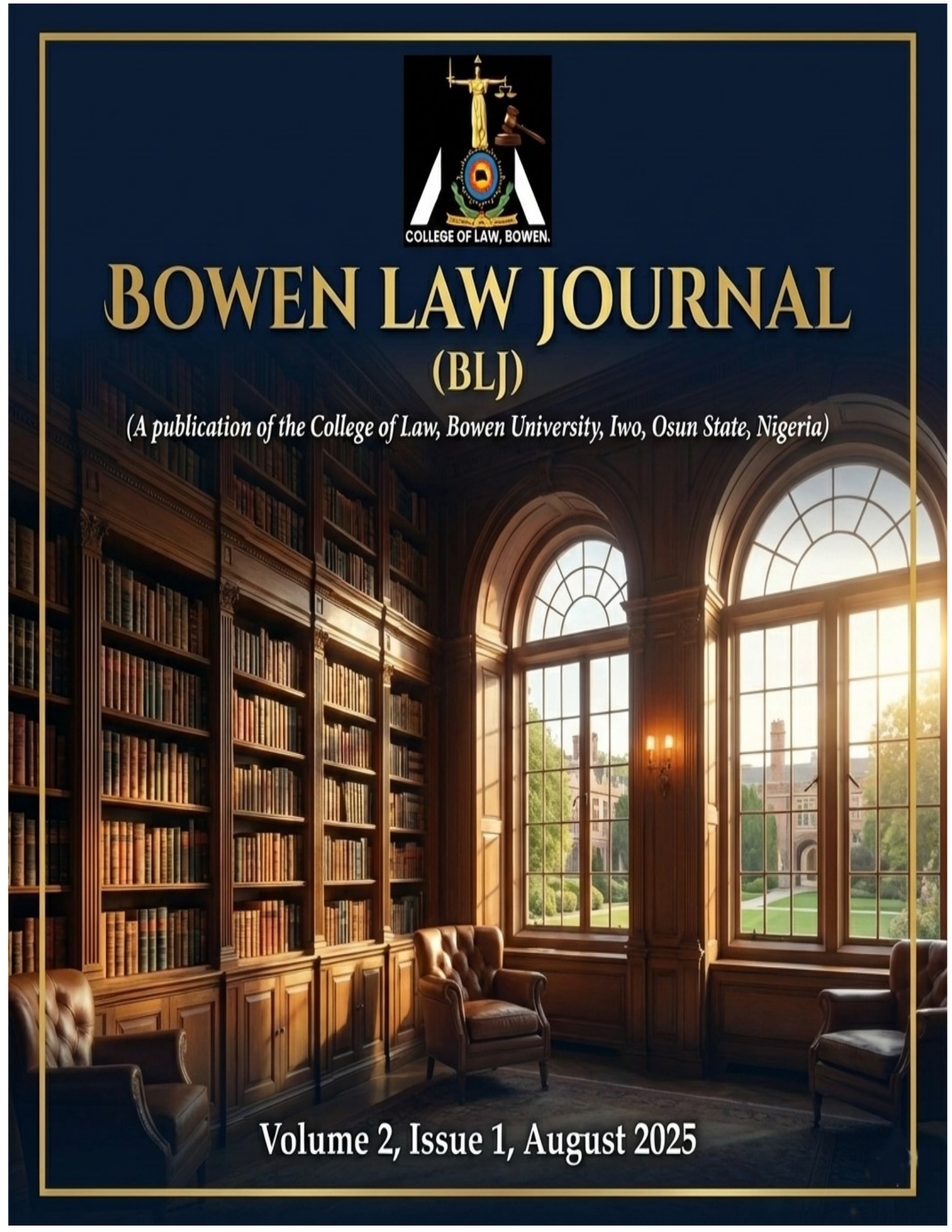
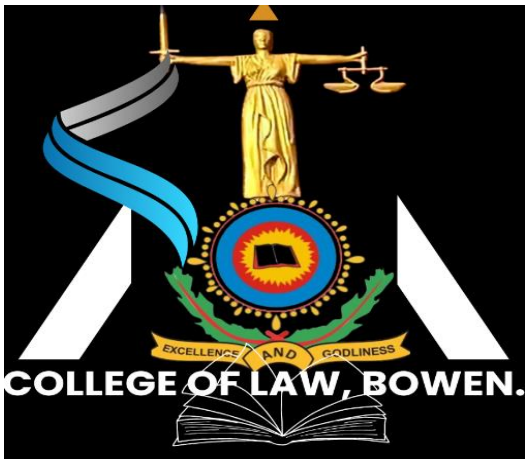

COLLEGE OF LAW, BOWEN.
BOWEN LAW JOURNAL
(BLJ)
(A publication of the College of Law, Bowen University, Iwo, Osun State, Nigeria)
Volume 2, Issue 1, August 2025



BLJ

BOWEN LAW JOURNAL

A JOURNAL OF COLLEGE OF LAW,
BOWEN UNIVERSITY.
VOLUME 2, ISSUE 1

COLLEGE OF LAW, BOWEN UNIVERSITY,
IWO

Editorial

BOWEN LAW JOURNAL

College of Law, Bowen University, Iwo, Osun State, Nigeria.

VOLUME 2, ISSUE 1

To be cited as:
(2025) 2 BLJ

This edition of *Bowen Law Journal* is not only a resuscitation of the publication but its first online edition. It is appearing at a time that the world has become a global village, interconnected and observable by technological means. The journal, the content of which is peer reviewed, is therefore purposed for global impact through the projection of the dignified visibility of its contributors.

The journal accepts contributions on all areas of the law as is apparent from the present contents that span the areas of criminal law and criminology, human rights, employment law, law and medicine, security, peace, and tourism as well as business law generally, including taxation.

The thematic coverage of this journal accommodates impactful and scholarly contributions towards the advancement of the knowledge of law and its application in society. Significantly, the journal is interested in contributions that ensure that law addresses the intricacies of human relations and dealings as well as order in the world we live in.

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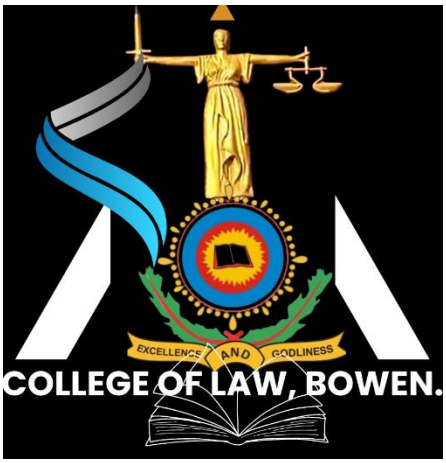
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Towards Excellence: A Journal of the College of Law, Bowen University, VOL 2, ISSUE 1; Oguguo Paschal Olebara and Charity Chinedu-Uhuo, Page 24-36.

Appraisal of the Impact of Cybercrime Act on Electronic Taxation Practice in Nigeria

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Abstract:

Taxation is the imposition of mandatory fees on people or organisations, typically supported by legal mandates from governments worldwide. The main purpose of taxes is to create revenues for the government and raise funds for spending. The process of computing, accessing, and collecting taxes using electronic methods is known as electronic taxation. The Finance Act 2020, specifically Section 25 of the FIRS Establishment Act, as well as the Finance Act 2020, confer upon the Federal Inland Revenue Service (FIRS) the authority to leverage technology in automating tax administration processes, including assessment, collection, and information gathering. It will be intriguing to observe how the Finance Act 2023 reinforces this provision. Notably, the Finance Act 2023 has amended the FIRS Establishment Act to enable the FIRS to utilize third-party technology in automating tax administration. The increasing digitalization of tax administration systems, coupled with the preference for technological deployment in tax management, return filing, and tax payment in Nigeria and globally, has rendered the tax system susceptible to cybercrime, thereby giving rise to a novel category of criminal activity known as cyber tax crimes. The report noted the expansion of tax crimes to include cyber tax crimes in light of Nigeria's implementation of Electronic Taxation and the provisions of the Cybercrimes Act 2015 (as amended).

Keywords: *Taxation, Electronic Taxation, Cybercrime, Finance Act, Cybercrime Act*

1.0 Introduction:

One of the primary sources of funding for all governmental levels is still tax revenue. With the funds they get from taxes, governments can fund governance expenses and promote economic expansion by building attractive and appropriate infrastructure. A strong tax structure gives the government a great chance to raise the extra money it needs to pay for its urgent obligations.[66] Tax administration has encountered several challenges, such as dishonest collection practices, tax evasion and avoidance by taxpayers, and the misuse of tax revenues by dishonest tax authorities. However, for many tax offices, especially in Nigeria, tax compliance is a major concern. Avoiding or avoiding taxes is a common way for taxpayers to try to reduce their tax liability. The government may lose money as a result of tax return errors. Inaccurate tax returns and a loss of government revenue could result from this.

In order to overcome these challenges, the majority of nations have switched from traditional and conventional methods of tax computation and collection to more contemporary, efficient,

[66]Uguagu, Nkiru Gladys *E-Taxation and Tax Compliance in Nigeria: Periscoping Change Perspectives* *file:///C:/Users/PASCHAL/Downloads/ajol-file-journals_753_articles_260705_657185645561a%20(1).pdf*Accessed 20th November, 2024.

and effective methods. The use of information technology in a wide range of activities has advanced globally during the past few decades. States and nations all over the world have continued to use technology to ensure effective and efficient tax administration, so tax administration has not been left out. It is noteworthy that the majority of nations have higher tax revenue increases because to their adoption of electronic taxation, or e-taxation, which allows taxpayers to pay taxes, file returns, and obtain assessments from tax authorities without physically visiting tax offices.[67]

Over the past few years, scholars and practitioners within the global tax community have strongly supported the adoption of electronic tax (e-Tax) platforms and systems to improve and update tax administration processes via technical assistance programs. This support arises from the widespread use of e-tax systems in both advanced and emerging economies, driven by their proven efficiency, decreased compliance expenses, ease of access, adaptability to varying needs, and strengthened accountability measures. A recent survey indicates that more than 100 economies have now adopted computerized tax frameworks.[68] These electronic tax (e-Tax) solutions streamline the process, cutting down the time needed for tax payments and return filings. In recent times, the worldwide tax community has championed the integration of e-Tax platforms and systems to bolster and update tax administration practices through technical support initiatives.[69]

Nigeria participates in these discussions as part of the global community. In 2013, the Federal Inland Revenue Service (FIRS) introduced the Integrated Tax Administration System (ITAS). Furthermore, the State Internal Revenue Services (SIRS) have employed the e-Tax platform to enhance the efficiency of tax filing and payment procedures. The goal remains to foster effective tax administration throughout Nigeria and its various states.[70] Though electronic tax systems have bolstered the efficiency of tax administration, they have simultaneously presented fresh obstacles for both tax officials and taxpayers. Prominent among these challenges are concerns related to cybersecurity, cybercrime, and cyberfraud. Numerous countries operating sophisticated e-tax systems grapple with the persistent threat of cybercrime and face continual difficulties due to the actions of cybercriminals.[71]

Many nations with efficient electronic tax systems face ongoing struggles with cybercrime and are repeatedly challenged by the activities of cybercriminals. For example, an analysis conducted by the Online Trust Alliance revealed that only 46% of tax software websites in a US Inland Revenue Service (IRS) *I.C.C.L.R.* 48 program met cybersecurity standards.[72] Some of these websites lacked email authentication, enabling cybercriminals to distribute phishing

[67] *Ibid*
[68] Chikwendu Nneka Francisca, *EFFECTS OF ONLINE SYSTEM OF TAXATION ON ECONOMIC GROWTH IN NIGERIA (2005–2020) African Journal of Economics and Sustainable Development ISSN: 2689-5080 Volume 5, Issue 3, 2022 (pp. 23-40)*
[69] *Ibid*
[70] Nigeria's Electronic Tax Compliance System: So Far, So Good. Available at: https://www.forvismazars.com/ng/en/insights/forvis-mazars-insights/etcs Accessed 21st November, 2024.
[71] Newman U. Richards. Electronic taxation in Nigeria: challenges and prospects file:///C:/Users/PASCHAL/Downloads/NewmanandEkhator-ElectronictaxationinNigeria%20(1).pdf 23rd November, 2024.
[72] J. Schlesinger, "E-Filing Taxes? Watch out For Fraud" (2016) available at: https://www.cnbc.com/2016/02/26/e-filing-taxes-watch-out-for-fraud.htm Accessed 23rd November 2024

emails. Even with efforts from operators, personal data remains vulnerable to theft from other sites.[73]

2.0 Historical Evolution of E-taxation.

The IRS initially introduced e-taxation in the United States through a pilot program involving electronic filing with five tax preparers.[74] However, the Internal Revenue Service Restructuring and Reform Act of 1998 formally established electronic taxation across the country.[75] The IRS implemented measures to ensure that all returns prepared electronically could be submitted online, achieving an electronic filing rate exceeding 80% by 2012. Originating in the United States, e-taxation expanded globally; per the Paying Taxes: 2018 Report, 92 nations had fully adopted electronic tax filing and payment systems by 2016.[76]

Over the past two decades, the global shift from manual tax administration to electronic tax systems has occurred at a consistent pace across numerous regions. For instance, the Republic *I.C.C.L.R. 49* of Korea introduced an electronic taxation framework in 2012, Uruguay enforced mandatory electronic payments for national taxes in 2014, and China adopted electronic tax processes in 2015.[77] In India, electronic tax systems were initiated in September 2004 on a voluntary basis, before becoming obligatory for all taxpayers by July 2006.[78] Subsequently, Serbia implemented similar measures in 2014, followed by Namibia in 2016.[79]

In Africa, many governments have embraced the expansion of electronic tax systems in their operations. When the South African Revenue Service (SARS) implemented an electronic tax system in 2001, South Africa established itself as a leader in digital tax administration on the African continent.[80] Initially, the e-filing system, which enabled taxpayers to submit tax returns and declare income online, was limited to value-added tax (VAT) and pay-as-you-earn (PAYE) filings. This system underwent significant expansion in 2006 to include individuals earning basic incomes and those receiving assistance, with further enhancements in 2007 that extended its scope to encompass all individual taxpayers,[81] thereby broadening its accessibility and functionality. In recent years, SARS has introduced substantial improvements to enhance the e-filing system's usability and accessibility, notably through the development of the MobiSite

[73] *Ibid*
[74] Electronic Tax Filing: efile History in the US" available at: https://www.efile.com/efile-electronic-tax-filing-history/ Accessed 22nd November, 2024.
[75] S.E. Pippin and M.S. Tosun, "Electronic Tax Filling in the United States: An Analysis of Possible Success Factors" (2014) Electronic Journal of e-Government 22 available at: http://www.ejeg.com/volume12/issue1 Accessed 22nd November, 2024
[76] PricewaterhouseCoopers and the World Bank Group, Paying Taxes: 2018 Report (2018) available at: https://www.pwc.com/gx/en/services/tax/publications/paying-taxes-2018/world-bank-group-commentary.html Accessed 22nd November, 2024
[77] PricewaterhouseCoopers and the World Bank Group, Paying Taxes: 2018 Report (2018), p.15
[78] M. Kumar and M. Anees, "E-Filing Creating New Revolution in Taxation of India" (2014) *6 Global Journal of Finance and Management 379.*
[79] PricewaterhouseCoopers and the World Bank Group, Paying Taxes: 2018 Report (2018), pp.56–58
[80] R.W. Jankeeparsad et al, "Acceptance of the Electronic Method of Filing Tax Returns by South African Tax Payers: An Expository Study" (April 2016), p.121 available at: https://repository.up.ac.za/handle/2263/53252 Accessed 21st November 2024.
[81] Jankeeparsad et al, "Acceptance of the Electronic Method of Filing Tax Returns by South African Tax Payers" (2016), p.121

program, which allows taxpayers to file returns via mobile devices.[82] These advancements reflect a strategic effort to leverage technology to improve compliance and convenience, positioning South Africa's electronic tax filing system as one of the most effective and sophisticated in Africa.

Ethiopia introduced a computerized taxation system in 2012,[83] marking a significant advancement in its fiscal administration infrastructure. This initiative emerged from a collaborative effort between the Investment Climate Facility in Africa (ICF) and the Ethiopian Government, represented by the Ethiopian Revenue and Customs Authority (ERCA), aimed at enhancing the investment climate within the country.[84] As an integral component of Ethiopia's broader e-government strategy and implementation framework, electronic taxation was designed to improve the accessibility of tax services and enhance the efficiency of service delivery for taxpayers.[85] Since its inception, the computerized system has streamlined the tax filing process, enabling Ethiopian taxpayers to complete their returns in just three steps within a single day, thereby reducing administrative burdens and improving compliance efficiency.

In Mauritius, the Mauritius Revenue Authority (MRA) implemented an electronic taxation system in 2007, marking a pivotal shift toward digitalization in the country's fiscal administration. In addition to conducting public awareness campaigns, the Taxpayer Education and Communication Department (TECD) of the Mauritius Revenue Authority (MRA) has, since 2007, bolstered the capacity of its Information System Department (ISD) by providing essential logistical support. These efforts have significantly contributed to an increased adoption of electronic filing methods among taxpayers. By 2014,[86] approximately 92 percent of tax returns were submitted electronically, reflecting a substantial rise in the utilization of digital platforms for tax compliance. This growth is evidenced by the increase from 1,500 electronically filed tax returns in 2007 to 123,000 in 2014, highlighting the effectiveness of the MRA's initiatives in promoting electronic taxation. Within the Mauritius electronic tax system, taxpayers are afforded the convenience of filing returns, receiving tax assessments, and making payments through a variety of online banking platforms, thereby enhancing accessibility and efficiency in tax administration.[87]

Kenya initiated efforts to automate its tax administration in 2007 with the introduction of the Integrated Tax Management System (ITMS); however, this system failed to deliver the anticipated improvements in efficiency and effectiveness[88]. In response to these shortcomings,

[82]Jankeeparsad et al, "Acceptance of the Electronic Method of Filing Tax Returns by South African Tax Payers" (2016), p.121.
[83] M. Fikru, "Ethiopia: E-Taxing for a Speedy Tax Payment" (Addis Ababa: Ethiopia Press Agency, 2012), available at: https://allafrica.com/stories/201210090063.htm Accessed 22nd November, 2024
[84]ICF, "Ethiopia Develops an E-Tax Filing System" (22 February 2013) available at: https://pingpdf.com/pdf-ethiopia-develops-an-e-tax-filing-system.htm Accessed 22nd November, 2024.
[85] S.E. Tadesse, "The Practice, Challenges, and Prospects of e-Government: The Case of Ethiopian Revenue and Customs Authority (ERCA) Large Taxpayers Office (LTO)" (June 2015) available at: http://etd.aau.edu.et/handle/123456789/8775 Accessed 22nd November, 2024.
[86] "Mauritius Moves to E-Filing" (22 April 2014), ION News available at: http://ionnews.mu/mauritius-moves-e-filing-92-returns-submitted-electronically-2014-2204/ Accessed 21st November 2024.
[87] Mauritius Revenue Authority, "E-Filing 2017–2018" available at: https://eservices.mra.mu Accessed 21st November 2024.
[88] C.W. Kipkemoi, "iTax System and Service Delivery by Kenya Revenue Authority, Nairobi Stations", (University of Nairobi: Research Project, 2015), p.3 available at: http://erepository.uonbi.ac.ke/handle/11295/93788 Accessed 19th November, 2024.

the ITMS[89] online platform was replaced in 2011 by the iTax system, which represented a significant enhancement over its predecessor. The Kenya Revenue Authority (KRA) finalized the automation of the iTax system by 2014 and subsequently issued a directive mandating that all taxpayers utilize the iTax online services for filing returns, effective from *March 1, 2014*, at which point manual tax submissions were no longer accepted.[90]

3.0 Electronic Taxation and Nigeria Economy.

Nigeria's adoption of electronic taxes is still in its infancy. When the Fiscal Affairs Division of the International Monetary Fund (IMF) visited Nigeria in 2004, 2005, and 2006, it recommended the implementation of an Integrated Tax Administration System (ITAS), which helped the nation transition to a computerised taxing system[91].

In December 2010, the Federal Executive Council approved the acquisition, installation, and usage of the ITAS by the Federal Inland Revenue Service (FIRS)[92]. The ITAS intends to re-engineer and automate the FIRS tax administration processes in addition to purchasing, setting up, and implementing hardware infrastructure and the Standard Integrated Government Tax Administration Solution (SIGTAS).[93] In order to facilitate electronic tax payments in Nigeria, the FIRS teamed up with the Nigerian Interbank Settlement System (NIBBS) in 2015. Tax registration, assessment, return submission, and payment are all computerised processes. The objective was to put in place an electronic system that would enable online tax payments in the biggest cities in Nigeria.[94]

By launching six new electronic tax services (e-services) in June 2017, the FIRS reorganised the electronic tax system to function nationally. The e-services that are offered are:

i. E-Registration.
ii. E-Stamp Duty.
iii. E-Tax Payment.
iv. E-Receipt.
v. E-Filing
vi. Electronic Tax Clearance Certificates (E-TCC)

Section 25 of the FIRS Establishment Act and the Finance Act 2020 give the FIRS the authority to automate the assessment, collection, and information gathering steps of tax administration through the use of technology. It is important to note that the previously mentioned provisions are strengthened by the Finance Act of 2021. The Finance Act of 2021 revised the FIRS

[89] Kipkemoi, "iTax System and Service Delivery by Kenya Revenue Authority, Nairobi Stations" (2015), p.3
[90] Kenya Revenue Authority, "Electronic Filing of Tax Returns" available at: http://www.revenue.go.ke/notices Accessed 19th November 2024.
[91] I.O. Okauru (ed.), *Federal Inland Revenue Service and Taxation Reforms in Democratic Nigeria (Ibadan: Safari Books Ltd, 2012),* pp.168–169.
[92] U.Y. Usman, "*The ITAS Solution Gathers Momentum", Gauge (quarterly publication of the Federal Inland Revenue Service)* (January–March 2013), p.8.
[93] *Ibid*
[94] A.O. Abdulrazaq, "*Overview of FIRS Electronic Tax Filing and Online Payment of Taxes"* (23 March 2015) available at: https://www.linkedin.com/pulse/overview-firs-electronic-tax-filing-online-payment-taxes-abdulrazaq; Nigeria Tax Update: "Recent Changes in Nigeria Tax Environment" available at: http://sobanjointernational.com/nigeria-tax-update-recent-changes-in-nigeria-tax-environment/ Accessed 24th November 2024.

Establishment Act to permit FIRS to automate tax administration through third-party technology.

The FIRS created TaxPro Max, an e-Tax platform for filing tax returns denominated in naira, with the goal of automating the tax administration system in order to increase accountability and enhance compliance, simplicity, and flexibility. The latest effort by the FIRS to digitise tax administration in Nigeria is the TaxPro Max platform. The platform, which will be fully operational in 2021, enables taxpayers to pay applicable taxes online or electronically, file tax returns (Value Added Tax, Tertiary Education Tax, and Companies' Income Tax), discover capital allowance carried forward, get tax clearance certificates, and receive instant credit for withholding tax and other credits to their accounts.

The website can be accessed using a specific link (www.taxpromax.firs.gov.ng). At the moment, the portal only allows tax returns denominated in Naira. With the exception of Nil returns, a Document Identity Number (DIN) will be generated at the time the tax returns are filed. After filing successfully, payment must be made using the DIN. Additionally, businesses can pay taxes on account with TaxPro Max. Future applicable taxes may be deducted from payments paid on account.

3.1 Features of the TaxPro Max Platform

FIRS' dedication to automating and enhancing tax administration and compliance procedures is demonstrated by the TaxPro Max platform. As a result, the following characteristics of the FIRS TaxPro Max platform are highlighted:

i. Convenience and Flexibility

Both taxpayers and their agents (tax consultants) can simply utilise the site. The website is easy to use, offers taxpayers a single view of all transactions, and is intuitive to explore. A taxpayer must complete the update form and submit it to the designated email address or in person at the registered tax office in order to be enrolled on the platform.

The taxpayer is enrolled in less than 48 hours and receives a message with the passcode, which the taxpayer can modify.[95]

ii. Saves Time and Cost

According to a World Bank publication on the ease of doing business in 2021, paying taxes in Lagos and Kano takes approximately *349 and 325* hours, respectively[96]. TaxPro Max is a fantastic place to start when it comes to saving time and money on compliance. The purpose is to simplify the tax system and increase compliance, allowing the country to have a high tax-to-GDP (Gross Domestic Product) ratio.[97]

The platform saves time and money for both the tax authority and the taxpayer because e-tax returns are typically considerably easier and faster to process than paper returns, saving both parties time and money.

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[95] https://www.forvismazars.com/ng/en/insights/forvis-mazars-insights/etcs Accessed 25th November, 2024
[96] Comparing Business Regulations in 190 Economies, *Economy profile Nigeria doing business in 2020* *https://www.doingbusiness.org/content/dam/doingBusiness/country/n/nigeria/NGA.pdf Accessed 23rd November 2024*
[97] *Ibid*

iii. **Accuracy**

The technology reduces the number of errors in tax returns. For example, the TaxPro Max displays a dialogue window requesting the taxpayer to validate and ensure that all facts are correctly imputed. However, because people are not flawless, errors may occur with a limited frequency. Taxpayers can request that any inaccuracies be corrected in writing or during reconciliation sessions. The platform avoids record manipulation and promotes responsibility for both the tax authorities and taxpayers.

iv. **Revenue Growth**

The platform makes it simple for a variety of enterprises that are not subject to taxes to register and submit their tax returns. The chairman of the FIRS recently published a statement in which he clarified that the TaxPro Max has had a favourable effect on the nation's income generating. He claimed that the introduction of the TaxPro Max portal was the reason why the FIRS reported over N664 billion in June 2021. The platform's goals are to increase government revenue collection and enhance accountability and transparency in the tax administration system.

4.0 Challenges of electronic taxation in Nigeria

4.1 Compliance Level

The federal Inland Revenue Service (FIRS) implemented electronic taxation in 2013 as a result of the necessity to modernise and fortify Nigeria's tax administration system[98]. E-tax payment was also launched in 2015.

In order to fulfil this mandate, the Nigeria Revenue Authority (FIRS) established an electronic tax portal for filing naira-dominated tax returns via the integrated tax administration system (ITAS),[99] the e-tax platform (Tad Pro Max was fully engaged in 2021). This allowed taxpayers to file tax returns electronically, pay applicable taxes online, and enjoy instant credit of withholding tax as well as other credit to tax payers' accounts, ascertain capital allowance carried forward, and obtain a clearance certificate.[100] The FIRS establishment Act gives the FIRS the authority to deploy technology to automate the tax administration process, including assessment, collection, and information gathering. The website may be accessed using a specific link (www.taxpromax.firs.gov.ng), and only tax returns with a naira predominance can be submitted there.[101]

The use of electronic technology and chgrtal systems to improve and enforce tax-related procedures is known as e-taxation compliance[102]. Harmonising tax collection, reporting, and compliance for both taxpayers and tax authorities is the goal of this.[103]

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[98] S. 25 of the Act

[99] T. W. Nwoke and C. A. Onah , "A Legal Appraisal of E-Tax Payment in Nigeria" available at: 2664-3439-1-PB[1].pdf viewed on 12th December, 2024

[100] O. Olafaju and S. Olanyinka,"*Nigeria electronic tax compliance system so far so good "available at:*https://www.mondaq.com/nigeria/withholding-tax/1163892/nigerias-electronic-tax-compliance-system-so-far-so-good viewed on the 9th December, 2024

[101] I*bid*

[102] Asombaetal, "E- tax compliance in Nigeria: implications for company income tax and petroleum profit tax" available at: htttps://www.ajol.info/index.php/ngjsd viewed on 10th December, 2024

[103] *Ibid*

4.2 Challenges of Electronic Tax System in Nigeria

While electronic taxation aims to mitigate numerous issues within Nigeria's tax administration framework, it faces obstacles related to adoption and implementation, similar to those experienced by other systems. The adoption of electronic tax processes represents a notable step forward; however, it is accompanied by significant challenges. These difficulties are elaborated upon in the following discussion:

i. Cyber Security Threat

Cyber security is one of the most important aspects of electronic taxation in Nigeria. Electronic taxation involves the storing of extremely sensitive financial and tax data, leaving it vulnerable to cyber thieves who are continually developing new strategies to perpetrate cyber tax crimes. The financial sector is the foundation of any economy, facilitating transactions, investment, and growth. Nigeria's financial sector is under pressure. A new report from the Financial Institutions Training Centre (FITC) verifies this. The analysis finds an alarming increase in fraudulent activity, leaving banks and customers vulnerable in the first nine months of 2024. A bleak picture is presented in the FITC Fraud and Forgery Report for Q3 2024. The number of fraud cases recorded by Nigerian banks increased from 11,532 in Q2 to 19,007 in Q3, a startling 65% increase. The financial numbers are equally unsettling. Fraudsters tried to steal an astounding N115.9 billion in Q3, more than twice as much as the N56.6 billion that was reported in the previous quarter. This year is still concerning even if the actual losses in Q3 were reduced to N10.1 billion, a considerable decrease from N42.8 billion in Q2. Nigerian banks lost an estimated N53.4 billion to fraud in the first nine months of 2024, which is a significant increase from the N9.4 billion they lost in 2023[104]. According to the survey, this increase might be attributed to the growing digitisation of financial transactions, which has given fraudsters a larger playing field even as it has improved convenience. It is now evident that banks must deal with a changing cyber threat scenario as they scramble to implement cutting-edge technologies.[105]

ii. Cultural Divergence

Because the ordinary African man likes to interact with a human being and a computer, especially when it comes to money, many Nigerians still choose to attend tax offices to have their taxes processed, even after the advent of computerised taxation. They want to speak with you in person because they think that by doing so, their worries and issues would be addressed. Many of us are normally resistant to change. Because they are accustomed to doing things in the same way they have always done them and do not want to venture outside of their comfort zone, the majority of people have already decided that they will not respond to new systems before they even understand what they are about. Despite the fact that the manual tax system was notoriously laborious and difficult, taxpayers resisted change when electronic taxation was implemented.[106]

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[104]Businessday Monday 9th December 2024 available at:Addressing the alarming surge in financial fraud in Nigeria - Businessday NG viewed on the 9th December 2024

[105]*Ibid*

[106] Challenges of E- Taxation in Nigeria and the way forward available at:https://thenigerialawyer.com/legal-analysis-of-the-e-tax-payment-system-in-nigeria/undefined viewed on 9th of December 2024

iii. Lack of Technical Knowledge

The operation of a computer normally necessitates some amount of digital expertise. Many taxpayers are unaware of and do not grasp the processes and benefits of electronic taxation. They prefer the manual techniques they are already familiar with. Many tax payers may be hesitant to hire the services of a tax expert consultant due to the high expense of such engagements, and such individuals may struggle to submit their tax returns due to the competence necessary.

iv. Network Issues

Recent events have demonstrated that dependable internet connectivity is not always possible, particularly for people living in isolated areas. In the absence of a strong network, it is challenging for taxpayers to complete their tax procedures on time.

v. Absence of Constant Electricity Supply

Nigeria's electrical supply's epileptic state hasn't assisted the country's electronic taxation system in any way. This is due to the fact that electronic taxes cannot be properly applied in the absence of a steady supply of electricity. Tax revenue continues to fall short of the majority of collection agencies' targets, and the degree of compliance with electronic taxation has remained low over time. Comparing Nigeria to other countries across the world, the rate of compliance is still extremely low, despite the fact that computerised taxation has grown in popularity and is used extensively there.[107] Without a doubt, by eliminating the innate bureaucratic bottlenecks, computerised taxation has significantly improved the tax administration system. To achieve the goal of digitising the system, the tax authorities must resolve these issues.

4.2 Cyber Tax Crime

Cyber tax crimes, often referred to as electronic tax fraud, encompass any illegal activities perpetrated during the processes of tax registration, assessment, return filing, and payment through electronic systems or the internet. The implementation of electronic taxation introduces distinct challenges stemming from the unique characteristics of cyberspace. For instance, online tax payments are vulnerable to interception or redirection by automated systems, posing significant risks to the integrity and security of digital tax administration.[108]

Nigeria is still developing technologically, so there are many opportunities for cybercriminals to exploit. Cyber tax crimes provide numerous obstacles to electronic taxation, and they have in fact rendered online transactions unsafe and susceptible to manipulation by dishonest individuals who are not involved in the transaction. Lawmakers passed the Cybercrimes (Prohibition, Prevention, etc.) Act, 2015 (henceforth referred to as "the Act") in an effort to shield Nigerians from these cybercriminals. It is the first piece of legislation passed in Nigeria that specifically addresses regulating how people behave online. The Cybercrimes (Amendment) Act of 2024[109] significantly improved the Act. *Section 1* of the Act states its goals as follows:

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[107] *Ibid*

[108] A. O, Muhammadetal, 'Effect of e- taxation on revenue generation in Niger State' lampaiinternational journal of administration LIJAD VOL.3(3)2020

[109] The Act was signed into by Goodluck Jonathan on May 2015 and was amended in February 2024.

a. To guarantee the protection of vital national information infrastructure;
b. To establish a cohesive and efficient legal, regulatory, and institutional framework for the prevention, detection, prosecution, and punishment of cybercrimes in Nigeria;
c. To advance cyber security and the defence of computer systems and networks, electronic communications, data and computer programs, intellectual property, and privacy rights.

In addition to the aforementioned goal, lawmakers enacted the Nigeria Data Protection Act 2023,[110] which seeks to provide a legal framework for the protection of personal information and establishes the Nigeria Data Protection Commission to regulate the processing of personal information. In the same vein, the Electronic Transaction Act of 2023[111] was enacted to provide a legal framework for electronic transactions, protect consumer rights, and facilitate electronic commerce.[112] All of these laws were aimed at ensuring the safety of the cyber space/internet for electronic commerce and all types of electronic transactions, including electronic taxes. With the introduction of electronic taxes in Nigeria, cyber security concerns have risen to the forefront of tax administration, as electronic taxation is dependent on a safe and effective computer system and network.[113]

Broadly, the Cybercrimes Act prohibits offenses involving the use of computers and other electronic devices, with the primary objective of curbing computer-related crimes by criminalizing actions that undermine the cybersecurity measures of websites and infringe upon the privacy rights of internet users.[15] Despite these strong provisions, the Cybercrimes Act and other pertinent laws still have a number of gaps that these cybercriminals take advantage of to perpetrate what are now known as cyber tax crimes. There is no law that designates any of these transgressions as "cyber tax crimes," but they can only be committed with the use of information and communication technology gadgets, which serve as both the tool and the target of the crime. In this case, they are cyber-dependent tax crimes, which can reasonably be referred to as cyber tax crimes.

The following are some examples of cyber tax crimes in Nigeria:

i. Manipulation tax data and compromise of tax websites.

A person who intentionally or fraudulently does an act that hinders the proper functioning of the computer by inputting, transmitting, damaging, deleting, deteriorating, altering, or suppressing computer data or acts such other ways that causes interference with the computer system which prevents the computer system from function in accordance with its intended purpose, commits an offence under the act.[114]

ii. Fraudulent tax refund

The Act allows for computer-related fraud. As a result, any person working by or under the authority of a bank or other financial institution who diverts electronic mails with the intent to

[110]S. 1 of the Act and the explanatory memorandum.
[111] The Act was signed law in 2003 but it come into effect on July 1, 2024
[112] S.1 of Electronic Transaction Law (ETA)
[113] Newman U. Richards "Impact of the Nigeria cybercrimes (prohibition prevention, etc Act 2015 on the electronic taxation policy in Nigeria" in Eboibi ed *Handbook on Nigerian Cybercrime Law* (Benin City: Justice Jeco Pub. Co., 2018) 240-241.
[114] S. 8 see also S. 36 (1), S 28 (1) (a-b) S.13(1) S . 16 (16) (1) S.14 (14)

defraud, directly or indirectly, commits a crime punishable by imprisonment upon conviction[115]. *Section 14(4)(b)*[116] further states that any person who commits an offence under *subsection (4)(a)*[117] that causes material and/or financial loss to the bank, financial institution, or customer must, in addition to the term of imprisonment, refund the stolen money or forfeit any property to which it has been converted to the bank, financial institution, or customer.

iii. Online Filing of False Tax Returns

It is a crime to send an electronic message with the intent to defraud by materially misrepresenting any facts on which the recipient or others rely, causing damage or loss.[118] *S.22(3)*[119] further makes it an offence for a person to create or cause to be made any false statement as to a material fact in writing, knowing it to be untrue with the intent that it be relied on in relation to his financial situation.

iv Theft of Details of Personal Identity

Uthman Hambali made a distinction between identity theft and identity fraud, stating that identity theft is the deliberate acquisition of another person's identity with the intent to deceive or defraud, while identity fraud is the completion of the mens rea in identity theft, which involves using the acquired identity to commit a fraudulent act. According to s. 22(1)[120] of the Act, a person who works for any financial institution and, due to his special knowledge, commits identity theft of his employer, staff, service providers, and consultants with the intent to defraud, commits an offence and faces a sentence of seven years in prison, a fine of five million dollars, or both.[121]

Any act of computer-related forgeries, including wilfully accessing a computer or network with the intention of undermining the validity of the data it contains, is illegal under the Act[122]. Likewise, any deliberate and illegal alteration of data on any computer system or network has a maximum penalty of three years in prison, a fine of seven million naira, or both.[123]

v. Theft of Sensitive Data

According to the Act, it is illegal for someone to purposefully use technical tools to intercept private computer data, content, or traffic data without permission.[124]

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[115] Section 14(4)(a).
[116] Cybercrimes (Amendment) Act of 2024
[117] *Ibid*
[118] S.14(2)Cybercrimes (Amendment) Act of 2024
[119] *Ibid*
[120] *Ibid*
[121] Y. D. O.Hambali, prosecuting perpetrators of identity theft under the Nigerian Cybercrimes Act 2015: Lessons from Europe in Eboibi(ed)*Handbook on Nigerian Cybercrime Law* (Benin City: Justice Jeco Pub. Co., 2018) p. 381 -408
[122] S. 13
[123] S.16, Seealso S.162) which sets out the variousoperations to which the modifiactionwillapply
[124] S. 12(1)

vi. Obstruction of Tax System and Networks

Misdirecting electronic messages with the goal to impede a process in order to speed up or delay the messages in order to produce an omission that could undermine the messages' core is illegal under the act.[125]

Section 8 also makes it illegal for anyone to intentionally or fraudulently use a computer system in a way that seriously impairs the system's ability to function normally. Under the provisions of the Cybercrimes Act, an offender may be subject to a maximum penalty of two years' imprisonment, a fine not exceeding ₦5,000,000.00 (five million naira), or both, depending on the nature of the offense. Additionally, the unauthorized deletion or interruption of electronic mail or processes that facilitate the transmission of funds or critical information is punishable by a term of imprisonment of seven years for a first offense, escalating to fourteen years for a subsequent offense, reflecting the severity of such illegal actions within the digital domain.

vii. Tampering with Critical Infrastructure

According to *Section 5*, anyone who violates the rules pertaining to critical national information infrastructure faces a maximum prison term of 10 years; if the act results in bodily harm to another person, the offender faces a maximum of 15 years in prison without the possibility of a fine. If the criminal is a government or private employee assigned to work on essential infrastructure and the altered data is that infrastructure, they could be imprisoned for three years or fined ₦2,000,000.00 (two million naira).[126] Even if electronic tax hasn't been officially recognised as such, it qualifies for protection under this provision because it affects Nigeria's economy as a whole.

CONCLUSION/RECOMMENDATION

Nigeria's adoption of electronic taxes has, in fact, simplified tax collection, enhanced transparency, and made doing business easier by removing administrative roadblocks. To guarantee the efficacy and equity of the system, however, certain legal and social issues must be resolved. However, legislators, tax officials, and regulatory agencies must work together to create a strong legal framework that encourages taxpayer confidence in order to fully realize the promise of electronic taxes in Nigeria. This can be accomplished by:

1. Data Privacy and Security: Ensuring the protection of taxpayers' personal and financial information from cyber-attacks and data breaches is crucial. Implementing robust measures to prevent electronic fraud and ensure the integrity of the system is essential.
2. Equitable Access: Providing access to the system for those without reliable internet access is vital, considering the country's low digital literacy rate and limited internet penetration.
3. Legislative Support: Enacting enabling legislation to guide the digitization of tax administration and ensure effective implementation.
4. Education and Awareness: Conducting constant education and awareness programs to enlighten taxpayers on the benefits of digitized tax services.
5. Inclusive Design: Designing the system to accommodate diverse needs, including those with disabilities, and providing alternative channels for those who prefer paper-based options.

[125] S.11
[126] S. 10.

By addressing these challenges and concerns, Nigeria can harness the full potential of electronic taxation, promoting a more efficient, transparent, and equitable tax system electronic tax system.