Multiplicity of Taxes in Nigeria: Issues, Problems and Solutions

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1.0. Introduction
Following the emergence of multiplicity of taxes in the Nigerian fiscal landscape,¹ the Joint Tax Board (JTB) had taken a number of steps to curb the phenomenon. However, such efforts have recorded partial success.² Like a cat with nine lives, multiplicity of taxes has refused to die and continues to wreak havoc on stakeholders, average citizens, businesses and even households in Nigeria. From the bias of a tax lawyer, this paper examines, among other things, the meaning of multiplicity of taxes, its causes, impact on tax compliance and revenue yield. It also discusses the growing debate on the need to streamline the number of taxes in Nigeria in view of the low yields of many of the taxes. In this regard, the recommendations of the 2003 Tax Study Group were briefly considered. The paper considers the extent to which multiplicity of taxes really exist in Nigeria, why the problems persist and concludes with what the writer considers as the appropriate solutions.

2.0. Multiplicity of Taxes
Multiplicity of taxes is not an established term in the field of taxation as such. Thus, the term seems to be peculiar to Nigerian fiscal lexicography. According to the National Tax Policy Document, multiple taxation occurs “where the tax, fee or rate is levied on the same person in respect of the same liability by more than one State or Local Government Council.”³

With due respect, this definition is too narrow to the extent that it implies that multiplicity of taxes occurs only with regards to state and local taxes. From the general usages of multiplicity of taxes by stakeholders, it can be said to manifest in at least four ways.

First, it refers to the various unlawful compulsory payments being collected by the local and state governments without appropriate legal backing through intimidation and harassment of the payers. Collection of it is characterised by the use of stickers, mounting of road blocks, use of revenue Agents/Consultants including motor park touts.⁴ Second, if refers to situations where a taxpayer is faced with demands from two or more different levels of government either for the same or similar taxes. A good example here is the administration of the Value Added Tax (VAT) and Sales Tax simultaneously. Third, the term refers to where the same level of government imposes two or more taxes on the same tax base. A good example is payment of Companies Income Tax, Education Tax and Technology Levy by the same company. Fourth, it refers to cases whereby various government agencies “impose taxes” in the form of fees or charges.

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¹ Multiplicity of taxes emerged in Nigeria in the mid 1980’s. The evolution of multiplicity of taxes is treated in section three of this paper. See pp 6-9 ante.

² The Chartered Institute of Taxation of Nigeria (CITN) and the organized private sectors under the aegis of the Manufacturers Association of Nigeria (MAN), National Association of Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA) and National Employers’ Consultative Association (NECA) have been in the forefront of campaign against multiplicity of taxes.

³ See the National Tax Policy Document, p.78 para 6.0.

In Registered Trustees of Association of the Licensed Telecommunications Operators of Nigeria & Ors v. Lagos State Government & Ors some telecommunication companies challenged certain sections of the Lagos State Infrastructure Maintenance and Regulatory Agency Law, 2004 on the basis that the Law amounted to imposition of tax on their operations. The learned Judge said:

“The IMRA Law, from the name it looks very innocent. .... From the contents of the law, the driving force is just to make money for the State, as the State has numerous laws dealing with the issue of urban planning.”

The learned Judge went on to reiterate the revenue objective of the law:

“.What the Lagos State is doing is to create an agency that will get its own share of the booty, as their counsel said that their operators are making billions of Naira.”

Viewed from these broad perspectives, it will be seen that none of the three levels of government can be said to be free from blame.

It does appear that the courts have not shown the same degree of dynamism when it comes to federal agencies. In National Inland Waterways Authority v SPDC the trial court held that the Claimant had the power to tax. The court rejected the contention of the defendant that the regulations under which the authority purported to tax the defendant company were ultra vires the plaintiff. What weighed on the mind of the court was the consideration that the regulations were validly made under the provisions of s. 28 (b), (g), (h) and (r) of the NIWA Act.

Multiplicity of taxes makes investment climate tempestuous as as investors are not sure the extent to which their incomes would be taxed. There are cases of large corporate entities that have moved their operations out of some States or from Nigeria to neighbouring countries on account of multiplicity of taxes and rising cost of doing business in Nigeria.

Notwithstanding the above, it suffices to say however that multiple taxation is not synonymous simply with being taxed at different levels of government. In a federal system of government, it is typical to have federal, state and local government taxes. This truism was lucidly expressed in the National Tax Policy Document thus:

“Multiple taxation in Nigeria first needs to be defined before it is tackled. The word multiple connotes “numerous”, “several”, “various” etc. A certain level of multiplicity is unavoidable in a Federal structure as each tier of government may want to charge certain taxes, fees, charges as may be applicable. The only aspect of multiplicity that is avoidable and for which the Constitution itself abhors is that where the tax, fee or rate is levied on the same person in respect of the same liability by more than one State or Local Government Council.”

Thus, in recognition of the fundamentals of federalism, the Taxes and Levies (Approved List for Collection) Act (Act No. 21) contains as much as 8, 11 and 20 taxes and levies for federal, states and local governments respectively. There is need for introspection on whether the current thinking is to ensure that taxes, fees and charges do not exceed those listed in the Act or whether to streamline the number of taxes into just a few simple broad based taxes with elastic revenue potentials as being advocated by protagonist of flat tax.

6 Ibid, t. p22.
8 (2005) 8 CLRN 150
9 Act No. 21, Cap T2 Laws of Federation 2004,
10 A flat tax advocates that instead of having different types of taxes with different rates, one tax rate should be applied to all income at source with no exceptions. It attempts to simplify tax laws which are said to be bedevilled by many loopholes, deductions, and exemptions which render the collection and enforcement of tax law complicated and inefficient. See generally, Daniel Mitchell, “A Brief Guide to the Flat Tax” Available online at http://www.heritage.org/research/reports/2005/07/a-brief-guide-to-the-flat-tax. Site visited on 19th September, 2011.
2.1 To what extent does multiplicity of taxes exist in Nigeria?

Multiplicity of taxes infringes the cardinal principles of taxation. Granted that government requires revenue to discharge its responsibilities to the citizens, this cannot be done in a haphazard, arbitrary and capricious manner. A taxpayer is entitled to know and determine in advance how much he is obligated to pay and in what circumstances. This underscores why certainty is the first principle of taxation.\(^\text{11}\)

This brings us to the question of how many taxes exist in Nigeria? Following the basic principle that taxation is statutory, the correct approach would be to count the number of the specific federal and states laws enacted mainly for taxing purpose. Following this approach, the number of taxes will be infinitely smaller than the figure being bandied in some quarters and existing literature.\(^\text{12}\)

The *Taxes and Levies (Approved List For Collection) Act*,\(^\text{13}\) (Act No. 21) gives a false impression that there are 39 taxes in Nigeria. May I use this opportunity to flag a few fundamental issues about Act No. 21. A careful consideration of its provisions will reveal that it is not a taxing statute since it deals with the “power to collect” and not “power to impose” taxes. This position is reinforced by the language of the statute which employed words and phrases such as “collecting”, “collects”, “shall assess or collect.”\(^\text{14, 15}\) In view of the above, it is submitted that the Taxes and Levies has never been and is presently not relevant for the purpose of determining the extent of taxing power of government under the 1999 Constitution. Any attempt to either trace the power of a government or lack of it to impose a particular tax or levy to the Act will be misdirected.\(^\text{17}\)

Also, the drafters of Act No. 21 seem to be at a loss on the basic distinction between a tax and other related terms such as fees and charges? How else can one explain the inclusion of several user charges and licensing fees contained in the Schedule? From the administrative perspective, it is counter-productive in my view to describe payments made in exchange for direct benefit as taxes in view of the general aversion for taxes.

It would appear that the listing of 20 items in “Taxes and Levies Act” is one of the factors that goaded the local government councils into the inordinate drive for revenue through those items. For example, while parking fee should ordinarily be collected on “pay as you go” basis, the fact that it features on the Act No. 21 has given it a semblance of a tax which some of the local governments then leverage upon as the basis of serving assessment notices on corporate bodies as parking fees. The same approach has been adopted for several other items in Part III of the Schedule to Act No. 21.

In order to curb this development, the 2003 Tax Study Group had recommended that the Fourth Schedule of the Constitution should be amended. According to the Report:

> “The Fourth Schedule of the 1999 Constitution which has given powers to Local Government to control and regulate many items should be urgently amended to expressly limit the taxing powers of local government to tenement rate on private houses, capitation rate and clear cut user charges for services directly beneficial to the payers. This is because the words “control and regulate” as used in the Fourth Schedule has been misinterpreted by local governments as granting them taxing powers for virtually every type of businesses as shown in Appendix IV with over 120 types of Local Government taxes. Unless this major constitutional amendment is made to restrict Local Government’s taxing powers, the lawlessness and confusion will continue and cripple the national economy.”\(^\text{18}\)


\(^{13}\) *Supra* note 9

\(^{14}\) *Ibid*, section 1(1), 2(2), 3(b)

\(^{15}\) *Ibid*, section 3(a)

\(^{16}\) *Ibid* section.2(1)

\(^{17}\) This point seems not to be appreciated by the courts in a number of cases where certain state Laws and local government bye laws have been declared null and void on the ground that they contravene the provisions of Act No. 21. See *note 23* ante.

\(^{18}\) *Supra* note 4 at pp.313-314
The particular recommendation however misses the point. Regulatory power is inherent to any government otherwise there would be no means of controlling activities within a territory. The real problem, in our view, is not with the Fourth Schedule but the needless reference to user charges and fees in the Schedule to Act No. 21 among other factors. The Fourth Schedule to the Constitution has a clearly laudable objective which is to prescribe irreducible minimum functions which every State must confer on their local governments in their respective local government laws. It is however unfortunate that the objective is largely unrealised due to well known combinations of factors including corruption and lack of vision of the ruling class and their cohorts.

3.0. Evolution of Multiplicity of Taxes

In developing the appropriate responses to the challenges of multiplicity of taxes, we need to probe why all the steps taken so far have failed to produce desired result with a view to retracing our steps or rethinking our strategies. Multiplicity of taxation began to rear its ugly head in Nigeria in the late 1980’s when revenue accruing to states and local government from the Federal Account began to dwindle.\(^{19}\) Regrettably, the degree of dependence of the States on revenue from the Federation Account was so much that most States did not have functional Board of Internal Revenue (BIR). A few States began to farm out their tax administration to private consultants in such a manner that eventually sidelined the tax administrators within the civil service.

The consultants started by reviewing the rates and fees payable for different governmental services ostensibly to reflect the economic realities. In some cases, the rates and fees were skewed too high. For instance business premises levy and development levy were imposed on certain corporate bodies arbitrarily without legal basis. A dose of dynamism was introduced into tax enforcement during this era. Notwithstanding that some of their practices were unorthodox and raised serious issues of rule of law; the revenue objective was paramount to the States. The States therefore did not take any serious action to address the concerns of taxpayers.

As part of the responses to curb the menace of multiplicity of taxes, the JTB drew a list of taxes collectible by each tier of government. The list was largely ignored by States who were in dire need of boosting their revenue. The list was eventually given a legal backing vide the Taxes and Levies Approved List for Collection Act.\(^{20}\) The Act provides \textit{inter alia} that:

- no other person, other than the appropriate tax authority, shall assess or collect, on behalf of the Government, any tax or levy listed in the Schedule to the Act;
- members of the Nigeria Police Force shall only be used in accordance with the provisions of the tax laws;
- no person, including a tax authority, shall mount a road block in any part of the Federation for the purpose of collecting any tax or levy.
- prescribes the amount chargeable as development levy and business premises levy
- makes anyone who contravenes the law guilty of an offence and liable on conviction to a fine of₦50,000 or imprisonment for three years or to both such fine and imprisonment.

One of the immediate effects of Act No. 21 was that no State could charge more that the prescribed amount under the law for the developments levy, business premises levy and business premises renewal levy. Subsequently, the Personal Income Tax Act was amended to establish a Board of Internal Revenue for each State and prescribes the composition for the Board.\(^{21}\) In furtherance of the provisions, all the States eventually constituted their BIR. These developments undoubtedly posed serious challenges for the operation of the consultants but certainly not sufficient to eliminate their activities. Since the hunters have learnt how to shoot without missing, the birds have also learnt how to fly without perching. The Consultants had to devise new methods by moving their operations to the offices of the relevant tax authority and get their staff to be issued the Identification card of the relevant tax authorities. In order to fulfill the letters of the law, assessments were prepared by the consultants for the signature of the Chairman or other relevant officers of the BIR.

\(^{20}\) \textit{Supra} note 9
\(^{21}\) See section 87 of the \textit{Personal Income Tax Act No 103 of 1993}, Cap P8 Laws of Federation of Nigeria, 2004 (pita). The provisions were inserted into PITA vide the \textit{Finance (Miscellaneous) Taxation Provisions Decree (No.31) 1996}
The consultants were able to penetrate the system through appropriate ‘reward’ for their political patrons. While the big tax consultants were operating at the State level, those who were not fortunate to get patronage at the State level tried their luck at the local government level. In the course of time, the activities of tax consultants spread virtually throughout all the states and local government councils in Nigeria. In order to check this development, PITA was amended to establish a Revenue Committee for each local government and prescribed their composition. A Joint State Revenue Committee was also established for each state comprising the head of the Revenue Committee of each local government. The Joint State Revenue Committee was to play at the State level the kind of role that JTB is playing at the federal level.

At this point it would seem that a firm structure for tax administration had been established at both the State and local government levels throughout the country. This is however a farce. In reality, the Revenue Committees and State Joint Revenue Committees have not been constituted in some of the States up till today. Where they had been, they are far from being efficient. Hence, the private consultants continue to hold sway.

At the State level, although all the States have since constituted their BIR, most of them are still plagued with myriads of problems including poor funding, lack of infrastructure, poor remuneration and lack of motivated staff. Following the reform of the FIRS, a few States led by Lagos State have restructured their BIRs under their State Laws towards improved efficiency.

Although private tax consultants have not been as visible as they used to be, the truth is that they are still very much on ground in virtually all the States and local government councils in one form or other. Tax consultancy has even been taken to a higher level in a particular State in the South-South where a bank is now acting as a tax consultant in disguise! May I use this medium to call on the Chartered Institute of Taxation of Nigeria and the Central Bank of Nigeria to thoroughly investigate the veracity of the claim and take appropriate action otherwise the aberration, would in due course, be copied by other states and banks.

It is important to point out that a few taxpayers have successfully challenged some illegal taxes in the court. A review of the cases however shows that most of the challenges have been against State and local government even though this tiers of government are not free from blame in this regard. Notwithstanding that some of such taxes have been declared to be null and void, the practice is to leave the particular tax payer who had gone to court and continue to enforce the tax against others. The argument of the tax authority is that a revenue law cannot be arrested or put in abeyance at the instance of one or a few aggrieved taxpayers to the detriment of the public treasury, especially where an appeal has been lodged against such a decision. This argument appears to be a rather too simple approach to a complex constitutional question and concept of rule of law. It is one of the areas which will require thorough research and specific policy statement by the government. It suffices to say that it will be too tedious for the administration of justice to expect every taxpayer to obtain separate judgment before the operation of a tax law can be put in abeyance.

4.0. Multiplicity of Taxes and Tax Compliance

Tax compliance is the obedience to the provisions of the tax laws. Compliance is not a one-way traffic flow. Both the tax authority and taxpayers are obligated to comply with the provisions of the law. There is non-compliance when taxes are imposed arbitrarily, administered without following set rules or standards and people are subject to penal sanctions without due process. An absolute compliance would mean that the taxpayer, tax authority and their advisors would do the right thing at the right time. What a good day that would be in the history of a nation! We must be realistic enough to concede that it is impossible to have an absolute compliance since we are not all angels.

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22 Ibid, Section 90. The provisions were inserted into PITA vide the Finance (Miscellaneous) Taxation Provisions Decree (No. 31) 1996.
24 See however National Inland Waterways Authority v SPDC (2005) 8 CLRN 150
Even if we were, there are likely to be some cases of non compliance due to honest mistakes or misrepresentation or misapplication of law.\textsuperscript{25}

While, it may require a multi-disciplinary study to determine and demonstrate the exact extent of the impact of multiplicity of taxes on tax compliance it is difficult for any objective analyst to deny a direct linkage between the two. Multiplicity of taxes serves as a disincentive for compliance. Since no one pays tax with smile, taxpayers will seek either a fair and fowl means to avoid payment of tax especially where there is incidence of multiple taxes. This is particularly true in an environment such as ours where the tax culture is low.

A tax system is supposed to be simple in order to aid compliance. Regrettably, the reverse is usually the case in most countries. Where the tax system is unnecessarily complex, it increases the cost of administration for government and cost of compliance for the taxpayers. The current thinking is that a complex tax system is neither in the interest of government nor the taxpayers. The 2003 Tax Study Group put this succinctly in its Report thus:

“A multiple tax system is always a tedious and bewildering system to the taxpayer, is the antithesis of a simple tax system…..The bewildering of the taxpayer, resulting from a multi-tax system creates enormous work and opportunities for tax consultants and tax advisers. It also creates the semblance of ‘busy’ tax administrators. But are tax systems created for the benefit of tax consultants and tax administrators?. Of course, the answer is No!”\textsuperscript{26}

The above statement is food for thought in our current and future effort to reform the Nigerian tax system.

5.0.\textit{Multiplicity of Taxes and Tax yield}

The main objective of taxation is to mobilise funds from private hands to public treasury by imposing compulsory payment towards the financing of the public sector. For this objective to be achieved, government must put in place a good and functional system of tax administration. As we are aware, nothing good comes cheap. Tax yield is the revenue that accrues to government after taking account of the cost of administration. Where the cost of administration is too high, it will negatively affect the revenue yield and \textit{vice versa}. Some taxes are broad-based with elastic revenue potentials (consumption tax), while some are narrow-based with inelastic potentials. Generally, the former usually generate more revenue than the latter if well administered.

The tax authority in its desire to achieve different objectives may want to resort to use of different tax handles. Unless the tax enforcement is quite efficient, increasing the number of taxes in a territory may not necessarily result into an increase in tax yield. This therefore brings to the fore the question of appropriate mix of tax handles by government based on the fiscal realities of each environment.

There is a growing concern about the efficiency or otherwise of the seemingly long list of taxes in Nigeria in terms of revenue yield. Currently statistics on revenue yield for each of the taxes was not available to the Writer at the time of writing this paper. In its assessment of the entire tax system, the 2003 Tax Study Group also had this to say:

“The Nigerian tax system is not in good shape by any measure: policy, law, administration, revenue-yield, equity, impact on the economy, consistency with federalism, dynamism and so on. On the top of all this, the system is unduly loaded with too many taxes, most of which are overlapping. Additionally, corruption, arbitrariness, high-handedness, extortion, sabotage, fraud and general lawlessness now heavily characterize tax management, particularly at Local Government, and to a lower degree at State and Federal levels. Furthermore, the system remains paralyzed by fundamental lack of tax information and data. Beside, the tax system has increasingly become a nuisance and burden on the citizens in general and taxpayers in particular. Having regard to the constant failure of attempts hitherto to radically improve the system, perhaps it is now time for major rationalizations, instead of peripheral reforms.”\textsuperscript{27}

\textsuperscript{25} A.O. Sanni, “Role of Law in Tax Compliance” (Unpublished) paper presented at the FIRS Enlarged Management Meeting January 2006/Annual Conference, p.18.
\textsuperscript{26} \textit{Ibid}, page 320
\textsuperscript{27} \textit{Supra} note 4 at p.318.
If there is a direct positive relationship between tax revenue and number of taxes, then tax revenue should be impressive, buoyant and robust. Where the converse is the case then it raises the question of the efficiency of each of the taxes for purposes of tax reform.

6.0 An Overview of the Recommendations of The Study Group

Against this background, the 2003 Study Group recommended that all the existing taxes in Nigeria should be abolished and replaced by only two taxes imposed at the rate of 10 per cent (i) income tax (covering both individuals and corporate entities) and (ii) expenditure tax (covering all expenditures).\(^{28}\) The features of the proposed taxes are as follows:

- both taxes will be internal and there will be no external taxes of whatever description, for example, import duties, export duties, etc. Non-tax measures will be relied upon for anti-dumping purposes;
- the liability for income tax will be determined by residence of taxpayers while that of the expenditure tax will be determined by location of spending;
- both taxes will concentrate on the formal sector of the economy;
- each State will have a tax authority while there will be a federal tax authority to take care of the Federal Capital Territory (FCT);
- both taxes will be administered in each State by the state tax authority while the federal tax authority will administer both at the FCT;
- local government will have no taxing power in the new tax system;

The new tax system is predicated in the following argument:

- that taxes of all description are ultimately on either income or expenditure. The argument is that it makes for simplicity to have two broad-based taxes instead of having a bewildering number of mushroom taxes that produce little or nothing;
- broad-based income and expenditure taxes will be more difficult to evade;
- while some of the existing taxes are not significant sources of revenue they continue to contribute to administrative cost;
- complex tax system may benefit tax consultants but it is a drain to taxpayers and economy;
- it will remove the problem of multiplicity of taxes at the local government level;
- allowances, exemptions, concessions, waivers, tax holidays and other such preferential devices not only make taxes unduly complex, they also create enormous avenues for abuse, corruption, tax avoidance, avoidable increase in the cost of administration, and
- the exemption of informal sector is justified on the basis that the operators are atomistic in scale and keep no record. Their exemption does not mean that they will escape taxation altogether as they will pay expenditure tax when they enter the formal sector to make purchases and buy at prices which already reflect expenditure tax.

It was said that the proposed new tax system has a better revenue potential than the current system. According to the Study Group Report:

“Finally, it is noteworthy that once the new tax system settles down, the revenue yield will exceed the current overall annual tax revenue yield of about N1,100 Billion in 2002, having regard to the decentralised arrangements recommended above, and to the fact that Nigeria’s GDP at a current prices in 2002 was about N6,000 billion.

The Constitution will be amended to accommodate the new tax system. Also, a Technical Committee was recommended to be set up to work out the details of the new system. Perhaps due to the radical nature of the proposal, its effect on entrenched interests and the general reluctance to change, the above recommendations were rejected by the Federal Government.

\(^{28}\) **Supra** note 4 at pp.318-9.
While I commend the recommendation of the 2003 Study Group for its simplicity and fresh approach, I find the proposal remarkable in some ways. There is no doubt that the proposed tax system will have the prospect of positively improving the fiscal position of the States vis-a-vis the federal government assuming all things to be equal. Considering the proposal in the context of this paper, it is simplistic to think that improved revenue of the States is sufficient to curb their propensity to indulge in multiplicity of taxes which they have somehow become accustomed. Considering that multiplicity of taxes is more prevalent at the local government level, it is doubtful if the recommendation that the local government be restricted to only tenement rate could solve the problem on an enduring or sustainable basis. Such a hydra-headed problem will require a holistic approach.

7.0. Way Forward

From the foregoing account, one can see that the past and present efforts are based on the assumptions that multiplicity of taxes could be curbed by delimiting the scope of taxes and levies collectible by each level of government via a statute, stoppage or restriction of the role of tax consultants in tax administration, establishing revenue authorities at the State and Local Government levels and imposing penalties for contravention of the law. In my humble view, the problem of multiplicity of taxes has lingered because the attempts to solve the problem (until recently) had been mainly inspired by the JTB without the genuine co-operation of State Governments. The various State Governments have failed to address the problems because they are responsible for creating a situation which led to the financial desperation of their local governments by withholding the revenue due to the local governments. Not only that, some States have even usurped the taxes assigned to the local government when the Constitution requires them to delegate the administration of some States taxes to the local governments. It is sad to note that a Development levy of just N100 is being collected by the States. Without intending to play the devil's advocate, how then do we expect the local government to survive in this kind of stifling fiscal environment?

Secondly, the problem has lingered on also because all the tiers of government have failed to adequately fund their department and agencies. This development has compelled them to embark on aggressive revenue drive some of which verge on illegality in the name of increasing their Internally Generated Revenue. The following specific steps are recommended for any State that is serious about curbing the problem of multiplicity of taxes and levies: (i) make available to the local governments all the revenue from the Federation Account, (ii) allocate 10% of State revenue to the local government councils, (iii) adequately fund the various agencies and departments and (iv) ensure that the Ministry of Local Government and the House of Assembly play their oversight functions very well on the activities of the local government.

In closing, may I pose the question: Whether the degree of centralisation of the tax system in Nigeria is tolerable under a federal structure? According to the Report of the 2003 Study Group, “the FG collects about 99% of annual tax revenue and about 97% of overall (tax and non-tax) government revenue in Nigeria.” The relatively paltry amount being collected by the various States and Local Government tax authorities made the Working Group to recommend a unified tax administrative structure for Nigeria. Is the present system, whereby a company pays its income tax to the Federal Government to the detriment of the State and Local Government where it is located, an efficient structure? The reality today is that the States and Local Governments are attempting to take their own shares of the revenues of corporate bodies through the back door in form of illegal taxes and levies. In this respect the far reaching recommendations by the 2003 Tax Study Group are worth reconsidering with necessary modifications. Therefore, a lasting and sustainable solution lies in a critical review of the basis of the division of taxing powers in Nigeria under the Constitution as a way that will guarantee the ability of each level of government to raise its independent revenue to meets its responsibilities.