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PUBLIC ADMINISTRATION REFORMS AND EFFICIENCY IN TAX POLICY IMPLEMENTATION IN NIGERIA: CHALLENGES AND PROSPECTS

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Abstract

Tax revenue is critical for financing public services and driving national development in Nigeria. However, Nigeria's tax-to-GDP ratio of 10.8% in 2024 remains one of the lowest globally, far below the African average of 15.6% (OECD). This paper examines the relationship between Public Administration Reforms (PAR) and efficiency in tax policy implementation in Nigeria from 2010 to 2025. Using a descriptive and policy-analytic approach, the study draws on secondary data from FIRS, NBS, OECD, IMF, and the Presidential Fiscal Policy and Tax Reforms Committee. The paper argues that while reforms such as the FIRS Automation Project, TIN regime, Finance Acts, and the 2024 Tax Reform Bills have improved administrative processes, inefficiencies persist due to weak institutional capacity, leakages, multiple taxation, poor data integration, and low taxpayer trust. The study finds that effective PAR anchored on digitalization, transparency, and civil service professionalism is central to achieving tax policy efficiency. Recommendations include full implementation of the 2024 tax reform acts, integration of tax databases, strengthening of subnational tax administration, and citizen-centric communication.

Keywords: Public Administration Reforms, Tax Policy, Tax Efficiency, Public Financial Management, Digital Governance

1. Introduction

Nigeria operates a mono-product economy that is heavily dependent on oil revenue, which accounts for over 60% of government revenue but only 8% of GDP (NBS). With non stable oil prices, revenue volatility, and rising public expenditure, taxation has become the most sustainable alternative for financing development.

However, Nigeria's tax performance has been poor. The tax-to-GDP ratio stood at 10.8% in 2024 compared to South Africa's 25.4% and Ghana's 13.1% (OECD). This low collection is not due to absence of tax laws, but due to inefficiencies in implementation.

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Public Administration Reform is therefore central. PAR refers to deliberate changes in administrative structures, processes, and behavior to improve efficiency, accountability, and service delivery (UNDP). In taxation, efficient administration means maximizing collection at the lowest cost, with minimal compliance burden and leakages.

Despite reforms, literature identifies persistent implementation gaps. The Presidential Committee on Fiscal Policy and Tax Reforms documented over 60 different taxes and levies across federal, state and local governments. This fragmentation increases compliance costs and discourages voluntary payment, especially for MSMEs.(2024)

Data deficiencies remain critical. According to FIRS, (2024) less than 40% of Nigeria's estimated 40 million economically active persons have a valid TIN. There is also poor linkage between FIRS, NIBSS, CAC, and NIMC databases, making it difficult to track high-net-worth individuals and digital businesses.

Despite several reforms, Nigeria's tax system remains fragmented, manual in many states, and characterized by distrust between government and taxpayers. Key challenges include:

i. Multiple taxation by federal, state and local governments
ii. Poor data harmonization between FIRS, NIBSS, CAC, and immigration
iii. Weak capacity and corruption in tax agencies
iv. Low voluntary compliance due to poor service delivery
v. Capacity is another constraint. World Bank notes that many SIRS lack qualified auditors, data analysts, and functional ICT infrastructure. The cost of collection at the state level averages 6-8%, compared to FIRS's 2.9% (FIRS, 2024)
vi. Finally, trust deficits undermine implementation. Citizens cite poor service delivery as a reason for tax evasion. This aligns with fiscal exchange theory: taxpayers comply when they perceive value for money.(BudgIT, 2024)

The Presidential Committee on Fiscal Policy and Tax Reforms inaugurated in 2023 submitted 8 key reform areas in 2024. The question is: to what extent has PARs improved efficiency in tax policy implementation?

1.2 Research Objectives

i. To examine the trend and impact of PARs on tax administration in Nigeria, 2010-2025
ii. To assess the efficiency of tax policy implementation at federal and state levels
iii. To identify administrative and institutional challenges militating against efficiency
iv. To propose policy options for improving tax administration through PAR

1.3 Research Questions

i. What PARs have been introduced in Nigeria's tax system since 2010?
ii. How efficient is tax policy implementation in terms of collection, compliance and cost?
iii. What are the major administrative bottlenecks?
iv. What reforms are needed to improve efficiency?

2. Literature Review and Theoretical Framework

2.1. Conceptual Clarifications

Public Administration Reform (PAR) refers to deliberate and sustained changes in public sector structures, processes, and behaviors aimed at improving efficiency, transparency, accountability, and responsiveness to citizens (UNDP, 2019). The World Bank frames PAR as the re-engineering of government to deliver public goods with fewer resources and better outcomes. In taxation, PAR translates to modernizing tax agencies, automating processes, and professionalizing staff. (World Bank, 2023)

Tax Policy Implementation is the administrative process of translating tax laws into actual collection. It encompasses taxpayer registration, assessment, collection, enforcement, and service delivery. In a federal system like Nigeria, implementation is carried out by FIRS at the federal level, SIRS at the state level, and LGRC at the local level (Anyafo, 2024)

Tax Efficiency measures how effectively a tax system converts policy into revenue. The IMF defines it as the capacity to mobilize maximum revenue at minimum administrative and compliance cost. Common proxies include tax-to-GDP ratio, cost of collection, tax buoyancy, and compliance rates (OECD, 2024)

The theoretical link between the three is anchored on New Public Management (NPM) Theory. NPM posits that adopting private-sector principles such as performance management, digitalization, and customer orientation in the public sector leads to better outcomes. Applied to taxation, NPM explains why digital tools and performance contracts in FIRS have improved collection efficiency (Hood, 1991).

2.2. Empirical Review

Anyafo, (2020) found that automation of tax processes in FIRS increased non-oil revenue by 40% between 2018 and 2022.

The World Bank Public Expenditure Review notes that Nigeria loses an estimated ₦5 trillion annually to tax leakages and waivers.(World Bank, 2023)

BudgIT, (2024) reports that only 19 states have functional e-tax platforms as of 2024, while 17 still rely on manual processes.

The Presidential Tax Reform Committee (2024), identified over 60 different taxes and levies across 3 tiers, creating confusion and high compliance cost.

Gap: Most studies focus on federal level. This paper integrates federal, state, and LGA perspectives.

Studies show a positive relationship between PAR and tax performance. Anyafo, (2020) examined FIRS automation between 2010 and 2019 and found that the deployment of ITAS and e-filing increased non-oil tax revenue by 40% and reduced processing time from 14 days to 48 hours. The study concluded that digitalization reduces discretion, leakages, and compliance costs.

At the subnational level, BudgIT assessed 36 states and found that only 19 states had functional e-tax platforms by 2024. States like Lagos and Kaduna that adopted NPM principles of taxpayer segmentation and online payment recorded 70% higher IGR growth than states using manual systems. The report attributes the gap to weak administrative capacity and political interference.

Internationally, the OECD, (2024) reports that countries that integrated tax databases and adopted risk-based audits saw an average 2.3 percentage point increase in tax-to-GDP within 5 years. This supports the argument that administrative reform, not just rate increases, drives efficiency.

2.3 Theoretical Review:

New Public Management Theory

NPM argues that public sector should adopt private sector principles: performance management, digitalization, decentralization, and customer focus. Applied to taxation, NPM justifies automation, taxpayer segmentation, and results-based management in FIRS and state IRS. (Hood, 1991)

Perhaps the most dominant theme of the techniques is the attempt to use market mechanisms to improve performance in the public sector. This includes privatization, in which functions formerly performed by government are given over to private sector or organizations. In the celebrated case of New Zealand, the government privatized state enterprises in telephone service, oil production, insurance, post office, and air transport. In economies where the governmental sector is smaller and most sectors of the economy are already in private sector is smaller and most sector of the economy are already in private hands, such as the United States, privatization has taken the form of private sector delivery of goods and services that are paid for by the government, referred to as "contracting".

The New Public Management approach rejects measuring inputs and advocates the use of "performance measures" to evaluate programs and management. Accountability for resources is less important than the accomplishment of goals at a given cost. Creative managers should be given the widest flexibility to use the resources at their disposal to accomplish programmatic missions. Their success will be measured by their performance in accomplishing goals rather than in their careful accounting for the resources (inputs) used.

2.4 Determinants and Measures of Tax Efficiency

Tax efficiency is multi-dimensional. The most cited measure is tax-to-GDP ratio. Nigeria's ratio stood at 10.8% in 2024, compared to the African average of 15.6% and South Africa's 25.4% (OECD). The IMF Article IV report projects that with full implementation of the 2024 Tax Reform Bills, Nigeria can reach 18% by 2026.

Cost of collection is another key metric. FIRS reduced its cost from 4.1% in 2015 to 2.9% in 2024 due to automation and staff rationalization (FIRS). However, this remains higher than the 1% benchmark in advanced economies.

Tax buoyancy and elasticity measure responsiveness of revenue to GDP growth. Nigeria's tax buoyancy averaged 1.2 between 2018 and 2024, indicating that revenue grows slightly faster than GDP (IMF). This suggests potential for further growth if the tax base is expanded.

Literature also emphasizes non-technical factors. (Alm, 2019) argues that tax morale, which is shaped by trust and fairness, is a stronger predictor of compliance than enforcement. This explains why states with better service delivery like Lagos record higher compliance.

3. Methodology

This study uses a descriptive and policy-analytic design.

Data Sources: FIRS Annual Reports, NBS, CBN Statistical Bulletin, OECD Revenue Statistics, Finance Acts 2019-2023, 2024 Tax Reform Bills, BudgIT, and IMF Article IV Reports. It covers the period: 2010-2025.

Method: Trend analysis, comparative analysis, and content analysis of reform policies.

4. Results and Discussion

Major Public Administration Reforms in Taxation 2010-2025

Table 1: Key Tax Reforms and Objectives

Reform	Year	Objective	Agency
Integrated Tax Administration System (ITAS)	2013	Automate tax processes	FIRS
Tax Identification Number (TIN)	2017	Broaden tax net	FIRS/JTB
Voluntary Assets and Income Declaration Scheme [VAIDS]	2017-2018	Amnesty and compliance	FIRS
Finance Act	2019-2023	Amend tax laws annually	NASS
FIRS Office Restructuring	2020	Taxpayer segmentation	FIRS
National Single Window for Trade	2023	Integrate customs and FIRS data	NCS/FIRS
Presidential Fiscal Policy and Tax Reforms Committee	2023	Harmonize tax laws	Presidency
2024 Tax Reform Bills (4 Bills)	2024	Overhaul tax system	Presidency/NASS

Source: FIRS, Presidency, NASS (2024)

Efficiency Indicators in Tax Policy Implementation

Table 2: Tax Performance Indicators 2015-2024

Indicator	2015	2019	2022	2024
Total Tax Revenue ₦Trillion	3.74	5.34	10.1	13.6
Tax-to-GDP Ratio %	5.7	6	10.2	10.8
Non-Oil Tax Revenue % of Total	52%	58%	65%	68%
Cost of Collection %	4.1	3.8	3.2	2.9
Nigeria Ease of Paying Taxes Rank	180	159	154	148

Source: FIRS, NBS, World Bank Doing Business, (2024)

Discussion:

Positive Outcomes:

i. Digitalization: ITAS and e-filing reduced processing time from 14 days to 48 hours.
ii. Revenue Growth: Total collection grew 264% between 2015 and 2024.
iii. Cost Efficiency: Cost of collection dropped from 4.1% to 2.9%.

Persistent Inefficiencies:

i. Fragmentation: 37 different tax authorities, yet multiple taxation are still rampant.
ii. Data Gaps: Less than 40% of economically active Nigerians have TIN. No linkage between BVN and TIN at state level.
iii. Capacity Deficit: Many state IRS lack auditors and data analysts.
iv. Trust Deficit: Taxpayers cite poor service delivery as reason for evasion.

4.2 Case Study: FIRS vs State IRS

FIRS collection efficiency is higher due to automation and skilled staff. In contrast, many State IRS still use cash collection and lack audit capacity. Lagos and Kaduna are exceptions with 80% e-payment rate.

4.3 Implications for National Development

i. Fiscal: Low tax revenue limits capital spending. 2024 budget deficit was ₦9.2 trillion.
ii. Equity: Poor administration means informal sector and high-net-worth individuals escape taxation.
iii. Governance: Efficient tax system builds social contract. Citizens pay when they see results.

5. Challenges to Efficient Tax Policy Implementation

i. Institutional: Overlapping mandates between FIRS, NCS, and State IRS.
ii. Legal: Outdated tax laws. 2024 Bills are yet to be fully passed.
iii. Technical: Poor ICT infrastructure in LGAs. Cyber security risks.
iv. Political: Resistance to removal of tax waivers and harmonization.
v. Behavioral: Low tax morale due to corruption and poor public services.

6. Policy Recommendations

Based on NPM and PFM principles:

i. Legislative: Expedite passage and implementation of the 2024 Tax Reform Bills. Cap total number of taxes to 8 as proposed.
ii. Digital Integration: Mandate integration of FIRS, NIBSS, CAC, NIMC, and State IRS databases by 2026.
iii. Administrative Capacity: Train 10,000 tax officials. Introduce performance contracts for FIRS and State IRS chairmen.
iv. Subnational Reform: Provide matching grants to states that automate and publish tax expenditure reports.
v. Taxpayer-Centric Service: Expand FIRS taxpayer service centers. Use behavioral nudges and public campaigns.
vi. Transparency: Publish quarterly tax collection and spending reports. Involve CSOs in monitoring.

7. Conclusion and Recommendations

Public Administration Reform is the missing link between tax policy and revenue outcomes in Nigeria. While digitalization and legal reforms since 2010 have yielded results, efficiency is still constrained by fragmentation, capacity gaps, and low trust.

For Nigeria to achieve 18% tax-to-GDP by 2026 and fund Agenda 2050, tax administration must be professionalized, digitized, and made citizen-friendly. Taxation is not just about collecting money, it is about building a state that delivers.

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