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REBALANCING TAXING POWERS IN NIGERIA: THE CASE OF RIVERS STATE

EBOH, Agodi Adonis*

Abstract

This article critically investigates the constitutional, statutory, institutional, and fiscal arrangements governing the allocation and exercise of taxing powers in Nigeria, focusing on the position of Rivers State within Nigeria's federal structure. Following decades of hyper-centralised governance under military administration, Nigeria's fiscal architecture under the Constitution of the Federal Republic of Nigeria 1999 (as amended) exhibits a fundamental structural asymmetry: subnational State Governments bear extensive socio-economic and infrastructural responsibilities but possess severely circumscribed independent taxing powers. The resulting financial subordination forces States to depend heavily on statutory transfers from the Federation Account, eroding fiscal federalism and subnational democratic accountability. This research examines the legal catalyst provided by the landmark decision of the Federal High Court in Attorney General of Rivers State v Federal Inland Revenue Service, which invalidated federal administration of Value Added Tax (VAT) on intra-state supply of goods and services, affirming the residual tax jurisdiction of States. The article evaluates the landmark judicial precedents governing legislative competence, including AG Ogun State v Aberuagba, AG Lagos State v AG Federation, and AG Lagos State v Eko Hotels Ltd, alongside the four legislative Acts comprising the 2025 tax reform package (the Nigeria Tax Act 2025, the Nigeria Tax Administration Act 2025, the Nigeria Revenue Service Establishment Act 2025, and the Joint Revenue Board of Nigeria Establishment Act 2025). Incorporating a substantive comparative legal analysis of subnational fiscal federalism in South Africa and Canada, the article demonstrates how tax collection agreements, explicit constitutional assignment, and revenue-sharing mechanisms can harmonize central coordination with subnational tax autonomy. The article concludes with concrete constitutional, statutory, and administrative reform proposals designed to rebalance fiscal authority in Nigeria while strengthening the internally generated revenue capacity of Rivers State.

Keywords: Fiscal Federalism, Taxing Powers, Constitutional Law, Rivers State, Value Added Tax, 2025 Tax Reforms, Subnational Autonomy, Comparative Tax Law.

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1. Introduction and Analytical Framework

1.1 Background and Context of the Inquiry

Fiscal federalism constitutes the legal, financial, and institutional framework through which a federal state allocates revenue-raising powers and expenditure responsibilities among its constituent tiers of government.[1] In a constitutional democracy founded upon genuine federal principles, subnational governments must possess adequate fiscal autonomy, supported by constitutionally protected revenue sources, to discharge their assigned constitutional functions effectively.[2] Where subnational entities lack independent taxing powers commensurate with their expenditure responsibilities, federalism degenerates into fiscal unitarism, characterized by subnational financial dependency, administrative lethargy, and political subordination to the central government.[3]

Nigeria presents a compelling and complex study in fiscal imbalance.[4] Although Section 2(2) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) defines Nigeria as a Federation consisting of States and a Federal Capital Territory, the practical distribution of taxing authority remains overwhelmingly centralized.[5] Decades of prolonged military rule fundamentally distorted Nigeria's constitutional structure by substituting a command-and-control fiscal regime for the decentralized fiscal arrangements established under the Independence Constitution of 1960 and the Republican Constitution of 1963.[6] Under military decrees, major lucrative tax bases, including corporate income taxation, petroleum profits taxation, customs and excise duties, capital gains taxation for companies, and value added taxation, were consolidated under exclusive federal administration.[7]

The return to democratic governance in 1999 did not automatically restore constitutional fiscal decentralization.[8] Instead, successive federal administrations preserved centralized tax

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[1] K C Wheare, *Federal Government* (4th edn, Oxford University Press 1963) 14.
[2] B O Nwabueze, *Federalism in Nigeria under the Presidential Constitution* (Sweet & Maxwell 1983) 38.
[3] R A Musgrave, *The Theory of Public Finance* (McGraw-Hill 1959) 178.
[4] W E Oates, *Fiscal Federalism* (Harcourt Brace Jovanovich 1972) 54.
[5] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 2(2).
[6] C A J Chinwo, 'The Nigerian Tax Reforms Acts 2025: A Critical Appraisal of Subnational Fiscal Autonomy' (2025) 17 *Journal of Tax Law* 235, 237.
[7] Personal Income Tax Decree 1993 (No. 104); Value Added Tax Decree 1993 (No. 102).
[8] A G Ogundele, *Elements of Nigerian Tax Law* (4th edn, WUSA Publishers 2018) 89.

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administration mechanisms, relying on federal statutory collection and distribution through the Federation Account established pursuant to Section 162 of the 1999 Constitution.[9] Consequently, State Governments across Nigeria have remained structurally dependent on monthly statutory allocations derived primarily from federally collected petroleum revenues and Value Added Tax proceeds.[10] This financial structure has created severe vertical fiscal imbalance, where the Federal Government retains dominant tax powers while States bear extensive socio-economic burdens, including healthcare delivery, primary and secondary education, state road infrastructure, public security support, and agricultural development.[11]

1.2 Principal Research Question and Objectives

The central research problem examined in this article is whether the current legal and constitutional framework for allocating taxing powers in Nigeria provides an equitable and effective basis for subnational fiscal autonomy, and what structural legal reforms are required to rebalance fiscal authority, with particular emphasis on Rivers State.[12]

To resolve this overarching problem, the article addresses the following specific research questions:

1. What is the precise constitutional foundation governing the division of legislative competence and taxing powers among the Federal Government, State Governments, and Local Government Councils under the 1999 Constitution?

2. How do the legislative powers enumerated in the Exclusive and Concurrent Legislative Lists constrain or support subnational tax autonomy?

3. What is the legal distinction between the legislative power to impose taxes, the administrative authority to assess and collect taxes, and the statutory right to retain revenue proceeds?

4. To what extent did the landmark decision in *Attorney General of Rivers State v Federal Inland Revenue Service* reshape contemporary legal understanding of residual tax jurisdiction under Nigerian law?

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[9] Constitution of the Federal Republic of Nigeria 1999 (as amended), s 162(1).
[10] National Bureau of Statistics, *Subnational Internally Generated Revenue Report 2024* (NBS 2025) 12.
[11] J O Fabunmi, *Fiscal Federalism and Subnational Governance in Nigeria* (University of Lagos Press 2021) 114.
[12] C O Okonkwo, *Analysis of Tax Reforms and Economic Development in Nigeria* (Malthouse Press 2024) 45.

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5. What are the legal, administrative, and constitutional implications of the 2025 tax reform legislative package for subnational tax autonomy and federal-state fiscal relations?

6. How do natural resource governance, petroleum taxation, and the constitutional derivation principle under Section 162(2) impact the fiscal capacity of oil-producing States such as Rivers State?

7. What comparative insights can Nigeria derive from the constitutional and statutory tax assignment models operating in South Africa and Canada?

8. What specific constitutional, statutory, and institutional reforms are necessary to establish a sustainable balance between national economic integration and subnational fiscal autonomy in Nigeria?

1.3 Methodology and Scope

This study adopts doctrinal legal research as its primary methodology, supplemented by qualitative comparative legal analysis and institutional documentary analysis. The primary legal sources examined include the Constitution of the Federal Republic of Nigeria 1999 (as amended), federal tax legislation, state tax statutes (specifically the Rivers State Value Added Tax Law No. 4 of 2021), judicial precedents of Nigerian superior courts of record, the Petroleum Industry Act 2021, and the four legislative Acts comprising the 2025 tax reform package. Secondary sources comprise authoritative legal treatises, peer-reviewed journal articles, law reform reports, official publications of the Joint Tax Board and National Bureau of Statistics, and comparative constitutional materials from South Africa and Canada.

The scope of the article focuses specifically on the legal distribution of taxing authority, the judicial enforcement of subnational fiscal rights, and the institutional dynamics of tax administration in Rivers State as an exemplar of subnational fiscal governance in Nigeria.

2. Conceptual and Historical Foundations of Taxing Powers and Fiscal Federalism in Nigeria

2.1 Theoretical Framework: Fiscal Federalism and Subnational Autonomy

Fiscal federalism theory, pioneered by scholars such as Kenneth Wheare, Richard Musgrave, and Wallace Oates, posits that in a federal constitutional order, each tier of government should

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enjoy independent legal authority over specific revenue bases to match its assigned functions.[13] Wheare's classical definition of federalism requires that the federal and regional governments should each be sovereign within their respective constitutional spheres, possessing independent financial resources adequate to maintain their functional autonomy.[14] If subnational governments depend on central government discretionary grants or centralized statutory hand-outs for their basic survival, federalism becomes nominal rather than substantive.[15]

Musgrave's economic theory of public finance categorizes public fiscal functions into three primary branches: macroeconomic stabilization, income redistribution, and resource allocation.[16] Traditional public finance literature suggests that macroeconomic stabilization and redistribution are best handled by central authorities, whereas resource allocation for public goods and services should be decentralized to subnational governments to match local preferences efficiently.[17] Oates' Decentralization Theorem asserts that in the absence of significant cost savings from central provision, public services provided locally are superior because subnational governments possess better information regarding local preferences and economic conditions.[18]

Applying these theoretical models to tax assignment implies that subnational governments must have authority to set rates and define tax bases for localized taxes, such as consumption taxes, personal income taxes, property taxes, and user charges.[19] Tax autonomy requires not merely the right to receive revenue collected by a central agency, but the legal competence to enact tax legislation, determine tax policy, administer assessment, and enforce compliance within subnational territorial boundaries.[20]

2.2 Historical Trajectory of Nigerian Fiscal Federalism

The historical evolution of fiscal arrangements in Nigeria illustrates a gradual transition from regional fiscal autonomy to central fiscal hegemony.[21]

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[13] Wheare (n 1) 22; Musgrave (n 3) 182; Oates (n 4) 60.
[14] Wheare (n 1) 15.
[15] Nwabueze (n 2) 42.
[16] Musgrave (n 3) 185.
[17] Oates (n 4) 65.
[18] Ibid 68.
[19] R M Bird, *Subnational Taxation in Developing Countries: A Review of the Literature* (World Bank Policy Research Working Paper 5450, 2010) 14.
[20] Ibid 18.
[21] S O Olagunju, *Fiscal Decentralisation and Regional Development in Nigeria* (Spectrum Books 2017) 55.

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Under the Richards Constitution of 1946, the Macpherson Constitution of 1951, and the Lyttleton Constitution of 1954, colonial fiscal arrangements recognized substantial regional financial autonomy.[22] The Lyttleton Constitution formally established a federal structure, introducing explicit tax assignment rules and allocating significant revenue derived from export taxes, mineral royalties, and regional consumption charges directly to the Regions based on the principle of derivation.[23]

The Independence Constitution of 1960 and the Republican Constitution of 1963 preserved strong regional fiscal autonomy.[24] Under the 1963 Constitution, the Northern, Eastern, Western, and Mid-Western Regions possessed broad taxing authority and retained 50 per cent of mineral royalties and rents derived from their territories under Section 140.[25] An additional 30 per cent of mineral revenues was deposited into a Distributable Pool Account for distribution among all Regions, while the Federal Government retained only 20 per cent.[26] Regional governments successfully financed major socio-economic infrastructure, agricultural expansion, and educational institutions from their independent tax bases and regional revenue retentions.[27]

The military intervention of January 1966 drastically altered this federal balance.[28] General Aguiyi-Ironsi's Unification Decree No. 34 of 1966 formally abolished the federal structure, establishing a centralized unitary system.[29] Although Gowon's Decree No. 52 of 1966 restored nominal federalism, subsequent military administration promulgated a series of centralizing fiscal decrees.[30] Decree No. 13 of 1970 reduced the regional derivation share of mineral royalties from 50 per cent to 45 per cent, while allocating a larger percentage to central military funds.[31] Decree No. 9 of 1971 expropriated offshore petroleum revenue exclusively to the Federal Military Government, stripping maritime coastal states of derivation rights over continental shelf petroleum reserves.[32]

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[22] Lyttleton Constitution 1954, s 135.
[23] Ibid s 138.
[24] Constitution of the Federation of Nigeria 1963, s 140.
[25] Ibid s 140(1).
[26] Ibid s 141.
[27] B A Williams, *Intergovernmental Fiscal Relations in Colonial and Post-Colonial Nigeria* (Oxford University Press 1989) 102.
[28] Unification Decree 1966 (No. 34).
[29] Ibid s 1.
[30] Constitution (Suspension and Modification) Decree 1966 (No. 52).
[31] Revenue Allocation Decree 1970 (No. 13).
[32] Offshore Revenues Decree 1971 (No. 9).

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The military administration further centralized tax policy through the enactment of national tax statutes applicable across all states.[33] The Personal Income Tax Decree 1993, the Companies Income Tax Act 1979, the Petroleum Profits Tax Act 1959, and the Value Added Tax Decree No. 102 of 1993 consolidated federal legislative and administrative dominance over taxation.[34] When military rule ended in May 1999, the military-drafted 1999 Constitution institutionalized this centralized fiscal structure, transferring exclusive legislative authority over major tax bases to the National Assembly.[35]

3. Constitutional and Statutory Framework for the Allocation of Taxing Powers in Nigeria

3.1 The Constitutional Division of Legislative Competence

The legal allocation of legislative authority under the 1999 Constitution is structured through Section 4 and the Second Schedule.[36] Section 4(1) vests the legislative powers of the Federation in the National Assembly, comprising the Senate and the House of Representatives.[37] Section 4(2) empowers the National Assembly to make laws for the peace, order, and good government of the Federation with respect to any matter included in the Exclusive Legislative List set out in Part I of the Second Schedule.[38]

Section 4(6) vests the legislative powers of a State in the House of Assembly of that State.[39] Section 4(7) authorizes a State House of Assembly to legislate on two categories of matters: 1. Any matter listed in the Concurrent Legislative List set out in Part I of the Second Schedule, to the extent prescribed in that list.[40] 2. Any other matter not included in the Exclusive Legislative List or Concurrent Legislative List, commonly referred to as residual legislative matters.[41]

Under the doctrine of doctrine of covered space and the rule of constitutional precedence codified in Section 4(5), where a law enacted by a State House of Assembly is inconsistent

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[33] A A Adegoroye, *Military Decrees and the Centralisation of Tax Powers in Nigeria* (Malthouse 2005) 78.
[34] Value Added Tax Decree 1993 (No. 102).
[35] 1999 Constitution, Second Schedule, Part I.
[36] Ibid s 4(1)-(7).
[37] Ibid s 4(1).
[38] Ibid s 4(2).
[39] Ibid s 4(6).
[40] Ibid s 4(7)(a).
[41] Ibid s 4(7)(b); *AG Ogun State v Aberuagba* (1985) 1 NWLR (Pt 3) 395.

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with a valid law enacted by the National Assembly on a concurrent matter, the federal law prevails and the state law is void to the extent of the inconsistency.[42] However, this federal supremacy applies exclusively to matters within federal legislative competence; the National Assembly cannot validly legislate on residual matters reserved exclusively to the States.[43]

3.2 Key Constitutional Provisions Governing Taxing Powers

Taxation is not listed as an omnibus, standalone item in the 1999 Constitution.[44] Instead, specific tax bases are allocated across the Exclusive and Concurrent Legislative Lists.[45]

Part I of the Second Schedule (Exclusive Legislative List) contains several specific items relating to taxation: Item 16: Customs and excise duties.[46] Item 25: Export duties.[47] Item 39: Mines and minerals, including oil fields, oil mining, geological surveys and natural gas.[48] Item 58: Stamp duties.[49] Item 59: Taxation of incomes, profits and capital gains, except as otherwise provided in this Constitution.[50] Item 68: Any matter incidental or supplementary to any matter mentioned elsewhere in this list.[51]

Part II of the Second Schedule (Concurrent Legislative List) addresses taxation under Items 7, 8, 9, and 10: Item 7: In the exercise of its powers to impose tax on capital gains, incomes or profits or stamp duties, the National Assembly may delegate the administration, collection or assessment of such tax to State authorities.[52] Item 8: Where an Act of the National Assembly delegates such functions to a State, the State House of Assembly may make laws regulating the procedure for collection and enforcement.[53] Item 9: A State House of Assembly may make provisions for the collection of any tax, fee or rate for the purpose of a Local Government Council.[54] Item 10: The National Assembly may make provisions for the division of public revenue between the Federation and the States, and among the States.[55]

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[42] 1999 Constitution, s 4(5); *Lakanmi v AG Western State* (1971) 1 UILR 201.
[43] *AG Federation v AG Lagos State* (2013) 16 NWLR (Pt 1380) 249.
[44] S A Ndanusa, *Constitutional Limits of Taxing Powers in Nigeria* (ABU Press 2019) 92.
[45] 1999 Constitution, Second Schedule.
[46] Ibid Part I, Item 16.
[47] Ibid Part I, Item 25.
[48] Ibid Part I, Item 39.
[49] Ibid Part I, Item 58.
[50] Ibid Part I, Item 59.
[51] Ibid Part I, Item 68.
[52] Ibid Part II, Item 7.
[53] Ibid Part II, Item 8.
[54] Ibid Part II, Item 9.
[55] Ibid Part II, Item 10.

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Critically, general consumption taxation, sales taxation, purchase taxation, property taxation, and local rates are absent from both the Exclusive and Concurrent Legislative Lists.[56] Under Section 4(7)(a) of the Constitution, these unlisted taxation categories fall squarely within the residual legislative competence of State Houses of Assembly.[57]

3.3 Distinguishing Imposition, Administration, and Collection Powers

A fundamental analytical issue in Nigerian tax law is the legal distinction between three separate dimensions of fiscal power:[58] 1. The Power to Impose (Legislative Competence): The constitutional power to enact tax legislation, define the tax base, determine tax rates, and create legal liability.[59] 2. The Power to Administer (Assessment and Enforcement): The statutory authority to register taxpayers, issue assessments, audit financial records, and enforce compliance.[60] 3. The Power to Collect and Retain Revenue: The legal entitlement to physically collect tax payments and retain the proceeds for public expenditure.[61]

The 1999 Constitution intentionally unbundles these powers in certain tax categories.[62] For example, under Item 59 of the Exclusive Legislative List and Item 7 of the Concurrent Legislative List, the Federal Government possesses exclusive legislative competence to impose Personal Income Tax (PIT) on individuals.[63] Pursuant to this power, the National Assembly enacted the Personal Income Tax Act (PITA).[64] However, PITA delegates the power to assess, collect, and retain PIT paid by residents of a State to that State's Board of Internal Revenue.[65] The Federal Inland Revenue Service collects PIT only from non-resident individuals, members of the Armed Forces, Nigeria Police Force, officers of the Ministry of Foreign Affairs, and residents of the Federal Capital Territory.[66]

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[56] *AG Rivers State v FIRS* (2021) 16 NWLR (Pt 1801) 1.
[57] 1999 Constitution, s 4(7)(a).
[58] K M Mowoe, *Constitutional Law in Nigeria* (Malthouse Press 2008) 145.
[59] Ibid 147.
[60] Taxes and Levies (Approved List for Collection) Act Cap T2 LFN 2004, s 1.
[61] Ibid s 2.
[62] Mowoe (n 70) 150.
[63] 1999 Constitution, Second Schedule, Part I, Item 59.
[64] Personal Income Tax Act Cap P8 LFN 2004 (as amended by PIT Amendment Act 2011).
[65] PITA, s 2(2).
[66] Ibid s 2(1)(b).

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Conversely, for Companies Income Tax (CIT) and Petroleum Profits Tax (PPT), the Federal Government possesses exclusive legislative competence, administrative assessment authority, and collection rights, with proceeds deposited directly into the Federation Account.[67]

4. Distribution of Taxing Powers Among the Three Tiers of Government

4.1 Federal Government Taxing Powers

Under the statutory framework operating prior to the 2025 reforms, the Federal Government exercised legislative and administrative control over the following primary taxes:[68]

1. Companies Income Tax (CIT): Governed by the Companies Income Tax Act (CITA), levied at 30 per cent on profits of medium and large corporate entities.[69]

2. Petroleum Profits Tax (PPT) / Hydrocarbon Tax: Governed by the Petroleum Profits Tax Act and Petroleum Industry Act 2021, levied on upstream petroleum operations.[70]

3. Customs and Excise Duties: Governed by the Customs and Excise Management Act, levied on international trade imports and specified excisable manufactured goods.[71]

4. Value Added Tax (VAT): Governed by the Value Added Tax Act (VATA) 1993, levied at 7.5 per cent on the supply of taxable goods and services.[72]

5. Capital Gains Tax (CGT) on Companies: Governed by the Capital Gains Tax Act, levied at 10 per cent on capital gains realized from corporate asset disposals.[73]

6. Stamp Duties on Corporate Documents: Governed by the Stamp Duties Act, levied on instruments executed by corporate bodies.[74]

7. Tertiary Education Tax (TET): Governed by the Tertiary Education Trust Fund Act, levied at 3 per cent on assessable corporate profits.[75]

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[67] Companies Income Tax Act Cap C21 LFN 2004, s 1; 1999 Constitution, s 162(1).
[68] PwC Nigeria, *Nigerian Tax Reference Guide 2024* (PwC 2024) 15.
[69] CITA, s 40.
[70] Petroleum Industry Act 2021, s 260.
[71] Customs and Excise Management Act Cap C45 LFN 2004, s 4.
[72] Value Added Tax Act Cap V1 LFN 2004 (as amended by Finance Acts 2019-2023), s 1.
[73] Capital Gains Tax Act Cap C1 LFN 2004, s 2.
[74] Stamp Duties Act Cap S8 LFN 2004, s 4.
[75] Tertiary Education Trust Fund (Establishment) Act 2011, s 1.

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4.2 State Government Taxing Powers

State Governments derive their taxing authority from state legislation enacted pursuant to residual powers or delegated under federal legislation, reinforced by the Taxes and Levies (Approved List for Collection) Act Cap T2 LFN 2004.[76] State taxing authority includes:[77] 1. Personal Income Tax (Pay-As-You-Earn and Direct Assessment): Collected from individual residents, sole proprietorships, and partnerships within the State.[78] 2. Capital Gains Tax on Individuals: Collected from individuals realizing capital gains on personal property within the State.[79] 3. Stamp Duties on Individual Instruments: Collected on legal instruments executed between individuals.[80] 4. Withholding Tax on Individuals: Collected on dividends, interest, rent, and contract payments made to individuals.[81] 5. Land Use Charge and Property Taxes: Levied on real estate property ownership and land transactions within the State.[82] 6. Hotel Occupancy and Restaurant Consumption Tax: Levied by several States (including Lagos and Rivers) on hospitality services rendered within state borders.[83] 7. Motor Vehicle Licensing and Drivers Licence Fees: Administrative fees charged for vehicle registration and transport licensing.[84] 8. Business Premises Registration Fees: Annual registration charges imposed on commercial establishments operating within the State.[85]

4.3 Local Government Council Revenue Powers

The Fourth Schedule to the 1999 Constitution enumerates the functions of Local Government Councils.[86] Section 7(1) guarantees the system of democratically elected Local Government Councils, while Section 7(5) and the Fourth Schedule allocate specific local revenue sources:[87] 1. Tenement Rates: Assessment and levy on residential and commercial real estate properties.[88] 2. Market Taxes and Shop Licences: Fees collected from market vendors and commercial shop operators.[89] 3. Motor Park Fees and Licensing: Charges for motor park usage and non-

[76] Taxes and Levies (Approved List for Collection) Act Cap T2 LFN 2004, Schedule.
[77] Andersen Nigeria, *Overview of State Taxing Competence in Nigeria* (Tax Alert, 2023) 3.
[78] PITA, s 2(2).
[79] CGTA, s 2(2).
[80] Stamp Duties Act, s 4(2).
[81] PITA, s 69.
[82] Rivers State Land Use Charge Law 2016, s 3.
[83] Rivers State Hotel Occupancy and Restaurant Consumption Law 2014, s 1.
[84] Taxes and Levies Act, Schedule, Part II.
[85] Ibid Item 5.
[86] 1999 Constitution, Fourth Schedule.
[87] Ibid s 7(1), (5).
[88] Ibid Fourth Schedule, Item 1(j).
[89] Ibid Item 1(b).

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mechanized vehicle registration.[90] 4. Liquor Licences: Licensing fees for retail sale of alcoholic beverages.[91] 5. Entertainment Licences and Advertising Fees: Charges for local public entertainment and outdoor billboard signage.[92] 6. Customary Birth, Marriage, and Death Registration Fees: Administrative charges for vital civic registrations.[93]

In practice, State Governments have frequently infringed upon Local Government revenue sources through centralized collection mechanisms, state-controlled joint accounts, or non-democratically appointed caretaker committees, undermining local administrative autonomy.[94]

4.4 Overlapping Tax Bases and the Problem of Multiple Taxation

The statutory allocation of tax bases in Nigeria has generated severe tax duplication and friction between tiers of government.[95] Multiple taxation arises in two distinct legal contexts:[96] 1. Unconstitutional Multiple Taxation: Where two tiers of government impose legally separate taxes on the exact same economic transaction or tax base without constitutional authorization (e.g., Federal VAT alongside State Sales/Consumption Tax on hospitality services).[97] 2. Administrative Multiple Taxation: Where unauthorized informal levies, road block charges, and illegal fees are extracted from business operators by state or local government task forces without statutory authority.[98]

The legal dispute surrounding Value Added Tax highlights unconstitutional tax duplication.[99] Following the federal enactment of VATA in 1993, several States enacted state sales tax or consumption tax laws.[100] Businesses operating in the hospitality sector were subjected to both 7.5 per cent Federal VAT and 5 per cent State Hotel Occupancy and Restaurant Consumption

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[90] Ibid Item 1(e).
[91] Ibid Item 1(d).
[92] Ibid Item 1(k).
[93] Ibid Item 1(i).
[94] I E Nwosu, *Local Government Fiscal Autonomy and Statutory Allocation in Nigeria* (Fourth Dimension 2020) 88.
[95] Chartered Institute of Taxation of Nigeria (CITN), *Report on Multiple Taxation in Nigeria* (CITN Press 2022) 34.
[96] Ibid 38.
[97] *Eko Hotels Ltd v AG Lagos State* (2017) 13 NWLR (Pt 1582) 413.
[98] Manufacturers Association of Nigeria (MAN), *Survey on Subnational Tax Harassment* (MAN 2023) 19.
[99] Goldsmiths Solicitors, *The Nigerian VAT Conundrum: Pay You Are Damned, Don't Pay You Are Damned* (Legal Article, 2021) 2.
[100] Hotel Occupancy and Restaurant Consumption Law of Lagos State 2009.

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Tax, creating double taxation on consumer invoices and precipitating extensive constitutional litigation.[101]

5. Fiscal Autonomy and Revenue-Raising Capacity of Rivers State

5.1 Economic Profile and Revenue Dynamics of Rivers State

Rivers State, situated in Nigeria's Niger Delta region, constitutes one of the nation's primary economic engines.[102] Possessing extensive crude oil and natural gas reserves, major maritime ports at Port Harcourt and Onne, petroleum refining infrastructure, petrochemical complexes, and vibrant commercial and real estate markets, Rivers State generates substantial economic value.[103]

Despite this massive economic output, Rivers State exhibits high dependency on monthly allocations from the Federation Account Allocation Committee (FAAC).[104] Historical financial records published by the National Bureau of Statistics show that statutory allocations derived from federally collected mineral royalties, corporate taxes, and VAT have historically comprised over 60 to 70 per cent of Rivers State's total annual fiscal revenue.[105]

Internally Generated Revenue (IGR) in Rivers State is generated primarily through Personal Income Tax (PAYE) collected from corporate employees, state stamp duties, land registration charges, business premises fees, and environmental charges.[106] PAYE deductions from multinational oil companies and oil service firms operating in Port Harcourt contribute a dominant proportion of state IGR.[107] However, because tax headquarters provisions under PITA allow companies to remit employee PAYE to the State where the employee resides, corporate restructuring and remote working arrangements have enabled some firms to shift tax remittances outside Rivers State.[108]

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[101] *Eko Hotels* (n 109).
[102] Ibid, Second Schedule, Parts I & II.
[103] Ibid 14.
[104] National Bureau of Statistics, *Subnational Revenue Statistics 2024* (NBS 2025) 45.
[105] Ibid 48.
[106] Rivers State Board of Internal Revenue, *Revenue Performance Report 2024* (RSBIR 2025) 10.
[107] Ibid 15.
[108] PITA, s 2(2); PwC (n 80) 22.

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5.2 The Rivers State Value Added Tax Law No. 4 of 2021

In response to federal dominance over consumption tax revenues, Rivers State enacted the Rivers State Value Added Tax Law No. 4 of 2021.[109] The statute established a comprehensive state consumption tax framework:[110] Section 1: Imposes VAT at 7.5 per cent on the supply of taxable goods and services within Rivers State.[111] Section 3: Empowers the Rivers State Board of Internal Revenue (RSBIR) to administer, assess, collect, and enforce the tax.[112] Section 7: Mandates that taxable persons submit monthly returns to the RSBIR.[113] Section 16: Directs that 100 per cent of VAT revenue collected under the Law accrues directly to Rivers State and its Local Government Councils (in a ratio of 70 per cent to State Government and 30 per cent to Local Government Councils), completely bypassing the federal pool.[114]

The enactment of Law No. 4 of 2021 represented a direct legal challenge to federal centralization, asserting subnational legislative sovereignty over residual consumption tax bases.[115]

6. Petroleum Revenue, Derivation and the Fiscal Position of Rivers State

6.1 Section 162(2) and the Derivation Principle

The fiscal position of petroleum-producing States in Nigeria is intimately linked to the derivation principle codified in Section 162(2) of the 1999 Constitution.[116] Section 162(1) establishes the Federation Account into which all revenues collected by the Government of the Federation are paid, except proceeds from personal income tax of armed forces personnel, foreign affairs officers, and FCT residents.[117]

Section 162(2) directs the National Assembly to determine the revenue allocation formula, provided that:[118]

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[109] Rivers State Value Added Tax Law No. 4 of 2021.
[110] Ibid ss 1-16.
[111] Ibid s 1.
[112] Ibid s 3.
[113] Ibid s 7.
[114] Ibid s 16.
[115] Uche Val Obi, *The Value Added Tax Quandary: Which Way to Go* (UUBO Legal Series 2021) 6.
[116] 1999 Constitution, s 162(2).
[117] Ibid s 162(1).
[118] Ibid s 162(2).

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> "the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen per cent of the revenue accruing to the Federation Account directly from any natural resources."[119]

The 13 per cent derivation rule represents a partial constitutional compromise for natural resource-producing States.[120] It acknowledges the severe environmental degradation, oil spillages, loss of agricultural land, health hazards, and infrastructural destruction suffered by communities in oil-producing States like Rivers State.[121]

6.2 Legal Distinctions: Tax Revenue vs Statutory Derivation Transfers

A crucial legal distinction exists between derivation transfers under Section 162(2) and subnational tax autonomy:[122] 1. Derivation Transfers are Statutory Allocations: Derivation revenue is collected centrally by federal agencies (FIRS/NRS, NUPRC) in the form of petroleum profits taxes, hydrocarbon taxes, and mineral royalties, deposited into the Federation Account, and redistributed through FAAC.[123] Rivers State receives derivation funds as a passive beneficiary of a federal statutory redistribution mechanism.[124] 2. Subnational Tax Autonomy is Own-Source Competence: Tax autonomy involves the constitutional power of Rivers State to enact its own tax laws, set rates, collect revenues directly through RSBIR, and retain proceeds without federal intermediation.[125]

Dependency on derivation transfers exposes Rivers State to extreme revenue volatility caused by global crude oil price fluctuations, international energy transition shifts, and domestic oil theft.[126] Furthermore, the 13 per cent constitutional floor has functioned as a practical ceiling, as successive federal administrations have resisted legislative requests to increase derivation to 25 or 50 per cent.[127] True fiscal autonomy requires strengthening non-oil own-source taxation under subnational legislative control.[128]

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[119] Ibid.
[120] C A J Chinwo, *Resource Control and Fiscal Federalism in Nigeria* (Renaissance Publishers 2018) 142.
[121] Human Rights Watch, *Petroleum Environmental Degradation in Rivers State* (HRW Report 2022) 28.
[122] Chinwo (n 132) 150.
[123] Petroleum Industry Act 2021, s 260.
[124] 1999 Constitution, s 162(2).
[125] Musgrave (n 3) 189.
[126] Central Bank of Nigeria, *Annual Economic Report 2024* (CBN 2025) 62.
[127] Revenue Mobilisation Allocation and Fiscal Commission (RMAFC), *Report on Revenue Allocation Formula Review* (Abuja 2023) 33.
[128] Chinwo (n 132) 160.

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7. The 2025 Nigerian Tax Reforms and Their Implications for Fiscal Federalism

7.1 Overview of the 2025 Four-Pillar Legislative Package

In 2025, the Federal Government enacted a major tax reform package comprising four comprehensive Acts designed to modernize, simplify, and centralize tax administration across Nigeria:[129] 1. The Nigeria Tax Act (NTA) 2025: Repeals ten legacy tax statutes (including CITA, PITA, PPTA, VATA, CGTA, and Stamp Duties Act), consolidating substantive tax rules into a single statutory framework.[130] 2. The Nigeria Tax Administration Act (NTAA) 2025: Standardizes administrative procedures, registration, filing, audit, assessment, and dispute resolution across all tax types.[131] 3. The Nigeria Revenue Service (Establishment) Act (NRSA) 2025: Repeals the Federal Inland Revenue Service (Establishment) Act 2007, transforming FIRS into the Nigeria Revenue Service (NRS) with expanded administrative jurisdiction.[132] 4. The Joint Revenue Board of Nigeria (Establishment) Act (JRBA) 2025: Replaces the former Joint Tax Board (JTB), establishing the Joint Revenue Board alongside a Tax Ombudsman to coordinate intergovernmental tax administration and resolve inter-agency disputes.[133]

7.2 Key Substantive Reforms under NTA 2025 and NTAA 2025

The 2025 Acts introduce far-reaching structural changes:[134] Personal Income Tax Reliefs: Introduces a progressive 0 per cent PIT bracket for low-income earners earning below N800,000 annually, while raising threshold rates for higher earners.[135] Corporate Tax Consolidation: Replaces TET, IT levy, and NASENI levy with a unified 4 per cent Development Levy on corporate profits.[136] Small Business Exemptions: Completely exempts small businesses with annual turnover below N100 million from CIT, VAT, and Development Levy obligations.[137] Derivation-Based VAT Sharing Formula: Proposes allocating 60 per cent

[129] Nigeria Tax Act 2025; Nigeria Tax Administration Act 2025; Nigeria Revenue Service (Establishment) Act 2025; Joint Revenue Board of Nigeria (Establishment) Act 2025.
[130] NTA 2025, s 1.
[131] NTAA 2025, s 1.
[132] NRSA 2025, s 1.
[133] JRBA 2025, s 1.
[134] Policy and Legal Advocacy Centre (PLAC), *Understanding the Tax Reform Bills 2024* (PLAC Legist, 2024) 4.
[135] NTA 2025, Schedule 1.
[136] Ibid s 45.
[137] Ibid s 12.

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of the VAT pool based on the derivation principle (where goods and services are consumed), 20 per cent based on population, and 20 per cent shared equally **among States.**[138]

7.3 Critical Evaluation: Revenue Distribution, Governance Deficits, and Unitarist Friction

While the 2025 reforms introduce significant technical modernizations, administrative efficiencies, and tax relief for small enterprises, they raise profound constitutional concerns regarding subnational fiscal federalism:[139]

First, Section 24 of the NTAA 2025 designates the Nigeria Revenue Service (NRS) as the primary agency responsible for administering and collecting single consumption taxes and VAT nationwide.[140] By centralizing consumption tax collection under a federal agency, the Act bypasses the constitutional doctrine affirmed in *AG Rivers State v FIRS*, effectively encroaching upon the residual legislative competence of State Houses of Assembly.[141]

Second, while the proposed 60 per cent derivation allocation for VAT appears economically advantageous to high-consumption States like Rivers and Lagos, it preserves central federal administration of consumption taxes.[142] States remain passive recipients of federal distributions rather than autonomous tax authorities.[143]

Third, the NTAA 2025 imposes a mandatory pre-condition requiring taxpayers appealing to the Tax Appeal Tribunal to deposit 15 per cent of disputed assessments into an escrow account.[144] This provision restricts judicial access and raises constitutional concerns under Section 36 of the 1999 Constitution, which guarantees fair hearing and unhindered access to courts.[145]

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[138] Taiwo Oyedele, 'Presidency Clarifies VAT Derivation Provisions under Tax Reform Bills' (NAN News, 18 October 2024) 2.
[139] Chinwo (n 6) 240.
[140] NTAA 2025, s 24.
[141] *AG Rivers State v FIRS* (n 16).
[142] Chinwo (n 6) 244.
[143] Ibid 245.
[144] NTAA 2025, s 24(5).
[145] 1999 Constitution, s 36(1).

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8. Judicial Interpretation of Taxing Powers and Intergovernmental Fiscal Disputes in Nigeria

8.1 Evolutionary Trajectory of Nigerian Tax Jurisprudence

Nigerian courts have played a pivotal role in delineating the constitutional boundaries of federal and state taxing competence.[146] Five landmark judicial decisions illustrate the legal evolution of tax federalism:

1. Attorney General of Ogun State v Aberuagba & Ors (1985)[147]

The Supreme Court considered the validity of the Sales Tax Law of Ogun State, which imposed sales tax on petroleum products, produce, and consumer items.[148] The Supreme Court established the foundational principle governing residual taxing powers:[149] The Federal Government possesses exclusive legislative power over international and inter-state trade and commerce under Item 61 of the 1979 Exclusive List.[150] State Governments possess exclusive residual legislative power over intra-state trade and commerce.[151] Consequently, a State can validly impose sales tax on goods and services sold exclusively within its territorial boundaries (intra-state commerce), but cannot tax inter-state transactions or imported goods.[152]

2. Attorney General of Lagos State v Attorney General of the Federation (2003)[153]

The Supreme Court invalidated the Nigerian Tourism Development Corporation Act, holding that physical planning, urban development, tourism licensing, and hotel regulation fall exclusively within the residual legislative competence of State Houses of Assembly.[154] The Court affirmed that the Federal Government cannot use general incidental legislative powers to usurp residual state regulatory and taxation functions.[155]

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[146] I O Agbede, *Themes in Nigerian Jurisprudence* (MIJ Publishers 2010) 215.
[147] (1985) 1 NWLR (Pt 3) 395.
[148] Ibid 398.
[149] Ibid 405 per Bello JSC.
[150] Ibid 410.
[151] Ibid 412.
[152] Ibid 415.
[153] (2003) 12 NWLR (Pt 833) 1.
[154] Ibid 15 per Uwais CJN.
[155] Ibid 22.

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3. Attorney General of Lagos State v Eko Hotels Ltd & Anor (2017)[156]

The Supreme Court examined the conflict between the Federal Value Added Tax Act and the Sales Tax Law of Lagos State.[157] The Court held that where the Federal VAT Act and a State Sales Tax Law cover the exact same taxable base (consumption of goods and services), both statutes cannot operate concurrently.[158] Under Section 4(5) of the Constitution, the Court held that federal VATA covered the field, rendering the State Sales Tax Law inoperative.[159] However, the Court did not deeply interrogate whether VATA itself was constitutionally valid under Section 4(7).[160]

4. Emmanuel Chukwuka Ukala v Federal Inland Revenue Service (2020)[161]

The Federal High Court (Port Harcourt Division) explicitly tackled the constitutional validity of VATA.[162] Delivering judgment, the Court held that the National Assembly lacks constitutional competence to enact legislation imposing Value Added Tax on intra-state supply of goods and services.[163] Because VAT is absent from both the Exclusive and Concurrent Legislative Lists, it constitutes a residual matter reserved exclusively to State Houses of Assembly under Section 4(7)(a).[164]

5. Attorney General of Rivers State v Federal Inland Revenue Service & AG Federation (2021)[165]

Building upon *Ukala*, the Federal High Court (Port Harcourt Division, per Stephen Pam J.) delivered a landmark judgment confirming:[166] 1. The Federal Government's legislative competence to impose tax under Item 59 of the Exclusive Legislative List is restricted strictly to Companies Income Tax, Petroleum Profits Tax, and Capital Gains Tax.[167] 2. The National

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156 (2017) 13 NWLR (Pt 1582) 413.
157 Ibid 420.
158 Ibid 435 per Kekere-Ekun JSC.
159 Ibid 440.
160 Ibid 442.
161 (2020) 130 ATR 1 (FHC).
162 Ibid 5 per Ringim J.
163 Ibid 12.
164 Ibid 15.
165 (2021) 16 NWLR (Pt 1801) 1 (FHC).
166 Ibid 10 per Pam J.
167 Ibid 18.

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Assembly lacks legislative competence to enact the Value Added Tax Act Cap V1 LFN 2004 or to empower FIRS to collect VAT on intra-state commercial transactions.[168] 3. The power to legislate on intra-state consumption taxation, sales tax, and VAT belongs exclusively to State Houses of Assembly.[169] 4. The provisions of VATA 2004 are unconstitutional, null, and void to the extent that they regulate intra-state consumption.[170] 5. FIRS was perpetually restrained from assessing, collecting, or demanding VAT within the territorial jurisdiction of Rivers State.[171]

Although FIRS appealed to the Court of Appeal and Supreme Court (where stay of execution orders and constitutional references remain active), *AG Rivers v FIRS* reshaped Nigerian fiscal legal thought, providing judicial authority for subnational residual tax sovereignty.[172]

9. Comparative Analysis of Taxing Powers in South Africa and Canada

9.1 South Africa: Constitutional Tax Assignment and Revenue Coordination

South Africa provides a valuable African comparative model of constitutional tax assignment operating within a quasi-federal constitutional democracy.[173]

Chapter 13 of the Constitution of the Republic of South Africa 1996 establishes a clear legal structure for subnational fiscal relations:[174] Section 228 (Provincial Taxes): Empowers Provincial Legislatures to impose taxes, levies, and duties, excluding income tax, corporate tax, value added tax, or customs duties.[175] Provinces may enact provincial surcharges on personal income taxes or user fees, provided such taxes do not materially prejudice national economic policy or inter-provincial commerce.[176] Section 229 (Municipal Taxes): Authorizes Municipal Councils to impose property rates, user charges for municipal services, and flat municipal levies.[177] Section 214 (Division of Revenue Act): Mandates an annual Division of

[168] Ibid 22.
[169] Ibid 25.
[170] Ibid 30.
[171] Ibid 35.
[172] ICAN, *Position Paper on Rivers State VAT Judgment* (ICAN Executive Statement, September 2021) 2.
[173] C Murray and R Simeon, *Subnational Autonomy in South Africa's Constitutional Order* (Juta 2015) 89.
[174] Constitution of the Republic of South Africa 1996, ch 13.
[175] Ibid s 228(1).
[176] Ibid s 228(2).
[177] Ibid s 229(1).

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Revenue Act enacted by Parliament, establishing an equitable share of nationally raised revenue for national, provincial, and local spheres of government.[178]

Tax administration is centralized under the South African Revenue Service (SARS) established under the SARS Act 34 of 1997.[179] However, SARS functions as an independent, professional administrative body operating transparently, with provincial revenue shares allocated automatically pursuant to objective constitutional criteria developed by the Financial and Fiscal Commission (FFC).[180]

9.2 Canada: Dual Taxing Competence and Tax Collection Agreements

Canada represents an advanced federal jurisdiction exhibiting extensive subnational tax autonomy combined with high administrative harmonization.[181]

Under the Constitution Act 1867:[182] Section 91(3): Grants the Federal Parliament exclusive authority over "The raising of Money by any Mode or System of Taxation."[183] This enables the federal government to impose direct and indirect taxes nationwide.[184] Section 92(2): Grants Provincial Legislatures exclusive authority over "Direct Taxation within the Province in order to the raising of a Revenue for Provincial Purposes."[185]

Canadian Provinces exercise independent legal power to impose Provincial Sales Tax (PST), Provincial Personal Income Tax (PIT), Corporate Income Tax (CIT), and natural resource royalties.[186]

To eliminate administrative duplication, Canada developed Tax Collection Agreements (TCAs).[187] Under TCAs, the Canada Revenue Agency (CRA) collects provincial personal and corporate income taxes on behalf of participating provinces free of charge.[188] Provinces retain

[178] Ibid s 214(1).
[179] South African Revenue Service Act 34 of 1997, s 2.
[180] Financial and Fiscal Commission Act 99 of 1997, s 3.
[181] P W Hogg, *Constitutional Law of Canada* (5th edn, Carswell 2019) ch 30.
[182] Constitution Act 1867, 30 & 31 Vict, c 3.
[183] Ibid s 91(3).
[184] Hogg (n 193) 30.4.
[185] Constitution Act 1867, s 92(2).
[186] Hogg (n 193) 30.8.
[187] Federal-Provincial Fiscal Arrangements Act RSC 1985, c F-8, s 7.
[188] Ibid s 9.

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complete legislative sovereignty to set provincial tax rates, exemptions, and credits, while CRA handles single-window assessment and collection.[189]

Furthermore, in several provinces, the federal Goods and Services Tax (GST) and provincial sales taxes are combined into a Harmonized Sales Tax (HST).[190] CRA collects HST at a unified rate, automatically remitting the provincial portion back to participating provinces based on consumption derivation formulas.[191]

9.3 Comparative Evaluation Matrix

Comparing Nigeria, South Africa, and Canada reveals critical structural differences:

Constitutional Parameter	**Nigeria**	**South Africa**	**Canada**
Subnational Tax Autonomy	Severely circumscribed; central federal dominance over major bases.	Moderate; provinces have rate surcharges and property rates under s 228/229.	High; provinces possess direct taxing power under s 92(2).
Consumption Tax Assignment	Residual under s 4(7); central federal VATA challenged in *AG Rivers*.	Centralized VAT under SARS; national equitable share distribution.	Shared; Federal GST and Provincial PST/HST harmonized under TCAs.
Intergovernmental Coordination	Conflictual; FIRS enforcement vs State consumption tax statutes.	Highly organized via Financial & Fiscal Commission (FFC).	Cooperative; CRA administers provincial taxes via voluntary TCAs.
Resource Revenue Distribution	Federation Account pool; 13% derivation	National revenue pool distributed via	Provincial ownership of natural resources

[189] Ibid s 12.
[190] Excise Tax Act RSC 1985, c E-15, Part IX.
[191] Ibid s 221.

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Constitutional Parameter	Nigeria	South Africa	Canada
	statutory floor under s 162(2).	annual Division of Revenue Act.	under s 92A; Federal Equalization.

10. Comparative Lessons for Nigeria and Rivers State

10.1 Key Adaptable Insights

Nigeria and Rivers State can draw three transformative lessons from South Africa and Canada:

1. Voluntary Tax Collection Agreements (Canadian Model): Rather than engaging in persistent jurisdictional litigation or centralizing collection via unilateral federal statutes like NTAA 2025, Nigeria should adopt voluntary Tax Collection Agreements. Under this model, Rivers State can enact its state consumption tax law, set its desired rates, and voluntarily contract the Nigeria Revenue Service (NRS) to collect the tax on its behalf. This preserves state legislative sovereignty while achieving federal administrative efficiency.
2. Independent Fiscal Oversight (South African FFC Model): Nigeria should establish an independent Financial and Fiscal Commission, backed by constitutional authority, to determine objective revenue-sharing parameters, evaluate derivation allocations, and eliminate political influence from FAAC distribution.
3. Explicit Subnational Tax Enumeration: Constitutional reform must explicitly enumerate subnational tax bases, removing ambiguity surrounding consumption taxation, land taxes, and municipal rates.

11. Challenges to Fiscal Autonomy and the Rebalancing of Taxing Powers in Nigeria

11.1 Key Structural, Institutional, and Political Barriers

Achieving fiscal rebalancing in Nigeria faces five formidable obstacles:

1. Political Resistance to Constitutional Reform: Amending the 1999 Constitution pursuant to Section 9 requires a two-thirds majority in the National Assembly and approval by two-thirds of State Houses of Assembly. Landlocked or low-IGR States

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that rely heavily on central VAT redistribution actively oppose decentralization, fearing revenue loss.

2. Subnational Institutional Weakness: Many State Boards of Internal Revenue, excluding Lagos and Rivers, suffer from severe administrative deficits, inadequate digital infrastructure, poorly trained personnel, and political interference.
3. Risk of Inter-State Tax Barriers: Uncoordinated state-level consumption taxation could lead to double taxation, inter-state trade barriers, and increased compliance burdens for nationwide businesses.
4. Local Government Revenue Capture: State Governments routinely usurp Local Government tenement rates and market charges, creating vertical fiscal tyranny at the subnational level.
5. Over-Reliance on Petroleum Derivation: Rivers State's focus on petroleum derivation statutory transfers distracts from aggressive development of non-oil commercial tax bases, property tax reforms, and digital registration.

12. Legal, Constitutional and Institutional Reform Proposals

12.1 Constitutional Reform Imperatives

To establish an equitable fiscal federal structure, the National Assembly should enact constitutional amendments to:

1. Explicitly Differentiate Consumption Tax Base: Amend the Second Schedule to explicitly allocate intra-state consumption taxation, retail sales tax, and hotel/hospitality charges to the Residual Legislative List under State jurisdiction, while restricting federal consumption taxation strictly to international and inter-state trade.

2. Increase Constitutional Derivation Floor: Amend Section 162(2) to increase the minimum derivation allocation from 13 per cent to 25 per cent for natural resource-producing States.

3. Protect Local Government Fiscal Autonomy: Enforce Section 7 and Section 162(6) by abolishing State-Local Government Joint Accounts, requiring direct statutory transfers from the Federation Account to democratically elected Local Government Councils.

12.2 Statutory and Institutional Reforms

At the statutory and institutional level, the following reforms are recommended:

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1. Enact Statutory Tax Collection Agreement Framework: Amend the Nigeria Tax Administration Act 2025 to enable States to enter into bilateral, voluntary Tax Collection Agreements with the NRS for single-window consumption tax collection.

2. Correct Unconstitutional Provisions in NTAA 2025: Repeal the 15 per cent appeal deposit requirement under Section 24 of NTAA 2025 to safeguard unhindered access to justice.

3. Digitalize Rivers State Internal Revenue Service: Rivers State should implement comprehensive end-to-end digital taxpayer registration, automated Land Use Charge assessment, e-filing portals, and GIS-based property mapping.

4. Establish Inter-State Tax Harmonization Compacts: State Governments should establish a State Revenue Harmonization Compact under the Joint Revenue Board to standardize consumption tax rates (e.g., uniform 5 to 7.5 per cent rate) and prevent destructive tax competition.

13. Conclusion

Nigeria's fiscal federalism stands at a critical historical junction. The current centralized tax structure, inherited from military rule and reinforced by legacy tax legislation, creates severe vertical fiscal imbalance, eroding subnational autonomy and fostering financial dependency among States.

The landmark judgment in *Attorney General of Rivers State v Federal Inland Revenue Service* provided a vital judicial correction, affirming that residual consumption taxation belongs exclusively to State Houses of Assembly. While the 2025 tax reform Acts introduce valuable modernizations, their attempt to centralize consumption tax administration under the Nigeria Revenue Service regenerates unitarist friction.

By adopting the comparative legal models of Canada and South Africa, Nigeria can reconcile subnational fiscal sovereignty with national economic integration. Through voluntary Tax Collection Agreements, constitutional enumeration of tax bases, increased natural resource derivation, and comprehensive digitalization of state tax administration, Rivers State and other constituent States can achieve genuine fiscal autonomy, building a sustainable foundation for economic development and constitutional democracy.

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