



Tax for
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Initiative

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Gender-Responsive Taxation Bridging Gaps and Implementing Innovative Strategies in Nigeria¹

Background

Gender disparities within tax systems exacerbate economic inequalities and pose significant barriers to achieving inclusive economic growth. These disparities not only undermine fiscal sustainability but also hinder progress toward gender equality, which is integral to broader development goals.

Based on in-depth review of existing gender disparities within Nigeria's tax system, as well as an analysis of the underlying social, economic, and institutional factors contributing to these inequities, this policy brief offers recommendations for embedding gender-responsive approaches into Nigeria's fiscal policies and tax reforms. By addressing these issues, we aim to strengthen policy advocacy efforts and enhance the implementation of gender-responsive tax reforms.

Context

Nigeria has a decentralised tax system – characterised by numerous tax administrations covering the administration and the corresponding collection of taxes, levies and remittances to government across the country. Other revenue agencies include the Nigeria Customs Service and the local governments which collect various levies. Nigeria's decentralised tax system has a national tax administration (FIRS) and 37 other state revenue agencies across Nigeria as well as various revenue generating agencies at both the federal and sub-national levels. To ensure coherence of the tax system, the Income Tax Management Act 1961 created the Joint Tax Board (JTB) and charged it, primarily, to ensure uniformity of standards and application of Personal Income Tax.

Most corporate taxes such as the value added tax (VAT) and companies income tax (CIT) are collected at the federal level by the Federal Inland Revenue Service (FIRS) while the states internal revenue services collect direct taxes and withholding taxes from individuals, and corporate bodies such as ventures, and enterprises.

The Corporate Affairs Commission (CAC), as the federal government agency responsible for company incorporation, registers limited liability partnerships, limited partnerships, business names, and trustees of communities, associations, and bodies in line with the Corporate and Allied Matters Act (CAMA) 2020. The notable feature of this is that taxpayer data for corporate entities is generated during company registration.

The FIRS receives corporate taxpayer data from the CAC through a secured information exchange. Taxpayers are issued a Tax Identification Number (TIN) alongside their RC number, a unique identifier provided by the CAC. In support of the government's ease of doing business initiative, certificates of incorporation registered under CAMA include a TIN to reduce duplicity of administrative purposes. However, to create policy frameworks that can drive policy design, taxpayer disaggregated data is necessary to correct the current gender blind tax system at the federal level.

¹ This Policy Brief is produced by the Strategic Policy and Inclusive Economic Growth Unit of the UNDP Nigeria Country Office. The opinions expressed in this Brief however, are those of the authors (Oyintare Abang, Caroline Othim, Saied Sulaman and Foluke Ademokun (volunteer)), and do not represent the views of UNDP, the United Nations or any of its affiliate organizations.

Gender Disaggregated Data for Tax Systems

To implement taxpayer gender-disaggregated data, the CAC will need to adopt appropriate measures and implement at the backend using appropriate definitions and methodologies. Gender-disaggregated data in tax systems is crucial for several reasons, which in part include:

- **Informed Policy Development:** It provides insights into how different tax policies affect men and women, helping policymakers design tax systems that promote fairness and inclusivity. Without gender-specific data, it is difficult to understand whether tax policies disproportionately impact one gender, especially women who are often underrepresented in formal economic sectors.
- **Addressing Gender Bias:** Many tax systems may unintentionally reinforce gender biases, such as through indirect taxes or exemptions that disproportionately benefit or disadvantage one gender. Gender-disaggregated data allows governments to identify and correct these biases, ensuring more equitable tax burdens.
- **Promoting Economic Participation:** By understanding how men and women engage with the tax system, policymakers can tailor policies to encourage higher participation, especially among women, who may face unique barriers in entering the formal economy. This data helps address issues like women's access to capital, entrepreneurship, or compliance challenges.
- **Targeted Resource Allocation:** Disaggregated data can highlight specific sectors or regions where one gender is more represented, enabling better targeting of tax incentives or social protection measures. It supports the design of more effective policies aimed at reducing inequality.
- **Supporting Gender Equality Goals:** Collecting and using gender-disaggregated data aligns with broader sustainable development goals, particularly SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities). It ensures that tax systems support the government's commitments to closing gender gaps and promoting equal opportunities.
- **Enhancing Transparency and Accountability:** Gender-disaggregated data increases transparency in tax administration, allowing civil society and government bodies to hold tax authorities accountable for progress toward gender equity in taxation.
- **Measuring the Impact of Reforms:** It enables the monitoring of the effectiveness of gender-responsive fiscal reforms, making it easier to assess whether changes in the tax system are improving gender equality or exacerbating disparities.

Policy Interventions to Address Gender Blind Tax Systems

Adopting gender-sensitive tax reforms is pertinent for enhancing revenue mobilization efforts and creating a more inclusive and equitable economy that fosters sustainable development for all. The proposed policy interventions focus on alleviating the disproportionate tax burden that women (approx. 49.95% of Nigeria's population), currently face to ensure a fairer distribution of the tax burden and to promote greater gender parity in economic participation.

Key Issues

1. Limited Gender Analysis in Tax Policy:

- Existing tax policies often lack gender-disaggregated data, leading to gender-neutral approaches that fail to address the unique needs of women.
- The absence of targeted tax incentives for women-owned businesses which limits their growth potential and economic contributions. This is evident in the low growth rate of women-owned businesses, which accounts for only 30% of SMEs in Nigeria.
- Current tax policies often overlook the different economic roles of men and women undertake within their communities. Less than one-fifth of Nigeria's tax policies have undergone gender impact assessments.

2. Gender Disparities in Taxation:

The current tax system disproportionately affects women, particularly those in lower-income brackets and informal sectors. Women in Nigeria, particularly those in the lower-income brackets, bear a disproportionate burden of indirect taxes. Women spend significantly more of their income on VAT as VAT on services are not claimable unlike production which has more male participants.

The [World Bank estimates that 70% of Nigeria's poorest households \(Oginni, Ahonsi, & Ukwuije, 2013\)](#) are headed by women, who are disproportionately affected by consumption taxes. Indirect taxes, such as VAT, place a heavier burden on women, who are primary consumers of household goods and services.

3. Informal Sector Challenges:

Women are about 55% of the informal sector workforce, yet this sector remains largely untaxed within the formal context², leading to missed revenue opportunities and a lack of social protections for women.

Less women in the informal sector are covered by any form of social insurance, compared to men, highlighting a significant gender gap in social protection.

Policy Recommendations

1. Implement Gender-Responsive Tax Reforms:

Gender Analysis: Integrate gender analysis into the design, implementation, and evaluation of tax policies. For example, policies should assess the impact of taxes on different income groups and gender-specific spending patterns. Gender training ought to be made compulsory for tax administrations and reinforced across relevant ministries and civil society organisations.

In order to identify strategic opportunities for incorporating gender considerations into the formulation of tax policies in Nigeria, it is essential to understand the various stages of the tax policy formulation process. The diagram below illustrates the typical phases involved in the formulation of tax policies and highlights potential points where gender perspectives can be integrated.

Tax Incentives: Introduce tax credits or reduced tax rates for women-owned businesses, particularly in sectors where women are underrepresented. [Evidence from Rwanda shows that such incentives can increase female entrepreneurship \(Daniel, 2019\).](#)

2. Reform VAT and Indirect Taxes:

Tiered VAT System: Reduce VAT rates on essential goods predominantly consumed by women, such as sanitary products and infant care items, whether manufactured locally or not. [A similar reform in Kenya resulted in a reduction in the cost burden on women which was later duplicated across the world \(Deborah Oluwaseun Shomuyiwa, 2024\).](#)

Differentiated VAT: Introduce a tiered VAT system that differentiates between luxury and essential goods, ensuring a fairer distribution of tax burdens across income levels.

3. Expand Social Protection for Informal Workers:

Social Protection Mechanisms: Develop tax policies that incorporate social protection for informal workers, such as health insurance and pension schemes. For instance, [Ghana's introduction of a simplified tax regime for informal workers increased tax compliance by about double-digits](#), while providing health insurance coverage for women.

Simplified Tax Regimes: Introduce simplified tax regimes for micro and small enterprises, with specific provisions for women-owned businesses. Explore implications of tax regimes on gender equity, addressing women's limited business hours and earnings especially during maternity leave.

[Evidence from Uganda indicates that this approach can lead to an increase in the formalization of women-led businesses \(Mirela Xheneti, 2017\).](#)

4. Enhance Data Collection and Analysis:

Gender-Disaggregated Data: Mandate the collection of gender-disaggregated tax data to inform policy decisions. Countries with robust gender data, like Sweden, achieve higher gender equity in taxation.

Dedicated Monitoring Units: Establish a gender desk within the Ministry of Finance to monitor the gender impacts of tax policies, ensuring continuous assessment and adjustment of reforms.

5. Strengthen Institutional Capacity:

Capacity Building: Invest in the training of tax officials and policymakers to apply gender analysis in tax policy formulation. The UNDP offers toolkits and training modules that could be adapted for Nigeria. We are working with pilot states and the FIRS for the development of training modules for staff and management of revenue agencies.

Collaboration: Foster collaboration between government agencies, civil society organizations, and development focus groups to discuss how effective gender data can be sourced, collected and utilised for policy design.

Conclusion

Gender-responsive tax policies are crucial for achieving gender equality and fostering inclusive economic growth in Nigeria. By implementing the recommended reforms, the government can ensure that its fiscal policies contribute to reducing gender disparities, empowering women, and advancing the country's sustainable development goals. Implementing gender-responsive tax policies is not only a matter of equity but also a strategic approach to boosting economic growth and reducing poverty.

The recommendations outlined in this brief are grounded in robust data and best practices from other countries. By adopting these measures, Nigeria can ensure that its fiscal policies support gender equality and contribute to the

² Women pay levies and market association fees that are not included in the revenue estimates by the FIRS or state internal revenue services in most cases.

achievement of the Sustainable Development Goals (SDGs). The FIRS has commenced the implementation of the Gender Equality Seal for Public Institutions to address gender disparities within its organization and Nigeria's tax system. Though a critical point of reference in the fiscal policy at a national level, there is need for other stakeholders across board, both vertical and horizontal, to join and champion the need for gender considerations to hasten policy design.

UNDP is committed to enhancing tax systems by providing targeted capacity-building support, fostering sustainable reforms, and strengthening institutional capabilities to create equitable and efficient tax policies that align with SDGs.

Call to Action

The Presidential Committee on Fiscal Policy & Tax Reforms is urged to prioritize gender-responsive taxation in its ongoing and future reforms. Immediate actions include adopting the recommendations outlined in this brief, commissioning further research on gender impacts in fiscal policy, and fostering partnerships to drive the implementation of gender-sensitive tax policies.

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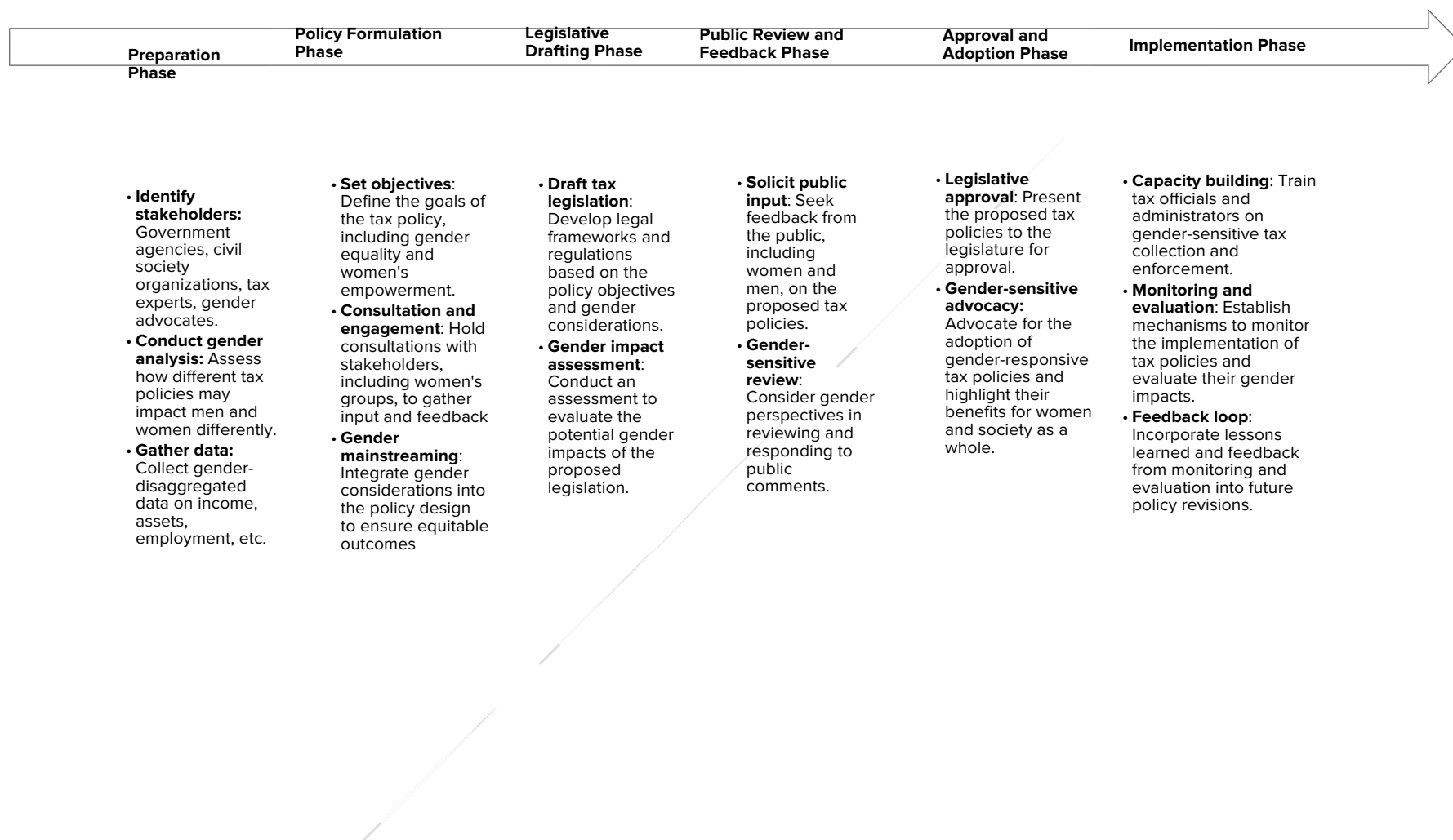


Diagram 1: Formulation of Tax Policies and Opportunities for Gender Considerations