

NIGERIAN TAX LAWS: JUDICIAL REACTIONS AND INTERPRETATIONS*

Abstract

Taxation constitutes a central component of state functioning, underpinning economic stability, fiscal sustainability and distributive justice. In Nigeria, the legal framework governing taxation has developed through successive statutory interventions, complemented by a substantial body of judicial interpretation. However, ambiguities in legislative drafting, administrative inefficiencies and the fragmented structure of Nigerian tax legislation have created interpretative uncertainties that frequently require judicial clarification. As a result, the courts have become pivotal in shaping the contours of Nigerian tax law, often filling legislative gaps and resolving conflicts among multiple statutory regimes. This paper employs a doctrinal research methodology, drawing on both primary and secondary sources. Primary materials include major federal tax statutes like the Companies Income Tax Act, Personal Income Tax Act, Petroleum Profits Tax Act, Value Added Tax Act and Capital Gains Tax Act as well as leading judicial decisions that have influenced their application. Secondary sources such as textbooks, peer-reviewed articles, law reports and official publications provide analytical context and illuminate broader theoretical and policy considerations. Through a systematic examination of statutory provisions and case law, the study evaluates the judiciary's role in interpreting ambiguous provisions, protecting taxpayer rights and addressing administrative shortcomings within the tax system. The findings indicate that although Nigerian courts have taken important steps toward clarifying legislative ambiguities and strengthening the protection of taxpayers, inconsistencies in judicial reasoning, divergent interpretative approaches and insufficient statutory reform continue to undermine coherence, predictability and administrative efficiency in tax law. These challenges hinder effective tax administration and weaken public confidence in the tax system. The paper concludes by advocating for the harmonisation of judicial approaches, greater statutory simplification, improved legislative drafting practices and enhanced judicial training on tax matters. Such reforms are essential to developing a more consistent, transparent and efficient tax framework capable of supporting Nigeria's broader developmental objectives.

Keywords: Comparative Analysis, Courts Decisions, Judicial Interpretation, Nigerian Tax Laws, Tax Legislations

1. Introduction

Taxation is an indispensable mechanism through which governments generate revenues for public expenditure and development. In Nigeria, tax constitutes a major source of non-oil revenue, with the Federal Inland Revenue Service, now known as Nigeria Revenue Service and State Internal Revenue Service responsible for collection and administration under various statutory frameworks.¹ The Nigerian tax system, however, is characterised by multiplicity of taxes, overlapping jurisdictions, and frequent litigation over interpretations.² The judiciary, being the custodian of the Constitution and interpreter of laws, has consequently become central to Nigeria's tax jurisprudence.³ Judicial interpretation not only resolves disputes between tax authorities and taxpayers but also clarifies the scope and intent of tax statutes.⁴ Over the years, Nigerian courts have developed principles guiding

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¹ Federal Inland Revenue Service (Establishment) Act 2007, s 2.

² AB Oyedokun, *Principles and Practice of Taxation in Nigeria* (2nd edn, Ibadan University Press 2018) 24.

³ Constitution of the Federal Republic of Nigeria 1999 (as amended), s 6(6)(b).

⁴ O Akanle, 'Judicial Interpretation and the Rule of Law in Nigerian Tax Jurisprudence' (2017) 9 *Nigerian Tax Journal* 112, 115.

interpretations in tax matters, such as strict construction of taxing statutes and the presumption against taxation without clear legislative authority.⁵ Nevertheless, divergent and inconsistent judicial interpretations and applications of these principles have sometimes produced uncertainty in tax law.⁶ For instance, controversies over the constitutional competence of the Federal Government to impose value added tax and the proper delineation of taxing powers between federal and state governments have underscored the need for coherent judicial reasoning.⁷

Despite the extensive statutory frameworks governing taxation in Nigeria, ambiguity and inconsistencies remain common place. The multiplicity of tax statutes and the technical nature of their provisions often lead to divergent judicial interpretations. This inconsistency affects legal certainty and taxpayer confidence. Moreso, frequent conflicts between the Federal and State Governments over fiscal powers as exemplified in the case of *A.G. Rivers State v FIRS & A.G. Federation* reveals persistent constitutional and interpretational dilemmas.⁸ The problem, therefore, lies in how judicial reactions and interpretations can either facilitate clarity and fairness in taxation or exacerbate administrative and constitutional conundrum.

2. Meaning of Taxation

Taxation, in its most basic form, is the compulsory exaction of money by a public authority for public purposes enforceable by law.⁹ It is neither a voluntary contribution nor a donation; it is a statutory obligation imposed by the state.¹⁰ The legitimacy of taxation derives from the constitutional allocation of taxing powers, ensuring that no tax shall be imposed except by or under the authority of law.¹¹ From a jurisprudential perspective, taxation is rooted in the social-contract theory the notion that citizens surrender a portion of their wealth in exchange for public goods and governance.¹² The Nigerian tax system, therefore, represents a legal mechanism for wealth redistribution and economic regulation.¹³

3. Historical Development of the Nigerian Tax System

The origin of formal taxation in Nigeria predates colonial rule, with indigenous communities practising forms of communal levies and tributes.¹⁴ British colonial administration introduced statutory taxation through ordinances such as the Native Revenue Ordinance of 1904 and later the Direct Taxation Ordinance of 1940.¹⁵ Post-independence, Nigeria's tax structure evolved under successive Constitutions and reform initiatives. The Raisman Commission of 1958 and the Tax Reform Committee of 2003 were instrumental in redefining fiscal federalism and modernising tax administration.¹⁶ The current system reflects both colonial legacies and contemporary economic realities, characterised by a dual tax authority between the federal and state governments.¹⁷

4. Legal Framework of Nigerian Tax Laws

Nigeria's tax regime is anchored on several principal statutes, each governing specific aspects of taxation.

⁵ *FBIR v Halliburton (WA) Ltd* (2016) 10 TLRN 1, 17.

⁶ O. Oloyede, 'Judicial Attitudes to Taxation in Nigeria: An Assessment' (2020) 15 *Nigerian Law and Practice Journal* 44, 47.

⁷ *A.G. Federation v A.G. Lagos State* (2018) LPELR-45061(SC).

⁸ *A.G. Rivers State v FIRS & A.G. Federation* (Unreported Suit No FHC/PH/CS/149/2020, judgment delivered 9 August 2021).

⁹ *Oxford English Dictionary* (OUP 2022) s.v. 'taxation' 3.

¹⁰ *A-G of Ondo State v A-G of Federation* (2002) 9 NWLR (Pt 772) 222 (SC).

¹¹ Constitution of the Federal Republic of Nigeria 1999 (as amended), s 59(1).

¹² J Locke, *Second Treatise of Government* (1690, Cambridge UP 1988 edn) § 140.

¹³ O Okauru, *Nigerian Tax System: Theory and Practice* (2nd edn, CITN Press 2012) 5.

¹⁴ T Gberegbe, *Historical Perspectives on Nigerian Taxation* (Lagos Law Publications 2015) 12.

¹⁵ *ibid* 15.

¹⁶ Federal Republic of Nigeria, *Report of the Raisman Fiscal Commission 1958* (Cmnd 304).

¹⁷ O Abiola, 'Fiscal Federalism and Tax Jurisdiction in Nigeria' (2019) 10 *Nigerian Journal of Public Finance* 33.

Companies Income Tax Act: The Companies Income Tax Act¹⁸ regulates the taxation of corporate entities. It imposes tax on profits accruing in, derived from, brought into, or received in Nigeria.¹⁹ CITA establishes the FIRS as the principal administrative body and prescribes mechanisms for assessment, collection, and enforcement.²⁰ Judicial interpretation has played a central role in defining ‘profits,’ ‘residence’ and ‘source’ of income. In *FBIR v Halliburton (WA) Ltd*, the Court of Appeal emphasised that tax statutes must be construed strictly, and liability cannot be inferred by implication.²¹

Personal Income Tax Act: The Personal Income Tax Act²² governs taxation of individuals, partnerships, trustees, and communities.²³ It vests collection authority in the states, except for certain categories of taxpayers under the FIRS.²⁴ Judicial decisions such as *Shell Petroleum Development Co v FBIR* have clarified residency rules and the scope of assessable income.²⁵

Petroleum Profits Tax Act: The Petroleum Profits Tax Act²⁶ is peculiar to upstream petroleum operations. It taxes profits from petroleum exploration and production at rates ranging from 50 to 85 per cent, depending on the contractual framework.²⁷ The courts have consistently affirmed that PPTA provisions must be applied as enacted, without equitable modification.²⁸ In *Shell Petroleum v FBIR*, the Supreme Court underscored the strict-liability nature of petroleum tax assessments.²⁹

Value Added Tax Act: The Value Added Tax Act³⁰ introduces an indirect consumption tax on goods and services.³¹ VAT disputes have generated some of Nigeria’s most significant constitutional litigation.³² In *A.G. Federation v A.G. Lagos State*, the Supreme Court acknowledged the federal competence over VAT but left unresolved questions concerning state fiscal autonomy.³³

Capital Gains Tax Act: The Capital Gains Tax Act³⁴ imposes tax on gains realised from disposal of chargeable assets.³⁵ Judicial clarification has been necessary regarding what constitutes ‘disposal’ and ‘asset,’ particularly in complex commercial transactions.³⁶

Stamp Duties Act and Other Relevant Laws: The Stamp Duties Act³⁷ governs duties on instruments and documents.³⁸ Disputes have arisen over whether electronic transactions attract stamp duty.³⁹ The Finance Act 2020 and 2021 amendments have modernised several aspects of tax legislations, expanding the scope of digital and cross-border taxation.⁴⁰

¹⁸ Cap C21 Laws of the Federation of Nigeria 2004, as amended

¹⁹ Companies Income Tax Act (Cap C21 LFN 2004) s 9(1).

²⁰ *ibid* ss 8-10.

²¹ *FBIR v Halliburton (WA) Ltd* (2016) 10 TLRN 1 (CA).

²² Cap P8 LFN 2004, as amended by the Finance Act 2020

²³ Personal Income Tax Act (Cap P8 LFN 2004, as amended 2020) s 3.

²⁴ *ibid* s 2.

²⁵ *Shell Petroleum Development Co v FBIR* (1996) 8 NWLR (Pt 466) 256.

²⁶ Cap P13 LFN 2004

²⁷ *Petroleum Profits Tax Act* (Cap P13 LFN 2004) s 21.

²⁸ *NNPC v Famfa Oil Ltd* (2012) 17 NWLR (Pt 1328) 148.

²⁹ *Shell Petroleum v FBIR* (*supra*) 263.

³⁰ Cap V1 LFN 2004, as amended by the Finance Act 2021

³¹ *Value Added Tax Act* (Cap V1 LFN 2004, as amended 2021) s 2.

³² O Akanle, ‘VAT and Fiscal Federalism in Nigeria’ (2022) 11 *Tax Law Review of Nigeria* 44.

³³ *A-G Federation v A-G Lagos State* (2018) LPELR-45061(SC).

³⁴ Cap C1 LFN 2004

³⁵ *Capital Gains Tax Act* (Cap C1 LFN 2004) s 2.

³⁶ *FBIR v Owena Bank Plc* (1999) 5 NWLR (Pt 602) 255.

³⁷ Cap S8 LFN 2004

³⁸ *Stamp Duties Act* (Cap S8 LFN 2004) s 4.

³⁹ OI Okonkwo, ‘Digital Transactions and Stamp Duty Liability in Nigeria’ (2021) 13 *Nigerian E-Commerce Law Journal* 87.

⁴⁰ Finance Act 2021 (Act No 13 of 2021).

5. Tax Administration in Nigeria, the Role of the FIRS (Now NRS and State Boards)

Tax administration in Nigeria operates under a dual federal structure. The FIRS administers federal taxes pursuant to the FIRS (Establishment) Act, while each state maintains a State Board of Internal Revenue for personal income tax.⁴¹ The Joint Tax Board (JTB) coordinates policy harmonisation between these bodies.⁴² Judicial oversight remains crucial to maintaining the legality of administrative actions. Courts have repeatedly held that the powers of assessment and enforcement must conform to due process.⁴³ For example, in *Cadbury Nigeria Plc v FBIR*, the court held that arbitrary assessment without statutory basis is ultra vires.⁴⁴

6. Challenges in Tax Implementation and Compliance

Nigeria's tax system faces challenges such as poor compliance culture, multiplicity of taxes, lack of clarity in statutory provisions and weak institutional capacity.⁴⁵ Judicial interventions have often been required to reconcile conflicting provisions or administrative overreach.⁴⁶ Additionally, overlapping jurisdiction between federal and state authorities creates constitutional friction, exemplified by the VAT controversy between the FIRS and the Rivers State Government.⁴⁷ The doctrinal importance of judicial interpretation, therefore, serves as a stabilising mechanism in an evolving fiscal framework.⁴⁸

7. Judicial Interpretations of Nigerian Tax Laws and Matters

The judiciary plays a pivotal role in ensuring that taxation is carried out within the bounds of legality and fairness. In a federal system like Nigeria, where taxing powers are constitutionally distributed, the courts act as arbiters in disputes between the various tiers of government and between taxpayers and tax authorities.⁴⁹ Judicial interpretation in tax matters primarily involves clarifying ambiguous statutory provisions, resolving jurisdictional conflicts and safeguarding taxpayers from arbitrary administrative actions.⁵⁰ The courts also ensure that taxation conforms to constitutional principles, including legality, equality and due process.⁵¹ In *A.G. Ogun State v Aberuagba*, the Supreme Court affirmed that no tax can be imposed without clear legislative authority and that the judiciary must prevent any encroachment upon the fiscal powers of another tier of government.⁵²

Doctrines Guiding Judicial Interpretation of Tax Statutes

Nigerian Courts have developed several interpretative doctrines applicable to taxation. They include,

Doctrine of Strict Construction: Taxing statutes are construed strictly in favour of the taxpayer.⁵³ In *FBIR v Halliburton (WA) Ltd*, the Court of Appeal reiterated that taxation cannot be inferred by implication; there must be express statutory provision imposing liability.⁵⁴ The rationale is that the state cannot demand money from citizens without clear legislative backing.⁵⁵

Literal and Purposive Interpretation: Where the wording of a statute is clear, courts must give it its plain and ordinary meaning.⁵⁶ However, where ambiguity exists, a purposive approach is adopted to

⁴¹ *FIRS (Establishment) Act 2007* s 2.

⁴² *ibid* s 86.

⁴³ *A-G Lagos State v Eko Hotels Ltd* (2018) 36 TLRN 105.

⁴⁴ *Cadbury Nigeria Plc v FBIR* (2010) 2 TLRN 1 (CA).

⁴⁵ E Nwokedi, 'Tax Compliance and Enforcement in Nigeria: A Critical Review' (2020) 8 *Nigerian Revenue Review* 19.

⁴⁶ *UAC v FBIR* (2019) LPELR-47321(CA).

⁴⁷ *A-G Rivers State v FIRS & A-G Federation* (FHC/PH/CS/149/2020, judgment delivered 9 Aug 2021).

⁴⁸ O Oloyede (n 6) 52.

⁴⁹ Constitution of the Federal Republic of Nigeria 1999 (as amended), s 6(6)(b).

⁵⁰ O Akanle, 'Judicial Review in Nigerian Tax Administration' (2021) 10 *Nigerian Tax Journal* 54.

⁵¹ *ibid* 56.

⁵² *A.G. Ogun State v Aberuagba* (1985) 1 NWLR (Pt 3) 395 (SC).

⁵³ *FBIR v Halliburton (WA) Ltd* (2016) 10 TLRN 1 (CA).

⁵⁴ *ibid* 17.

⁵⁵ *Cape Brandy Syndicate v IRC* [1921] 1 KB 64.

⁵⁶ *A-G Federation v A-G Lagos State* (2018) LPELR-45061(SC).

give effect to legislative intent.⁵⁷ The Supreme Court in *A.G. Federation v A.G. Lagos State* applied a purposive approach to interpret fiscal powers in light of constitutional objectives.⁵⁸

Doctrine of Substance over Form: In matters involving complex financial arrangements, courts may look beyond the form of transactions to their substance.⁵⁹ This doctrine is particularly relevant in anti-avoidance and transfer pricing cases.⁶⁰

Doctrine of Legitimate Expectation: Taxpayers are entitled to rely on the representations and established practices of tax authorities.⁶¹ This doctrine, though administrative in origin, has been applied judicially to prevent arbitrary departure from consistent interpretation.⁶²

Presumption against Retrospectivity: Unless expressly stated, tax statutes are presumed to operate prospectively.⁶³ Courts have consistently held that imposing tax liability retrospectively offends against fairness and legal certainty.⁶⁴

Some Key Judicial Decisions in Tax Matters

*A.G. Ogun State v Aberuagba*⁶⁵: This landmark case concerned the constitutionality of a sales tax imposed by Ogun State. The Supreme Court held that sales tax, being akin to excise duty, fell within the exclusive legislative competence of the federal government.⁶⁶ The judgment reinforced the doctrine that taxing powers must be strictly construed according to constitutional allocation.⁶⁷

*FBIR v Halliburton (WA) Ltd*⁶⁸: In this case, the Court of Appeal interpreted the scope of ‘profits derived from Nigeria’ under the Companies Income Tax Act. The Appellate Court ruled that foreign entities are taxable only on income accruing from Nigerian operations, rejecting the FIRS’s broader interpretation.⁶⁹ The decision illustrates the judiciary’s reluctance to expand taxing provisions by implication.⁷⁰

*Shell Petroleum Development Co v FBIR*⁷¹: Here, the Supreme Court interpreted ‘assessable profits’ under the Petroleum Profits Tax Act. The Court emphasised that petroleum tax must be applied according to clear statutory formulae and not equitable considerations.⁷² This decision entrenched the rule that courts must not import fairness where the language of the statute is unambiguous.⁷³

*A.G. Federation v A.G. Lagos State*⁷⁴: This case revisited the Federal and State tension over VAT and consumption taxes. The Supreme Court reaffirmed the federal competence to legislate on VAT but acknowledged the constitutional autonomy of States to regulate local consumption levies.⁷⁵ Although

⁵⁷ O Okauru, *Nigerian Tax System: Theory and Practice* (2nd edn, CITN Press 2012) 74.

⁵⁸ *A.G. Federation v A.G. Lagos State* (n 53).

⁵⁹ *FIRS v CNOOC Exploration & Production Ltd* (2012) 18 TLRN 34.

⁶⁰ *ibid* 39.

⁶¹ *R v IRC, ex p Preston* [1985] AC 835 (HL).

⁶² A Hutchinson, ‘Administrative Fairness and Legitimate Expectation in Taxation’ (2016) 18 *Commonwealth Law Review* 223.

⁶³ *FBIR v NNPC* (2012) 6 TLRN 1.

⁶⁴ *ibid* 4.

⁶⁵ (1985) 1 NWLR (Pt 3) 395

⁶⁶ *A.G. Ogun State v Aberuagba* (n 49).

⁶⁷ *ibid* 402.

⁶⁸ (2016) 10 TLRN 1

⁶⁹ *FBIR v Halliburton (WA) Ltd* (n 50).

⁷⁰ *ibid* 20.

⁷¹ (1996) 8 NWLR (Pt 466) 256

⁷² *Shell Petroleum Development Co v FBIR* (1996) 8 NWLR (Pt 466) 256

⁷³ *ibid* 263.

⁷⁴ (2018) LPELR-45061(SC)

⁷⁵ *A.G. Federation v A.G. Lagos State* (n 53).

the decision sought to balance fiscal powers, it left unresolved ambiguities that later sparked further litigation.⁷⁶

*Cadbury Nigeria Plc v FBIR*⁷⁷: This case addressed whether the FIRS could make arbitrary assessments under CITA without full investigation. The Court of Appeal held that while the FIRS has wide powers, these must be exercised in compliance with statutory provisions.⁷⁸ The decision affirmed judicial oversight as a check on administrative excess.⁷⁹

*A.G. Rivers State v FIRS & A.G. Federation*⁸⁰: This is a more recent case, the Federal High Court declared that the federal government lacked constitutional authority to collect VAT, holding that only states could impose consumption taxes within their territories.⁸¹ The decision represented a bold judicial assertion of fiscal federalism and triggered significant policy debate.⁸²

Judicial Attitude towards Ambiguities in Tax Legislation

Nigerian Courts generally adopt the *in dubio pro reo*⁸³ principle.⁸⁴ This is a legal principle or doctrine that states that if there is a reasonable doubt about the defendant's guilt, the court must resolve such doubt in favour of that defendant. However, Courts have increasingly recognised the need to balance strict interpretation with pragmatic considerations of revenue protection.⁸⁵ For instance, in *UAC v FBIR*, the Court of Appeal interpreted ambiguous provisions in a manner that preserved tax authority jurisdiction while safeguarding taxpayer rights.⁸⁶ Courts have also demonstrated willingness to apply equitable reasoning in procedural matters such as time limits for assessment or appeal while maintaining textual fidelity in substantive tax obligations.⁸⁷

Judicial Reactions to Tax Administration and Enforcement by the Tax Authorities

The Nigerian tax administration system operates within a statutory framework that delineates the powers of tax authorities such as the Federal Inland Revenue Service and the State Internal Revenue Services.⁸⁸ These bodies derive their legitimacy from enabling statutes and are mandated to assess, collect and enforce taxes.⁸⁹ However, the exercise of these powers is subject to judicial scrutiny to ensure compliance with the rule of law. The courts have repeatedly held that administrative discretion in tax matters is not absolute. In *Cadbury Nigeria Plc v FBIR*, the Court of Appeal emphasised that although the FIRS has wide administrative powers, such powers must be exercised in accordance with statutory provisions and due process.⁹⁰ Judicial oversight thus functions as a mechanism of accountability, balancing revenue objectives with taxpayer protection. In *A.G. Lagos State v Eko Hotels Ltd*, the Supreme Court reaffirmed that no tax authority can impose a levy without express statutory authorisation.⁹¹ The judgment underscores the role of the judiciary in curbing administrative overreach and preserving the principle of legality in taxation.

⁷⁶ O Akanle, 'VAT and Federalism in Nigeria' (2022) 11 *Tax Law Review of Nigeria* 56.

⁷⁷ (2010) 2 TLRN 1

⁷⁸ *Cadbury Nigeria Plc v FBIR* (2010) 2 TLRN 1 (CA).

⁷⁹ *ibid* 15.

⁸⁰ (FHC/PH/CS/149/2020)

⁸¹ *A.G. Rivers State v FIRS & A.G. Federation* (FHC/PH/CS/149/2020, judgment delivered 9 Aug 2021).

⁸² J. Okon, 'Fiscal Federalism and the VAT Controversy in Nigeria' (2022) 19 *Nigerian Journal of Constitutional Law* 201.

⁸³ (in case of doubt, decide in favour of the taxpayer)

⁸⁴ *FBIR v Halliburton (WA) Ltd* (n 50).

⁸⁵ O Oloyede, 'Judicial Attitudes to Taxation in Nigeria' (2020) 15 *Nigerian Law and Practice Journal* 52.

⁸⁶ *UAC v FBIR* (2019) LPELR-47321(CA).

⁸⁷ *ibid* 18.

⁸⁸ *FIRS (Establishment) Act 2007* s 2.

⁸⁹ *Companies Income Tax Act* (Cap C21 LFN 2004) s 8.

⁹⁰ *Cadbury Nigeria Plc v FBIR* (2010) 2 TLRN 1 (CA).

⁹¹ *A-G Lagos State v Eko Hotels Ltd* (2018) 36 TLRN 105 (SC).

8. Enforcement of Tax Obligations and Remedies Available to Taxpayers

Tax enforcement mechanisms such as assessment, distraint and garnishee proceedings often give rise to disputes over procedural compliance.⁹² Nigerian courts have maintained that the enforcement process must respect the right of the taxpayer to fair hearing as guaranteed by section 36 of the Constitution.⁹³ In *FBIR v Integrated Data Services Ltd*, the Court of Appeal held that tax enforcement measures undertaken without prior service of assessment notice were null and void.⁹⁴ Similarly, in *Pan Ocean Oil Corporation v FBIR*, the court invalidated a distraint action executed without compliance with statutory timelines.⁹⁵ These decisions affirm that while revenue protection is important, procedural fairness remains a fundamental judicial concern. Taxpayers also have recourse to remedies such as appeals to the Tax Appeal Tribunal and judicial review through the Federal High Court.⁹⁶ The courts have clarified that exhaustion of administrative remedies does not oust their constitutional jurisdiction, especially in cases involving breach of fundamental rights or lack of jurisdiction.⁹⁷

9. Judicial Review of FIRS and State Tax Actions

Judicial review serves as the primary means of controlling administrative excesses in tax governance. Nigerian courts, following English common law tradition, recognise three principal grounds for review: illegality, irrationality, and procedural impropriety.⁹⁸ In *UAC v FBIR*, the Court of Appeal examined the legality of an assessment by FIRS based on presumptive profits. The court quashed the assessment, holding that tax liability must be based on verifiable evidence rather than administrative conjecture.⁹⁹ Similarly, in *Nigerian Breweries Plc v Lagos State Board of Internal Revenue*, the Lagos High Court set aside an arbitrary demand notice, holding that the tax authority had acted *ultra vires* its enabling law.¹⁰⁰ These decisions demonstrate the judiciary's proactive stance in ensuring that tax authorities act within their legal bounds. However, courts also recognise the need to avoid excessive interference in administrative functions that could undermine revenue efficiency.¹⁰¹

10. Landmark Cases Shaping Tax Enforcement Jurisprudence

Several judicial decisions have profoundly influenced Nigeria's tax enforcement jurisprudence.

A.G. Rivers State v FIRS & A.G. Federation: This case represents a landmark in Nigeria's fiscal federalism. The Federal High Court declared that the federal government lacked the constitutional authority to collect VAT, asserting that only states could impose consumption taxes within their jurisdictions.¹⁰² The decision underscored judicial willingness to challenge long-standing administrative practices inconsistent with constitutional principles.¹⁰³

FBIR v Halliburton (WA) Ltd: The Court of Appeal, while considering assessment procedures, held that any attempt by the tax authority to impose liability beyond the statutory scope is illegal.¹⁰⁴ The case remains a touchstone for judicial insistence on strict statutory compliance in tax enforcement.¹⁰⁵

⁹² *Personal Income Tax Act* (Cap P8 LFN 2004) ss 54-60.

⁹³ Constitution of the Federal Republic of Nigeria 1999 (as amended), s 36(1).

⁹⁴ *FBIR v Integrated Data Services Ltd* (2018) LPELR-43912(CA).

⁹⁵ *Pan Ocean Oil Corporation v FBIR* (2019) LPELR-47189(CA).

⁹⁶ *FIRS (Establishment) Act 2007* ss 59-60.

⁹⁷ *Oando Plc v FIRS* (2014) 13 TLRN 22.

⁹⁸ *Council of Civil Service Unions v Minister for the Civil Service* [1985] AC 374 (HL).

⁹⁹ *UAC v FBIR* (2019) LPELR-47321(CA).

¹⁰⁰ *Nigerian Breweries Plc v Lagos State Board of Internal Revenue* (2017) 15 TLRN 78 (LHC).

¹⁰¹ O Akanle, 'Judicial Review and Fiscal Administration in Nigeria' (2021) 10 *Nigerian Tax Journal* 64.

¹⁰² *A.G. Rivers State v FIRS & A.G. Federation* (FHC/PH/CS/149/2020, judgment delivered 9 Aug 2021).

¹⁰³ J Okon, 'Fiscal Federalism and the VAT Controversy in Nigeria' (2022) 19 *Nigerian Journal of Constitutional Law* 201.

¹⁰⁴ *FBIR v Halliburton (WA) Ltd* (2016) 10 TLRN 1 (CA).

¹⁰⁵ *ibid* 25.

Eko Hotels Ltd v FIRS: In this case, the Federal High Court ruled that double taxation offends both equity and constitutional fairness.¹⁰⁶ The judgment reinforced judicial intolerance for administrative excess that burdens taxpayers beyond legislative intention.¹⁰⁷

A.G. Federation v A.G. Lagos State: While the Supreme Court recognised the federal power to impose VAT, it equally affirmed the residual powers of states to legislate on consumption taxes, signalling judicial sensitivity to the federal balance.¹⁰⁸ The case remains a cornerstone for understanding the court's interpretative balance between central authority and state fiscal autonomy.¹⁰⁹

11. The Balance between Revenue Generation and Taxpayer Protection

One of the most delicate tasks of the judiciary is reconciling the government's revenue objectives with the constitutional protection of taxpayers. Nigerian courts increasingly recognise that excessive enforcement undermines voluntary compliance and public trust.¹¹⁰ Judicial reactions thus aim to maintain an equilibrium ensuring revenue efficiency while preserving legality and fairness. The emerging trend is a movement towards rights-based adjudication, where the Courts view taxpayers not merely as subjects of revenue but as stakeholders entitled to constitutional protection.¹¹¹ This paradigm shift reflects the evolution of Nigerian tax jurisprudence from mere administrative compliance to a system grounded in fairness, transparency, and accountability.¹¹² As the Supreme Court observed in *A.G. Ogun State v Aberuagba*, taxation must be administered within the strict confines of law, for 'the power to tax is the power to destroy if left unchecked.'¹¹³ Judicial restraint and vigilance therefore remain the twin pillars of Nigeria's tax adjudicatory system.¹¹⁴

12. Conclusion and Recommendations

This paper finds that Nigerian tax law continues to evolve through a complex interaction between statutory enactments and judicial interpretation. Despite the existence of an elaborate statutory framework including the Companies Income Tax Act, Personal Income Tax Act, Petroleum Profits Tax Act, Value Added Tax Act and Capital Gains Tax Act, significant ambiguities remain in the drafting and application of these laws.¹¹⁵ These ambiguities frequently necessitate judicial clarification, thereby positioning the courts as central actors in shaping Nigerian tax jurisprudence.¹¹⁶ The paper further reveals that Nigerian courts have consistently affirmed the doctrine that taxation must be founded on clear legislative authority.¹¹⁷ Decisions such as *FBIR v Halliburton (WA) Ltd* demonstrate judicial insistence on strict construction of taxing statutes and rejection of implied liabilities.¹¹⁸ Similarly, in *A.G. Ogun State v Aberuagba*, the Supreme Court reiterated that the constitutional allocation of taxing powers must be strictly observed.¹¹⁹ Judicial reasoning in cases such as *A.G. Federation v A.G. Lagos State* and *A.G. Rivers State v FIRS & A.G. Federation* shows that courts continue to play a pivotal role in resolving federal-state fiscal conflicts, although these decisions sometimes leave residual uncertainties.¹²⁰

¹⁰⁶ *Eko Hotels Ltd v FIRS* (2018) 14 TLRN 122 (FHC).

¹⁰⁷ *ibid* 128.

¹⁰⁸ *A.G. Federation v A.G. Lagos State* (2018) LPELR-45061(SC).

¹⁰⁹ O Oloyede, 'Judicial Balancing in Fiscal Federalism' (2019) 12 *Journal of African Law and Development* 94.

¹¹⁰ T Aina, 'Taxpayer Rights and Judicial Protection in Nigeria' (2020) 8 *Nigerian Revenue Review* 48.

¹¹¹ *ibid* 53.

¹¹² O Okauru (n 54) 112.

¹¹³ *A.G. Ogun State v Aberuagba* (1985) 1 NWLR (Pt 3) 395 (SC) 408.

¹¹⁴ *ibid*.

¹¹⁵ Companies Income Tax Act (Cap C21 LFN 2004, as amended); Personal Income Tax Act (Cap P8 LFN 2004, as amended); Petroleum Profits Tax Act (Cap P13 LFN 2004); Value Added Tax Act (Cap V1 LFN 2004); Capital Gains Tax Act (Cap C1 LFN 2004).

¹¹⁶ *A.G. Ogun State v Aberuagba* [1985] 1 NWLR (Pt 3) 395.

¹¹⁷ *ibid*.

¹¹⁸ *FBIR v Halliburton (WA) Ltd* (2016) 10 TLRN 1 (CA).

¹¹⁹ *A.G. Ogun State v Aberuagba* [1985] 1 NWLR (Pt 3) 395.

¹²⁰ *A.G. Federation v A.G. Lagos State* [2013] 16 NWLR (Pt 1380) 249; *A.G. Rivers State v FIRS & A.G. Federation* (FHC/PH/CS/149/2020, 9 August 2021).

A major finding is the persistence of inconsistent judicial interpretations, which undermines legal certainty and creates unpredictability for taxpayers and tax administrators.¹²¹ While courts have taken significant steps to protect taxpayer rights particularly in matters of procedural fairness and due process¹²² variations in interpretative approaches across different courts weaken the coherence of the tax system. The study also observes that administrative inefficiencies, arbitrary assessments and jurisdictional conflicts between federal and state tax authorities continue to generate litigation, further expanding the judiciary's role in tax governance.¹²³

The paper concludes that although Nigerian courts have contributed meaningfully to the development of tax jurisprudence, their effectiveness is hindered by statutory ambiguity, lack of judicial specialisation and the absence of a harmonised interpretative framework. A more coherent tax regime requires clearer legislation, consistent judicial reasoning and improved technical competence within the judiciary. Judicial interpretations and reactions form the bedrock of Nigerian tax jurisprudence. The courts, through their decisions, have not only clarified statutory ambiguities but also upheld constitutional supremacy and taxpayer protection. While the doctrine of strict construction remains vital in preserving legality, it must be balanced with purposive reasoning to reflect modern economic realities. The evolving judicial posture moving from rigid textualism to pragmatic and rights-conscious adjudication signals a maturing tax jurisprudence. Nigerian courts increasingly recognise that fairness in taxation is not antithetical to revenue generation; rather, it is its foundation. Ultimately, the sustainability of Nigeria's tax system depends on the synergy between legislative clarity, administrative efficiency and judicial vigilance. By fostering legal certainty and equitable interpretation, the judiciary ensures that taxation remains a legitimate tool of governance rather than an instrument of oppression. Drawing from the entirety of this paper, the following recommendations are outlined. They include:

Statutory Clarity and Simplification: Many Nigerian tax statutes are verbose, overlapping and outdated. The National Assembly should undertake a comprehensive Tax Consolidation and Simplification Act, harmonising provisions and eliminating duplication. Judicial interpretation would be more consistent if statutory language were precise and unambiguous.

Judicial Specialisation in Taxation: Tax law is a specialised area requiring technical understanding of economics and accounting. The establishment of Special Tax Divisions within the Federal High Court and the Court of Appeal would enhance judicial competence and expedite tax adjudications.

Strengthening the Tax Appeal Tribunal: Although the TAT has improved administrative justice, its independence and enforcement powers remain limited. The tribunal should be constitutionally entrenched to ensure impartiality and finality in certain categories of tax disputes.

Codification of Taxpayer Rights: Nigeria should adopt a Taxpayers Bill of Rights codifying procedural safeguards such as notice of assessment, access to information, and protection from retrospective liability. This would institutionalise the rights-based approach recognised by Nigerian courts.

Continuous Judicial Training: Continuous judicial education in tax and fiscal laws and matters should be mandatory for judges handling revenue cases. This would reduce doctrinal inconsistency and align Nigerian jurisprudence with international best practices.

¹²¹ *Shell Petroleum Development Co v FBIR* [1996] 8 NWLR (Pt 466) 256.

¹²² *FBIR v Integrated Data Services Ltd* (2009) 12 TLRN 1; *Pan Ocean Oil Corporation v FBIR* (2018) 3 TLRN 45.

¹²³ *Cadbury Nigeria Plc v FBIR* (2010) 9 TLRN 67; *Nigerian Breweries Plc v Lagos State Board of Internal Revenue* (2012) 5 TLRN 78.