Policy Brief

Enhancing Tax Revenue Collection and Administration through Digital Technology in Nigeria

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Introduction

As Nigeria seeks to optimize its tax systems, the integration of digital technologies presents both opportunities and challenges in improving the efficiency, effectiveness, and reach of tax administration. This synthesizes findings from multiple studies on the role of automation, big data, mobile subscriptions, technology levies, and digital platforms in improving tax administration and revenue collection in Nigeria.

Key Findings

The following findings highlight the benefits, limitations, and implications of various digital tools and policies:

1. **Impact of VAT Automation:** Studies show that automation has significantly increased annual VAT collections in Nigeria. However, the automation's effect on Year-on-Year VAT Growth has been less significant. This suggests that while automation improves revenue collection, further adjustments may be needed to stimulate long-term growth.

Key Findings

2. **Big Data and Tax Administration:** The application of big data analytics to tax administration has shown a positive correlation across various studies. Big data improves tax compliance, risk management, and tax audits, but its full potential has yet to be fully realized in Nigerian tax administration. To maximize its impact, there is a need for effective use and sharing of data, with a strong emphasis on transparency and data privacy.

Key Findings Con

3. **Mobile Cellular Subscriptions and Tax Revenue:** Mobile cellular subscriptions and communication infrastructure have minimal statistical impact on tax revenue directly, though they are integral to enabling digital economy growth. This implies that expanding mobile and internet penetration will help broaden economic participation, indirectly supporting tax revenue.

Key Findings Con

4. **Technology Levy and Tax Revenue:** Technology levies have been found to have a significant positive effect on tax revenue. However, the current policies surrounding technology levies require review to ensure they support the growth of the digital sector while generating adequate revenue.

Policy Recommendations:

1. **Expand and Integrate Automation Systems:** The Federal Inland Revenue Service (FIRS) should expand its automated systems to enhance both VAT collections and growth rates. Integration of various tax automation platforms such as TaxProMax will ensure better data consistency and overall efficiency in tax administration.

Policy Recommendations:

2. **Leverage Big Data Analytics:** Policymakers should adopt big data analytics to enhance tax risk management and compliance monitoring. This can be achieved through comparative statistical analyses and improving the integration of economic and demographic data to inform enforcement strategies.

Policy Recommendations:

3. **Promote Mobile and Internet Penetration:** The FIRS should recommend collaboration between the Government and telecom companies to improve mobile subscription services and internet penetration. Expanding digital access will help increase the tax base and foster broader economic participation, indirectly supporting greater tax revenue.

Policy Recommendations:

4. **Review Technology Levy Policies:** A comprehensive review of technology levy policies is essential to strike a balance between taxation requirements and the continued growth of the digital sector. Adjustments should aim to foster innovation while ensuring fair contributions to the tax system.