcnigeria.typepad.com/files/2018-land-use-charge-law-lagos-state.pdf

71 Otubu, Akintunde Kabir, The Land Use Act and Equity Factor in Property Taxation in Nigeria (July 28, 2017). Available at SSRN: https://ssrn.com/abstract=3010197

Recommendations

1) **Reform Property Valuation and Taxation Standards:** Standardize property valuation methods across states to ensure uniformity and fairness in property taxation. Regularly update property values to reflect market conditions, and adjust tax rates accordingly to prevent revenue loss due to outdated valuations.

2) **Digitize Property Registries:** Develop a national digital property registry that integrates data from state-level registries. This would improve the accuracy of property tax assessments and reduce opportunities for evasion through undeclared or undervalued properties.

3) **Implement a Land Value Tax:** Introduce a land value tax (LVT) that targets unproductive land holdings and captures the increase in land value due to public infrastructure investments. This tax can promote efficient land use and generate significant revenue for local governments.

4) **Close Loopholes in Property Tax Legislation:** Amend the Land Use Act to limit discretionary powers of state governors in granting property tax exemptions. Establish clear guidelines for exemptions and appeals to prevent misuse and ensure that property taxes are applied equitably across all regions.

5) **Use Property Taxes to Address Housing Inequality:** Design property tax policies that discourage speculative investments and promote affordable housing development. Higher taxes on luxury properties and vacant land can incentivize the construction of affordable housing and reduce disparities in housing access.

6) **Link Property Taxes to Public Services:** Allocate a portion of property tax revenues directly to funding local services such as education, healthcare, and infrastructure. This linkage can improve public support for property taxes and demonstrate the benefits of equitable tax policies.

5. Taxing the rich individuals' ownership of corporations and capital

Implementing a corporate wealth tax emerges as a crucial strategy to ensure more fair taxation, compelling billionaires and affluent shareholders to contribute in accordance with their financial capacity. By taxing ownership of corporations and capital, society can promote a more equitable distribution of resources, addressing the growing wealth disparity prevalent in contemporary economies.

Taxing the stock shares of corporations listed in Nigeria

Currently, Nigeria lacks such an initiative, with little known discussions on taxing ownership of corporations. However, a proposal was recently presented to the G20 during the annual summit held in Italy in 2021. The proposal suggested a new annual levy of 0.2% on the stock shares of corporations within G20 nations. It was clarified that the stock market valuation of the G20 stands at approximately $90 trillion, leading to an estimated annual revenue of around US$180 billion from the tax[72]. In Nigeria, the total market capitalization stands at N36.423 trillion market value ($49.22 billion USD) , with 11 out of 156 listed 11 companies are valued at N28.849 trillion ($38.99 billion USD) as of August 31, 2023, accounting for about 79.2 per cent of the total[73].

From the perspective of TJN-A and Oxfam the G20 idea of a tax on the stock of shares tax is good 0.2%, but can be made much more ambitious and progressive by having a tax rate of 1% or more dependent on the wealth of the stock owners (i.e. aligning with the net wealth tax proposed in section 2) and taking into account behavioral effects. As the two taxes would overlap this would need to be taken into account, concretely, the Nigerian government could in the short run introduce a tax on stock of shares while working on creating a general comprehensive net wealth tax (NWT).
Introducing a tax on the stock of shares of 1% could bring in an approximate revenue in Nigeria of $492 million annually or $389 million annually from just the 11 largest companies.

Due to the significant concentration of stock ownership among affluent individuals, this global tax would be progressive in nature. To address liquidity concerns corporations could opt for an in-kind payment method, such as issuing new shares, to mitigate liquidity challenges for emerging and innovative enterprises, as well as to avoid disruptions to business activities. The oversight of this tax could be carried out by securities regulators in individual countries, entities that are already responsible for supervising publicly traded securities.

Dividend tax

Ensuring tax equity is crucial in maintaining a fair and just fiscal system. Dividends are taxed at a rate of 10% for all categories of dividends individuals and companies.[74] It is critical to scrutinize the current exemptions granted for dividends received from small manufacturing companies during their initial five years of operation, as well as for investments in wholly export-oriented businesses. While these exemptions are purported to support local industry development and enhance Nigeria's competitive position in the global market, they may primarily benefit wealthier investors and corporations, potentially distorting the tax base and undermining equitable revenue generation. Additionally,

72 Saez, Zucman 2022: "A wealth tax on corporations' stock" , Economic Policy, Volume 37, Issue 110, April 2022, Pages 213–227, https://doi.org/10.1093/epolic/eiac026

73 https://www.thisdaylive.com/index.php/2023/09/04/demand-strong-fundamentals-lift-dangote-cement-mtn-airtel-eight-others-market-value-to-n28-84tn/

74 PricewaterhouseCoopers (PwC) Nigeria (n.d.). Witholding tax available at https://taxsummaries.pwc.com/nigeria/corporate/withholding-taxes

exemptions extended to Unit Trusts and Real Estate Investment Companies, justified by assumptions that withholding tax promotes investment, require rigorous evaluation to determine their true impact on economic development. Without stringent performance metrics and transparent reporting requirements, these exemptions risk enabling tax avoidance and exacerbating inequality, rather than genuinely contributing to the development of critical sectors like real estate and finance[75]. Regular audits should be conducted to prevent abuse. Establishing clear benchmarks and conducting routine evaluations will ensure companies meet these criteria. Additionally, companies benefiting from exemptions should be required to submit annual reports detailing their performance and contributions to economic goals. This approach promotes transparency and accountability, ensuring that the exemptions achieve their intended economic impact.

Capital Gains Tax in Nigeria

Capital Gains Tax (CGT) is the levy imposed on the gains arising from the disposal of chargeable assets under the principal legislation i.e., Capital Gains Tax Act (CGTA). The CGT has a flat rate of 10%. CGT applies to properties and financial assets including:[76]

1. options,
2. debts
3. shares and stocks
4. incorporeal property generally;
5. any currency other than Nigerian currency; and
6. any form of property created by the person disposing of it, or otherwise coming to be owned without being acquired,
7. Gifts (see more in chapter 7 above *Inheritance and gift taxes*)

According to the Capital Gains Tax Act(CGTA) , Cap CI LFN 2004 [77] a person is chargeable whether the asset is situated in Nigeria or not.[78] A chargeable person include:

1. any company or other body corporate established by or under any law in force in Nigeria or elsewhere; or
2. a person to whom the Personal Income Tax Act applies to whom chargeable gains accrue.[79]

In 2022 capital gains tax collected represented only 0.24% of total tax revenue. In order to raise revenue and address economic inequality the CGT in Nigeria needs strengthening in at least ways:

- Too low statutory rate,
- Loopholes due to exemptions,
- Revenue loss due to double taxation agreements (DTAs)

Too low statutory rate.

The statutory tax rate at 10% is much lower than that of other major economies in Africa:

- South Africa: The individual CGT rate is 18%, while the corporate CGT rate is 21.6%
- Ghana: For individuals, the highest rate can be 35% for residents and 25% for non-residents. Corporate CGT is taxed at 25%
- Kenya: CGT is 15% on the net gain from the transfer of property, including land and shares
- Cameroon: CGT up to 30%

By realigning CGT rates with those of peer

75 PricewaterhouseCoopers (PwC) Nigeria (n.d.). *Corporate Income Determination*. Retrieved from https://taxsummaries.pwc.com/nigeria/corporate/income-determination

76 Mondaq (2021). Capital Gains Tax in the Nigerian Capital Market and Stocks Investment under Finance Act 2021. Retrieved from https://www.mondaq.com/nigeria/tax-authorities/1167386/capital-gains-tax-in-the-nigerian-capital-market-and-stocks-investment-under-finance-act-2021 https: //www.mondaq.com/nigeria/tax-authorities/1167386/capital-gains-tax-in-the-nigerian-capital-market-and-stocks-investment-under-finance-act-2021

77 Taxaide (2022). *Capital Gains Tax: What You Need to Know*. Retrieved from https://taxaide.com.ng/2022/04/01/capital-gains-tax-what-you-need-to-know%EF%BF%BC/

78 Federal Inland Revenue Service (2021). *Clarifications on the Provisions of Capital Gains Tax (CGT) Act*. Retrieved from https://www.firs.gov.ng/wp-content/uploads/2021/06/CLARIFICATIONS-ON-THE-PROVISIONS-OF-CAPITAL-GAINS-TAX-CGT-ACT.pdf

79 KPMG Nigeria (n.d.). *Clarifications on the Provisions of Capital Gains Tax Act*. Retrieved from https://assets.kpmg.com/content/dam/kpmg/ng/pdf/clarifications-on-the-provisions-of-capital-gains-tax-act.pdfhttps://assets.kpmg.com/content/dam/kpmg/ng/pdf/clarifications-on-the-provisions-of-capital-gains-tax-act.pdf

nations, Nigeria can bolster its fiscal sustainability while fostering a fairer taxation system.

Loopholes due to exemptions.

Very worrying are also the applicable exemptions, for instance;[80] life insurance policy, Nigerian government securities. Furthermore, where trustees or nominees transfer assets to beneficiaries they are not considered to be disposing of the assets the transaction does not attract capital gains tax. Other exemptions include gains made upon a disposal of business assets where the proceed are spent in acquiring new business assets.
These exemptions create avenues for HNWIs and corporations to avoid significant tax contributions, e.g. when trustees or nominees transfer assets to beneficiaries, these transactions are not taxed, effectively allowing significant wealth transfers to escape taxation entirely. Similarly, the exemption for reinvested business asset sale proceeds diminishes the scope of CGT collections, particularly among wealthy individuals and corporations who are more likely to engage in business expansions or asset reinvestments. These provisions not only reduce the taxable base but also encourage tax planning strategies that perpetuate income inequality, as wealthier individuals can exploit these loopholes to avoid CGT altogether. Strengthening CGT in Nigeria by closing these gaps is essential for promoting a fairer tax system and boosting public revenue.

The risk revenue loss due to double taxation agreements (DTAs) applied to capital gains tax revenue as well as other tax revenues.

80 G.org (n.d.). *Capital Gains Tax in Nigeria: Exemptions and Reliefs*. Retrieved from https://www.hg.org/legal-articles/capital-gains-tax-in-nigeria-exemptions-and-reliefs-21396

Policy recommendations

1) **Introduce a Corporate Wealth Tax on Large Shareholders**: Implement a progressive corporate wealth tax targeting high-net-worth individuals (HNWIs) who hold significant shares in publicly traded companies. A tiered system could impose a higher rate on those with larger stakes. This could start with a tax on stock shares of 1% or more of the stock value. This would raise significant revenue, curb inequality, and ensure the wealthy contribute equitably to the tax system.

2) **Introduce Tiered Dividend Tax Rates**: To ensure greater equity, Nigeria could adopt a tiered dividend tax system, with higher rates for larger companies or investors. For instance, dividends paid by companies with significant profits could be taxed at a higher rate, ensuring wealthier entities contribute more to public revenue while maintaining a lower rate for smaller or emerging firms.

3) **Require performance reports for exempted dividends and link dividend tax exemptions to measurable performance metrics,** such as job creation, revenue growth, and environmental compliance. Companies benefiting from exemptions, like small manufacturers and export-oriented businesses, must demonstrate clear contributions to Nigeria's economic goals. Mandate annual performance reports detailing these impacts, with regular audits to ensure effective use of exemptions and prevent abuse.

4) **Enhance Capital Gains Tax (CGT)**: Raise the CGT rate from the current 10% to align with other African nations, like South Africa and Kenya, which levy between 15% and 35%. This would address revenue leakage due to the low rate and broaden the tax base by including financial assets, options, and intangible properties. Exemptions such as life insurance policies and Nigerian government securities should be reexamined to avoid loopholes that the wealthy exploit.

6. Revenue loss due to double taxation agreements (DTAs)

Double Taxation Agreements (DTAs) are bilateral treaties signed between countries designed to prevent individuals or companies from being taxed twice on the same income. However, DTAs often create opportunities for tax avoidance and profit shifting as DTAs can be exploited by multinational corporations to shift profits to low-tax jurisdictions, depriving countries of vital tax revenue.

It's important to note that Nigeria has operational DTAs with sixteen (16) countries[81]. A 2018 study was done looking at the impact of Double Tax Agreements in revenue generation for Nigeria: the study analysed and compared Foreign Direct Investment (FDI) and Price Earnings Ratio (PE Ratios) which measures return on investment in the stock market. It was found that using PE Ratios, an investor making use of the double tax treaties analysed will pay significantly less taxes under the DTA than under domestic tax legislation. Nigeria was found to be bleeding significant revenues through the various loopholes created by Double Taxation Agreements[82].

To combat the evasion of capital gains tax through obscured asset ownership, Section 22(1) of the Income Tax Act empowers the Federal Inland Revenue Service (FIRS) to invalidate artificial and fictitious transactions. This provision grants the FIRS discretionary authority to recalibrate such transactions, ensuring they accurately reflect the original tax liabilities. This overarching anti-avoidance measure enables tax authorities to scrutinize and rectify any contrived dealings, ensuring they are subject to the correct tax rates.[83] Likewise, in a bid to prevent companies from declaring losses and not paying taxes while declaring a dividend to its members, section 19 of the Income Tax Act provides that dividends from retained earnings are not exempt from tax.[84] Section 55 of the Personal Income Tax Act further provides that the recovery of additional tax due to non-compliance should be made within six years. However, where the taxable person or the proxy is negligent, willfully defaults or engages in any form of fraud, the six-year limit may be set aside. In addition, section 104 of Personal Income Tax Act grants the relevant tax authority the power to attach properties of the taxpayer for non-payment of tax, so that if a taxpayer does not pay taxes due, property can be seized.

Whereas the above provisions of the Income Tax Act are beneficial and important, the current anti-avoidance legislation still remains reactive, dealing with cases once they have already occurred, rather than preventing profit shifting and other sources of revenue loss at the outset. Moreover, the enforcement of these laws is hindered by capacity constraints within Nigeria's tax administration, making it difficult to thoroughly investigate and rectify complex cross-border transactions. The result is a significant risk to tax revenues, as loopholes remain open despite the existing legal frameworks.

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81 Federal Inland Revenue Service (n.d.). *Information Circular on Claim of Tax Treaty Benefits*. Retrieved from https://pwcnigeria.typepad.com/files/firs-circular-on-claim-of-tax-treaty-benefits_revised.pdf/

82 TJNA (2019) Dangers of DTAs in Financing for Development in Africa. Retrieved from: https://www.taxjusticeafrica.net/sites/default/files/publications/DTA-Analysis-Report.pdf

83 Danubius Journal of Economic Sciences (n.d.). *Article Title: Linking to the specific article*. Retrieved from https://dj.univ-danubius.ro/index.php/AUDOE/article/view/848/1316

84 Federal Inland Revenue Service (2021). *Personal Income Tax Act*. Retrieved from https://www.firs.gov.ng/wp-content/uploads/2021/07/Personal-Income-Tax-Act.pdf

Policy Recommendations:

To effectively combat the risk of revenue loss associated with DTAs, Nigeria must:

1) **Enhance administrative capacity and build a Specialized DTA Enforcement Unit:** Enhance the capacity of tax officials through training on international tax law and the interpretation of DTAs. Strengthen cooperation with international tax bodies and neighboring countries to exchange information and coordinate enforcement efforts. This will help close information gaps that corporations exploit to shift profits out of Nigeria. Establishing a dedicated unit within the Federal Inland Revenue Service (FIRS) tasked with monitoring and enforcing compliance with DTAs and having the technical expertise to assess complex international tax arrangements and identify aggressive tax avoidance strategies employed by multinational corporations.

2) **Make a cost-benefit analysis of the DTAs.** To ensure Nigeria's DTAs effectively serve the country's fiscal and developmental interests, it is essential to conduct a detailed cost-benefit analysis of each agreement. This analysis should assess the revenue losses due to profit shifting and tax avoidance facilitated by DTAs versus the economic benefits, such as increased foreign direct investment (FDI). Key metrics for evaluation should include lost tax revenue from capital gains, dividends, and interest payments under current agreements compared to the gains in trade and investment flows. The analysis should guide renegotiations or terminations of DTAs that disproportionately benefit multinational corporations and foreign investors at the expense of Nigeria's tax base, ensuring that future agreements strike a balance between attracting investment and safeguarding fiscal sovereignty.

3) **Implement Beneficial Ownership Reporting Requirements:** Mandate the disclosure of beneficial ownership information for entities benefiting from DTA provisions. This will help tax authorities verify the actual economic substance of transactions and prevent the use of shell companies to avoid taxes.

4) **Renegotiate DTAs** that allow capital gains and other corporate profits to be shifted offshore, thereby reducing Nigeria's tax base. Additionally, close loopholes that allow HNWIs to transfer assets across borders without proper tax obligations. Enforcing stronger anti-avoidance measures in DTAs to preserve revenue within the country. Potentially cancel harmful DTAs.

5) **Public Transparency and Stakeholder Engagement:** Increase transparency around the negotiation and outcomes of DTAs. Publish summaries of key DTA terms and engage stakeholders, including civil society and the business community, in the review process to ensure that agreements serve the country's economic interests and are not overly beneficial to multinational corporations.

7 Inheritance and gift taxes

Inheritance tax

Currently, the Nigerian tax framework lacks a formalized inheritance tax. Consequently, there exists no taxation on the transfer of wealth for the affluent individuals akin to those established in other countries. It is pertinent to note that the now-defunct Capital Transfer Tax Act of 1979 (CTTA) formerly governed the taxation of asset transfers upon the demise of the property owner at the federal level. However, following the repeal of the CTTA in 1996, certain states, including Lagos, have implemented an “Estate Duty” mechanism, requiring a levy prior to the issuance of probate or letters of administration for the deceased individual’s estate. An estate duty is payable in respect of a deceased’s real and personal property. Such a levy typically amounts to 10% of the estate’s value, although specific rates may vary across states. Consequently, the appointed personal representatives are obliged to remit the stipulated percentage of the estate’s total asset value for the authorization to manage or execute the estate.[85] Notably, both the assets of the wealthy and those of lesser means are subject to the same 10% Estate fee when administrators or executors seek authorization to manage or execute an estate. This uniform application of the fee fails to distinguish between the financial capacities of different wealth and income groups in the population, thereby overlooking the potential for equitable taxation.[86]

Gifts tax

Gift considerations are made under the Personal Income Tax Act (PITA)[87], herein gifts are treated as transfers made , Section 63(1) of the Stamp Duties Act (as amended) provides that properties transferred will be valued and taxed as the transferable value In addition, Section 7(2) and 40 of the Capital Gains Tax Act makes provision for characterization and taxation of gifts received by taxable persons, this is charged at the valued at the time of acquisition. Section 40 of the Capital Gains Tax Act states that where an asset is disposed in a manner as described under Section 7(2) above, capital gains shall not be charged on such disposal. Essentially capital gains will not apply to disposal of any asset which is disposed by a gift, if it had been acquired by way of a gift. The only exception is disposal of an asset by way of a gift where it had been acquired as a gift through an inheritance.
Scenarios:

1. Gift of an Asset to a Friend (Capital Gains Not Applicable):

    - Ada owns a piece of land valued at ₦10 million. She decides to give this land as a gift to her friend, Ben.
    - According to Section 7(2) of the Capital Gains Tax Act, the transfer of the land from Ada to Ben is considered a disposal of an asset by way of a gift.
    - Ben, upon receiving the land as a gift, does not incur any capital gains tax because he did not pay for it. The land’s value at the time of acquisition (₦10 million) is simply recorded as its acquisition cost.

85 Inheritance Taxes and Tax Incentives for Estate Planning and Administration in Nigeria | Debo-Akande LLP

86 The estate duty as charged by the probate registries has no place in our tax legislation. There are also no provisions in the laws of any state, High Court rules or probate rules of the states empowering the probate registries to charge the estate duty or any other percentile fee on a deceased’s estate.

87 https://www.mondaq.com/nigeria/capital-gains-tax/1197464/tax-treatment-of-gifts-received-by-individuals-in-nigeriaMondaq (n.d.). *Tax Treatment of Gifts Received by Individuals in Nigeria*. Retrieved from https://www.mondaq.com/nigeria/capital-gains-tax/1197464/tax-treatment-of-gifts-received-by-individuals-in-nigeria

2. Disposal of the Gifted Asset (Capital Gains Not Applicable):

    - A few years later, Ben decides to sell the land. By this time, the land's value has appreciated to ₦15 million.
    - Under Section 40 of the Capital Gains Tax Act, if Ben disposes of the land that was initially acquired as a gift, he is not subject to capital gains tax on the sale of that land. This is because the asset was acquired through a gift. The gain (₦5 million in this case) is exempt from capital gains tax.

3. Gift of an Inherited Asset (Capital Gains Applicable):

    - Now, let's say Ada had inherited this land from her parents, making it an inherited asset. She later decides to gift this inherited land to Ben.
    - If Ben decides to sell the inherited land, Section 40 stipulates that the exemption from capital gains tax does not apply in this case. Since the land was acquired by Ada as an inheritance, Ben is subject to capital gains tax upon selling the land for ₦15 million. The tax will be charged on the gain realized, which is the difference between the sale price (₦15 million) and the acquisition value of the inherited asset.

To sum up, Nigeria's lacks of inheritance and gift taxes limits the country's ability to address wealth inequality effectively. The repeal of the Capital Transfer Tax Act (CTTA) in 1996 left a gap in federal taxation on asset transfers upon death, although some states, such as Lagos, have since implemented estate duties. Despite estate duties are a step in the right direction, they also need to become more fair and progressive as they are currently uniformly applied across all wealth groups, failing to account for the financial disparities among the population. Additionally, while gifts are treated under existing laws like the Personal Income Tax Act and Capital Gains Tax Act, there are significant exemptions, especially in cases of gifted or inherited assets. These legal provisions result in minimal taxation on the transfer of wealth, leaving the tax burden inequitable and inefficient in redistributing wealth.

Policy Recommendations

Reintroduce a Federal Inheritance Tax. Re-introduce a federal inheritance tax and strengthen gift taxation to ensure equitable wealth transfers. Implement a progressive tax structure targeting only the top1%-top10% richest, fully exempting more than 90% of the population. Thresholds and rates could for instance be:

Inheritance Tax

- Exemption Threshold: NGN 50 million (USD 30,306).
- 20% Tax Rate: On estates between NGN 50 million and NGN 100 million (USD 30,306 - USD 60,612). Less than 10% of recipients affected88.
- 30% Tax Rate: On estates up to NGN 500 million (USD 303,062). Less than 2% of recipients affected.
- 50% Tax Rate: On estates exceeding NGN 500 million (USD 303,062). Less than 1% of recipients affected.

Gift Tax

Introduce tax rates and thresholds in harmony with the inheritance tax in order to prevent tax avoidance via converting inheritance into gifts. Make an annual exemption of NGN 5 million (USD 3,000) per individual to allow for small, routine gifts without tax burdens. Secure transparency and prevent tax loopholes by limit the splitting of high-value gifts into smaller amounts to evade taxation, and by implementing strict valuation methods for high-value properties and estates to prevent underreporting.

Such a comprehensive approach will promote social equity, reduce wealth inequality, and strengthen the tax base by ensuring that the wealthiest individuals contribute fairly to public revenues.Nigeria should consider reintroducing an inheritance tax at the federal level to ensure wealth transfers, particularly from affluent individuals, are taxed more equitably. A progressive tax system based on the size of the estate would help reduce wealth inequality.

(1) **Progressive Estate Duty**: States implementing estate duties should adopt a progressive rate structure that differentiates between smaller estates and larger, more affluent ones. This approach would ensure a fairer distribution of the tax burden across different income and wealth groups.

(2) **Strengthen Gift Taxation in the 1996 capital gains tax act**: Clarify and enhance the taxation of gifts, especially for high-value asset transfers. Closing loopholes that allow for the avoidance of capital gains taxes on gifted or inherited assets would strengthen the tax base and promote fairness.

(3) **Targeted Exemptions for Low-Income Households**: Implement exempting thresholds and tax brackets with reduced rates for lower amounts (gifts and inheritances) to ensure that estate duties and gift taxes do not disproportionately impact less affluent individuals. This will promote social equity while maintaining a robust tax system for wealthier estates.

88 Using data from https://wid.world/income-comparator/ we believe the estimates of affected households are conservative. E.g. given that 95% of Nigerians have an annual income of less than 3.5 million (2.020 USD) and own less than 150 million N (91.000 USD). The actual percentage of recipients affected by the proposed inheritance and gift taxes is likely even lower than the estimated 1%-10%.

8 Taxing the Wealthiest Peoples' Income and consumption

Personal Income Tax (PIT)

According to a household survey by PiggyVest surveyed[89] Nigerians income, 46% earn less than ₦100k ($126) a month, and 86% less than ₦499k ($633) a month.

Monthly income	Percent
no income	20
Below ₦100k ($126)	26
Between ₦100k and ₦249k ($126 - $315)	25
Between ₦250k and ₦499k ($317 - $633)	15
Between ₦500k and ₦999k ($634-$1269)	8
Above ₦1000k ($1,269) in a month	6

The Nigeria Personal Income Tax (PIT) law was last updated in 2011 when the law was amended.[90][91]. Nigeria PIT rates ranges from 7% to 24%[92] . In 2023, the total PAYE Collected by 36 states in Nigeria Amounted to N1,236 trillion, ($2,7 billion USD) approximately 53% of the total national tax revenues[93].

PIT Rates in Nigeria

S/N	Annual Income	PIT Rate (%)
1	N 0 to N300,000($195)	7
2	Next300,000(above $195)	11
3	Next N 500,000($323)	15
4	Next N 500,000(above $323)	19
5	Next N 1,600,000($1032)	21
6	Next N 3,200,000($2,064)	24
7	Minimum income tax	If a taxpayer has no taxable income, a tax rate of 1% is applied to the total income

89 Techpoint Africa (2023, November 6). ***Survey Results: How Much Do Nigerians Earn?***. Retrieved from https://techpoint.africa/2023/11/06/how-much-do-nigerians-earn/

90 Federal Inland Revenue Service (n.d.). Personal Income Tax (PIT). Retrieved from https://www.firs.gov.ng/personal-income-tax-pit/

91 PwC Nigeria (2012). The Personal Income Tax Amendment Act 2011. Retrieved from https://pwcnigeria.typepad.com/tax_matters_nigeria/2012/01/the-personal-income-tax-amendment-act-2011.html

92 Federal Inland Revenue Service (2011). *PIT Amendment Gazetted 14 June 2011*. Retrieved from https://firs.gov.ng/wp-content/uploads/2021/06/PIT-Amendment-Gazetted-14-June-2011.pdf

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Exemptions include:

a) Contributions to the National Housing Fund
b) b) Contributions to the National Health Insurance Scheme
c) c) Premiums for life assurance
d) d) Contributions to the National Pension Scheme
e) e) Gratuities

The top PIT bracket for individuals earning more N3.2million is 24%.[94]
When juxtaposed with other African countries, Nigeria's top earners face a comparatively lower headline tax rate, as indicated by the data in the table below. While Nigeria imposes a top PIT rate of 24% on its highest income earners, several peer nations levy significantly higher rates. For instance, Senegal imposes a top rate of 43%, reflecting a substantial difference. Similarly, Cameroon, Chad, Gabon, and Gambia apply top rates ranging from 30% to 38.5%, further highlighting Nigeria's relatively favorable tax environment for top earners. [95]

Territory	Top PIT Rate percent
Cameroon	38.5
Chad	30
Gabon	35, plus 5% complementary tax on salaries
Ghana	Residents: 35; Non-residents 25
Gambia	30
Nigeria	24
Senegal	43

Taxation of Luxury Goods

Although for several years, it is a discussion that has reoccurred among policy makers[96], at the moment, Nigeria does not have a specific tax on luxury goods. For effective policy, these goods are ideally to be defined in a registry justifying a higher tax on them. It is known the Nigerian government plans to increase taxes on luxury goods to boost its revenue under this potential new policy, consumers of luxury goods will have to pay a higher Value Added Tax. The goods, and the VAT percentage is still subject to the approval of the National Assembly

In November 2014, Nigeria's previous administration announced plans to introduce luxury taxes through surcharges on items such as private jets, luxury yachts, luxury cars, and business class/first class airline tickets. The proposed surcharges included:

- 10% import surcharge on new private jets

94 https://taxsummaries.pwc.com/nigeria/individual/taxes-on-personal-income

95 PricewaterhouseCoopers (PwC) (n.d.). Quick Charts: Personal Income Tax (PIT) Rates. Retrieved from https://taxsummaries.pwc.com/quick-charts/personal-income-tax-pit-rates

96 Reuters (n.d.). Article Title: Linking to the specific article. Retrieved from https://www.reuters.com/article/idUSL8N21R4HJ/

- 39% import surcharge on luxury yachts
- 5% import surcharge on luxury cars
- Undisclosed surcharge on business and first class airline tickets
- 3% luxury surcharge on champagnes, wines, and spirits
- 1% Federal Capital Territory (FCT) mansion tax on residential properties valued at N300 million and above

The goal of these taxes was to generate up to N10.56 billion ($7.04 million) in 2015 and N480 billion ($320 million) over the following three years.

While this idea has been standing still the **general VAT on all goods was increased with 50% from 5 percent to 7.5 percent**.[97]This is generally regressive as the increase was across all goods and services disregarding the primary consumers of the goods. By raising the VAT on all goods and services uniformly, the policy disproportionately affects those who can least afford it. Basic necessities like food, clothing, and housing, which form a larger portion of the expenditure for low-income households, become more expensive without any consideration for their essential nature.

Nigeria maintains several supplemental levies and duties on selected imports. For example, Nigeria tariffs of 50% or more on over 80 tariff lines. These include about 35 tariff lines whose effective duties exceed the 70% limit set by ECOWAS. Most of these items are luxury goods such as yachts, motorboats, and other vehicles for pleasure (75%). Also included is alcohol (75% to 95%) and tobacco products (95%).[98] In addition, Nigeria places high effective duty rates on imports into strategic sectors to boost the competitiveness of the local industries. In agriculture, wheat (85%), sugar (75%), rice (70%), and tomato paste (50%) see the highest supplemental tariffs. In the mining sector, salt (70%) and cement (55%).[99]

While Nigeria maintains several supplemental levies and duties on selected imports that significantly raise effective tariff rates, it is important to periodically review these rates to ensure they do not disproportionately burden the most vulnerable populations. Although many high tariffs are imposed on luxury goods such as yachts, motorboats, and vehicles for pleasure, as well as on items like alcohol and tobacco products, it is crucial to consider the essential nature of certain items like motorcycles and cars for low-income earners. Proper categorization and review of these duty rates can help avoid undue financial strain on those who rely on these vehicles for basic transportation and livelihood. This approach ensures a balance between generating revenue and protecting the economic well-being of all citizens.

97 BusinessDay (n.d.). ***Luxury Goods Attract Higher Taxes: FEC Endorses New Policy***. Retrieved from https://businessday.ng/exclusives/article/luxury-goods-attract-higher-taxes-fec-endorses-new-policy/

98 U.S. Department of Commerce (n.d.). *Country Commercial Guide: Nigeria - Import Tariffs*. Retrieved from https://www.trade.gov/country-commercial-guides/nigeria-import-tariffs

99 U.S. Department of Commerce (n.d.). Country Commercial Guide: Nigeria - Import Tariffs. Retrieved from https://www.trade.gov/country-commercial-guides/nigeria-import-tariffs

Policy Recommendations:

(1) **Reform Personal Income (PIT) tax Rates:** Fully exempt Nigerians earning the minimum wage or below ₦840,000 ($510) annually from Personal Income Tax (PIT). At the same time introduce new tax brackets with a top rate of at least 40%. Additional brackets should be introduced for the rich, e.g. 40% for the top1% which is for an annual income of above personal incomes above ₦100 million ($60,000), and 47% for annual income above ₦230 million ($140,000) which correspond to the threshold for the top0.1% richest. This reform would increase revenue, reduce inequality, and make Nigeria's tax system more progressive and equitable. And it would alleviate the burden on low-income earners.

1. **Exempt Basic Necessities from General VAT:** Reverse the regressive impact of the blanket VAT increase from 5% to 7.5% by exempting or remove VAT rates on essential goods like food, clothing, and basic housing. This would protect low-income households from disproportionate tax burdens and help alleviate poverty.

2. **Introduce Progressive Taxation on Luxury Goods**: Implement a targeted luxury tax on high-end items such as private jets, yachts, luxury cars, and high-end alcoholic beverages and consumables. This should go beyond the previously proposed surcharges, e.g. it would be both fair and wise to levy a tax of several hundred percent on extreme luxury good such as private jets, superyachts, and extreme luxury cars.

3. **Monitor the Impact of income and consumption Taxes on Revenue and Inequality**: Conduct periodic assessments of income and consumption Taxes effectiveness in raising revenue and reducing inequality. Use these insights to fine-tune the tax policy, ensuring it continues to generate revenue without negatively impacting economic equity.

9 Strengthen Nigeria's tax administration to taxing the rich

Within the Federal Inland Revenue Service (FIRS), there exists no dedicated unit tasked with specifically addressing the tax obligations of the affluent and influential. Consequently, there is an enhanced risk and incidence of high-net-worth individuals and businesses engaging in asset underreporting, thereby depriving federal and state governments of their rightful tax revenues.

Complicating matters further, Nigeria's taxation system operates within a framework where state governments oversee the collection of personal income tax. As a result, even if wealthy individuals declare less than their actual assets, governors may hesitate to confront them, fearing repercussions on their political aspirations.
Recognizing the urgency to address this issue, the FIRS has advocated for either the federal government or itself to be granted authority to tax high net worth individuals and their assets, both domestically and abroad. [100]

The Whistle-blower Policy – administered by the Federal Ministry of Finance, offers legal protection to individuals who come forward voluntarily to disclose instances of fraud, bribery, misappropriation of government funds and assets, financial irregularities, and other corrupt practices. It was documented that during the initial two months of the Whistle-blowing initiative, the Nigerian Federal Government successfully recovered more than $178 million embezzled from government coffers.[101]

In response to mounting pressure and public discourse surrounding the taxation of the affluent, the Joint Tax Board (JTB) and the FIRS have initiated collaborative efforts to scrutinize the income and tax contributions of high net worth individuals. At the 138th meeting of the JTB in 2017, the former FIRS Boss, Babatunde Fowler, disclosed that 12 states had entered into memoranda of understanding under the Voluntary Assets and Income Declaration Scheme (VAIDS). Moreover, the tax board has engaged a consultant to facilitate data integration between state tax authorities and the FIRS, aiming to enhance compliance and bolster tax revenue.

The Voluntary Assets and Income Declaration Scheme (VAIDS) was introduced by the Federal Ministry of Finance to encourage taxpayers, particularly high-net-worth individuals (HNWIs), to voluntarily declare previously undeclared income and assets. The scheme ran from July 1, 2017, to March 31, 2018, and was later extended until August 2020, allowing defaulters to regularize their tax affairs without facing prosecution. The government anticipated generating $1 billion from VAIDS, but only 20% of this target was achieved, yielding around N70 billion ($193 million)[102].

Through VAIDS, taxpayers can rectify previous non-disclosures of assets and income to the tax authorities, thereby regularizing their tax affairs. This initiative seeks to encourage wealthy individuals to voluntarily declare their assets and ensure compliance with their tax obligations.

Several factors played a role in the VAIDS underperformance, including:

- Inadequate and unreliable data for identifying tax defaulters.
- Insufficiently trained staff to conduct efficient tax administration and revenue collection.

100 The Guardian (n.d.). FIRS Decries Under-Declaration, Tax Evasion by Prominent Nigerians. Retrieved from https://guardian.ng/business-services/firs-decries-under-declaration-tax-evasion-by-prominent-nigerians/

101 See article on Tackling Corruption and Whistle Blowing in Nigeria https://www.thecable.ng/tackling-corruption-nigeria-whistle-blowing

102 https://www.oanda.com/currency-converter/en/?from=NGN&to=USD&amount=70000000000

- Widespread corruption among tax officials and administrators.
- Lack of governmental commitment to pursue tax defaulters.
- Public scepticism regarding the transparent utilisation of funds obtained through the program103.

Despite facing obstacles, the program's launch led to a 36 per cent expansion in the taxpayer database, growing from 14 million to 19 million taxpayers by 2018.[104] This will significantly aid in reaching the working demographic, considering that there were only around 14 million active taxpayers out of the nation's over 70 million economically active population and 40 million eligible taxpayers.[105]

Voluntary Offshore Assets Regularization Scheme (VOARS)

The Voluntary Offshore Assets Regularization Scheme (VOARS) became operational on October 8, 2018, offering a mechanism for Nigerian taxpayers who have failed to fulfil their tax obligations to disclose their offshore assets voluntarily. In return, participants are subject to a one-time levy of 35% on all offshore assets and are granted immunity from prosecution for tax-related offences concerning those assets.[106].

Both V.A.I.D.S and V.O.A.R.S represent variations of what is commonly referred to as Tax Amnesty, which involves providing a grace period or limited-time chance of specific groups of taxpayers who have defaulted on their tax obligations to voluntarily and genuinely disclose and settle outstanding tax liabilities.

The primary objectives of these schemes were two-fold: firstly, to effectively reduce or potentially eliminate corruption, white-collar crimes, illicit financial flows, anti-money laundering, and other forms of financial and economic crimes by utilising taxation mechanisms. Secondly, these contemporary fiscal strategies should be utilised to broaden the revenue base and enhance the income-generating capacity of the federal government.[107]

Adopt best practices from Uganda and learn from challenges

Uganda's experience with its HNWI tax unit offers valuable insights for Nigeria as it seeks to improve its taxation of the wealthy[108]. Established in 2015, Uganda's HNWI unit led to significant increases in tax compliance, with the proportion of HNWIs filing tax returns rising from 13% to 78% within three years. Revenue from this segment also grew, although not dramatically, from Ush 19.7 billion in 2015 to Ush 106.9 billion by 2022[109] . This success stemmed from a strategic approach that focused on using available data to identify HNWIs, active engagement from top management, and prioritizing tax education over punitive enforcement. The Ugandan Revenue Authority (URA) initially targeted publicly known individuals and leveraged informal criteria to build a list of HNWIs. Staff in the HNWI unit were selected for their communication skills, ensuring respectful, yet assertive, handling of wealthy taxpayers. While Uganda's results offer encouragement, the case also highlights challenges, particularly the issue of aggressive tax planning by HNWIs. It can also be worth exploring the potential of international cooperation, including data sharing through agreements like the

103 Onwuka, O.O. (2019) 'Voluntary assets and income declaration scheme (VAIDS) and company income tax in Nigeria: A post-mortem', Advances in Social Sciences Research Journal, 6(10), pp. 261–273. doi:10.14738/assrj.610.6152.

104 Africa: Nigeria plans new tax amnesty scheme for the wealthy (2024) IFC Review. Available at: https://www.ifcreview.com/news/2024/february/africa-nigeria-plans-new-tax-amnesty-scheme-for-the-wealthy/ (Accessed: 11 February 2024).

105 Ibid

106 https://www.voars-nigeria.org

107 See media article on Voluntary Offshore Asset Regularization https://www.dipookpeseyiandco.com/post/voluntary-offshore-asset-regularisation-scheme-v-o-a-r-s

108 https://uganda.oxfam.org/latest/press-release/strengthen-tax-measures-high-net-worth-individuals-end-inequality-uganda-oxfam

109 https://ipfglobal.or.ke/successful-taxation-of-high-net-worth-individuals-hnwis-lessons-from-uganda/ and https://www.ictd.ac/news/high-net-worth-individuals-taxed-more-world-economic-forum/

Multilateral Convention on Mutual Administrative Assistance in Tax Matters[110].

Next steps and recommendations for Nigeria

Implementation the new 2023 Finance Act open opportunities for strengthening Nigeria's tax administration. For example, the revised section 49(1) of the Personal Income Tax Act mandates individuals to furnish a Tax Identification Number when opening a business bank account or to ensure ongoing access to their bank account for business purposes. For Nigeria, implementing a dedicated HNWI unit, modeled on Uganda's experience, could provide several benefits. Such a unit could enhance tax compliance and help close revenue gaps, but it also requires political commitment and robust international cooperation. Amnesty programs like VAIDS, while helpful in bringing some revenue, face significant risks, including potential abuse and lack of sustainable compliance if not properly managed. Ensuring long-term success will depend on building strong enforcement mechanisms, engaging in public awareness, and linking amnesty programs with structural reforms that target the underlying issues of tax evasion. Nigeria should also consider regular audits and establishing clear criteria for voluntary compliance to prevent short-term fixes from undermining broader fiscal sustainability.

110 https://www.ictd.ac/news/high-net-worth-individuals-taxed-more-world-economic-forum/

Recommendations:

1. **Establish a Dedicated HNWI Unit**: Similar to Uganda's approach, Nigeria should set up a specialized unit to focus on wealthy individuals, distinct from the Large Taxpayers Office. A specialized unit within the Federal Inland Revenue Service (FIRS) dedicated to managing the tax affairs of high-net-worth individuals (HNWIs) should be empowered to conduct detailed audits and use data from multiple sources, such as financial institutions and property registries, to track and verify assets. This unit should emphasize proactive engagement and tax education for long-term compliance.

2. **Strengthen International Cooperation**: Given the global nature of HNWI assets, Nigeria should leverage international data-sharing agreements to track offshore holdings and address aggressive tax avoidance practices.

3. **Invest in Capacity Building**: Train tax officials on the complexities of international tax law and high-net-worth taxation to better handle the challenges posed by the financial sophistication of wealthy individuals.

4. **Optimize Voluntary Disclosure Programs with Limited Use of Amnesty:** Implement a revised voluntary disclosure program for offshore and undeclared domestic assets, emphasizing robust follow-up and strict enforcement for non-compliance post-disclosure. These programs should be strategically limited and linked to broader structural reforms to prevent reliance on amnesty programs, i.e. amnesty schemes like VAIDS should be used sparingly to avoid fostering a culture tax evasion followed by temporary compliance followed by evasion.

5. **Enhance Digital Infrastructure for Tax Administration:** Improve the digital infrastructure of tax administration to support real-time data sharing between different government agencies and financial institutions. This will facilitate the integration of tax data and enhance the ability of tax authorities to detect and prevent evasion.

6. **Link Transparency to Public Spending:** Connect increased transparency on wealth and taxation to improvements in public spending on social services. Demonstrating the benefits of tax revenue in terms of tangible public goods can help build trust and compliance among taxpayers.

10 Opinions on taxing the rich

Many suggestions have been offered towards generating improved income for the country and such proposals include diversification of the *mono-product crude oil Nigerian economy* into agriculture, mining of minerals, non-oil exports and a host of other things. But, at the maiden edition of The Guardian's Economic Forum Series[111] with the theme: *"Unlocking Nigeria's Tax Revenue Potential for Sustainable Development",* the call on the government to look into the tax being paid (or not paid) by the most wealthy in the country was deservedly very strong.

Specifically, participants at the Forum observed that high-net-worth individuals pay little or no tax when what they pay is either related to the value of resources and assets in the economy they have cornered for themselves or against what public servants pay. Their tax payments are even considered inconsequential given that there is less drive by tax authorities to collect from the wealthy. There was also the general observation that the government is either afraid of these high-net-worth individuals or it does not have the courage to direct its light of tax compliance towards them. Thus, the government was admonished to summon the courage to levy on and collect from the wealthy in Nigeria, appropriate and commensurate tax.

It is perhaps, as a result of the position of stakeholders at The Guardian's Forum that the Joint Tax Board (JTB) at its 135th meeting the other day in Abeokuta, Ogun State, decided, among other things, that "all tax authorities should ensure that high net-worth individuals pay their tax as and when due." The body also decided that "tax potentials from the informal sector be explored in order to increase the government's quest to grow Internally Generated Revenue, IGR."

As Guardian.ng writes: "*The payment of inconsequential or no tax by wealthy individuals in Nigeria is, no doubt, an aberration. But without exaggeration, the hidden hands of corruption, other forms of leakages and weaknesses in enforcement by the government may have played key roles in this situation. Otherwise, how can it be rationalised that those who earn the highest income in the country pay the least or no tax and they are allowed to move freely without any repercussions? To ensure equity and to encourage every taxable individual to be committed to paying tax, higher income earners should pay higher tax."*[112]

Civil Society organizations have been at the forefront of the campaign for taxing the rich in Nigeria, Oxfam and CISLAC have in recent years focused their advocacy lens towards taxing the rich. OXFAM Nigeria, has called on the government to adopt taxation of 'super rich' Nigerians and big corporations as a way of addressing overlapping crises occasioned by poverty and inequality in the country. In its recent global inequality report titled: '*Survival of the Richest*', OXFAM said the wealth of Nigerian billionaires has grown by a third since the COVID-19 pandemic without a corresponding increase in health budgets.[113] While the federal Ministry of finance and budget has also public campaign for the need to tax the rich more. Ben Akabueze, director-general of the budget office of the federation, has called for the rich Nigerians to be taxed appropriately in order to enhance revenue generation. At the launch of the World Bank's report titled, *'Nigeria public finance review: fiscal adjustment for better and sustained results'* he noted that wealthy citizens should be made to pay taxes equal with their earnings.

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111 The Guardian (n.d.). The Guardian's Economic Forum Series on Tax Begins Today. Retrieved from https://guardian.ng/news/the-guardians-economic-forum-series-on-tax-begins-today/

112 The Guardian (n.d.). Opinion: Tax on the Wealthy. Retrieved from https://guardian.ng/opinion/tax-on-the-wealthy/

113 BusinessDay (n.d.). Oxfam Advocate: Taxing Super-Rich to Address Mass Poverty, Overlapping Crisis in Nigeria. Retrieved from https://businessday.ng/news/article/oxfam-advocate-taxing-super-rich-to-address-mass-poverty-overlapping-crisis-in-nigeria/

"We need to tax the rich. We have extremely wealthy people existing side-by-side with extremely poor people. I describe it as 'elite conspiracy' not to distribute a fair share of the nation's resources," Akabueze said.[114]

114 The Cable (n.d.). ***Akabueze: Wealthy Nigerians Should Be Made to Pay More Taxes***. Retrieved from https://www.thecable.ng/akabueze-wealthy-nigerians-should-be-made-to-pay-more-taxes

TAXING THE RICH
Nigerian Fair Tax Monitor Thematic Report