



# A Conceptual Paper on Lawful Tax Avoidance Strategies for Nigerian Taxpayers: Implications for the Banking Sector

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**Abstract:** This research paper discusses legal tax avoidance measures accessible to the taxpayers of Nigeria and their consequences to the banking industry as a result of the Nigeria Tax Act (2025). It takes a conceptual review method that combines the statutory provisions, academic works, and new reforms to categorize the tax avoidance strategies as income/receipt-based and expenditure/payment-based. The income/receipt-based strategies encompass statutory deductions, tax reliefs, and labeling or description of receipts of financial inflows, whereas expenditure/payment-based strategies encompass split transfers, intra-bank transfers, payroll processing, and timing of payments. Results on statutory reliefs and deductions show that taxpayers tend to do little to take advantage of statutory reliefs and deductions, opting instead to employ smaller-scale options, such as splitting and labeling of transactions, which, although legal, create operational burdens on banks, such as higher transaction monitoring, anti-money laundering (AML), and reporting. There is an increased regulatory and reputational risk because of advanced strategies like income shifting. All these are augmented in the Nigeria Tax Act (2025) that broadens the tax base, adds compliance in the form of a threshold, and makes reporting more stringent. Generally, the paper demonstrates that effective legal tax planning should strike a balance between reducing the tax payable liability on the one hand and, on the other hand, meeting the systemic impact of the banking business, regulatory oversight, and stability of the financial sector. The implications of the findings are valuable to policymakers, regulators, and financial institutions

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to understand the interaction of lawful tax planning, operational efficiency, and regulatory compliance in Nigeria.

**Keywords:** Banking sector, tax planning, taxpayer compliance, Nigeria, tax avoidance

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## 1. INTRODUCTION

Tax avoidance is the legal structuring of financial transactions in a properly planned manner that is expected to yield optimal tax liability for a taxpayer. It involves good tax planning by using tactical tax planning, such as the use of statutory deductions, tax relief, tax incentives, and timing differences, in order to reduce the effective tax rates. In Nigeria, the applicability of basic tax avoidance is also extended to individual taxpayers and banks in the country because of the increased compliance pressure in the taxation laws, change in administration, and heightened demands on financial reporting accountability in the country (Igbinovia & Usman, 2024). It is against this backdrop that the conceptualization and execution of tax avoidance schemes in Nigeria have become an inferno for people and organizations. The aspect of legal tax avoidance is important in regard to balancing the interests of both the taxpayers and the government revenue. Understood, it enables the taxpayers to manage their expenses, improve the cash flows, and remain within the optimal tax regulations. In the case of banks, transparent tax planning reduces operational risks, eases the reporting, and customer transactions according to the requirements of the regulator. Informed tax avoidance results in formalization in the society, increases trust in taxation, and sustainable economic development (Igbinovia & Usman, 2024; Tino, Jibreel, & Isyaku, 2025). With this, a major shift in Nigeria's financial environment, brought about by the creation of the Nigeria Tax Act (NTA) 2025, has further underscored the significance of legitimate tax avoidance. The Act increased stricter compliance, which had shifted to the traditional relief systems. Though it was meant to increase the tax base, its application has created a compliance dilemma among the taxpayers, with the majority of them feeling anxious about paying higher taxes. Even though the law recognizes tax avoidance as lawful, there is a great gap in knowledge among Nigerian residents. There are preliminary indications that taxpayer planning to reduce the liability is restricted mainly to transaction narration technique (e.g., treating transfers as personal gifts) and a very limited perspective on Personal Income Tax. This poses two issues: one, taxpayers are losing statutory deductions and reliefs (Life Assurance and Rent Reliefs), which would legally and substantially reduce their taxable base. Second, the use of limited strategies such as transaction splitting imposes unwanted operational burdens

on the banking and finance sector that have to strike a balance between the tendency of customers to avoid taxes and high Anti-Money Laundering (AML) and reporting requirements (Igbinovia & Usman, 2024; Tino, Jibreel, & Isyaku, 2025). Against this backdrop, the study aims to lessen the current imbalance whereby it will examine a wider range of viable tax avoidance strategies and evaluating their implications for the systemic environment of the banking sector in Nigeria (Adisa, 2025; Tino, Jibreel, & Isyaku, 2025).

### **1.1. Research Questions**

The following research questions are to be answered in the study.

1. Which are the legitimate tax avoidance strategies applicable to taxpayers in the Nigerian tax system?
2. What do the identified tax avoidance strategies mean to the operations, compliance requirements, and regulatory needs of the banks in Nigeria?

### **1.2. Research Objectives**

The primary goals of this paper are to name and explain the different legitimate ways of tax avoidance that a taxpayer in Nigeria can use and the effects of these strategies on the banking industry, with reference to the way transactions are processed, the regulations that are followed, and the risks that are managed, besides the efficiency in operations.

### **1.3. Scope of the Study**

This research paper discusses legal tax avoidance measures that individuals in Nigeria have in the current tax legislation. It is concerned with the identification of statutory reliefs, deductions, incentives, and planning approaches, but not with illegal tax evasion practices. The paper also examines the impact of these strategies on the Nigerian banks, especially on aspects of transaction monitoring, compliance costs, AML obligations, reporting obligations, and customer relationship management. The coverage area is Nigeria, and the focus will be on deposit money banks and resident taxpayers. The research is modern, as it incorporates current tax changes and the development of regulatory, technostrategic, and compliance frameworks in the financial and tax administration system in the countrywide scope.

### **1.4. Significance of the Study**

The research is important to the tax-paying citizens, banks, policymakers, and tax authorities in Nigeria. It informs taxpayers about the various legal, tax avoidance methods, where it is possible to plan better and lessen the anxiety of compliance. In

the case of the banks, the research explains the effect of the taxpayer arrangement on the flow of transactions, anti-money laundering policy, and operational effectiveness. Policymakers and regulators obtain the information to formulate balanced taxation policies that will not disrupt the financial system by encouraging compliance. In academics, the research provides evidence unique to national taxation and banking implications, to the dearth of literature on the African context of tax avoidance and dynamic responses in future studies, policy development, and hands-on decision-making in tax administration and financial sector governance following a dynamic regulatory and digital landscape in the country.

## **2. LITERATURE REVIEW: CONCEPTUAL**

### **2.1. Conceptualization of the Notion of Tax**

The word “tax” represents a mandatory statutory levy imposed by the government of a nation on the income, transactions, and assets of companies, individuals, traders, and other entities within the jurisdiction of that nation. According to Omesi and Ebimobowei (2021), taxes collected by the government are applied to fund the expenditure and economic management of the population. In the case of deposit money banks, tax is paid as a percentage of the taxable income, which has allowable expenses deducted, so tax is a strong cost factor that influences profitability (Akintoye et al., 2020). The tax burden on banks in Nigeria is aggravated by several taxes, excessive statutory rates, and administrative wastefulness, which promotes the use of strategic financial planning to legitimize the exposure (Bako, 2021). Tax is also a social contract of trust between the banks and the state, where the banks are likely to comply in regard to the provision of infrastructure and regulatory stability (Umenweke, 2024). The judicial precedents confirm that corporate taxpayers can challenge excessive or unreasonable taxation without proportional benefits to the population in court, such as banks (Umenweke, 2024).

### **2.2. Tax Administration**

Tax administration in Nigeria can be defined as those institutional mechanisms and processes where the tax laws are applied, enforced, and monitored, especially in regulated sectors of the economy like the banking sector (Karibo, 2025). In the case of banks, tax administration entails the determination of taxable income, examination of complex financial dealings, as well as the enforcement of liability on meeting the tax requirements on company income tax, withholding tax, and value-added tax requirements by the authorities like the Federal Inland Revenue Service (FIRS) (Karibo, 2025). The banking sector depends on the proper work of taxation because of

the complex operations of this sphere, the international character of its activities, and the possibility of being subject to the influence of intensive tax planning (Umenweke, 2024). Nigeria has traditionally had limited capacity to track the tax practices of the banks, due to weak administrative capacity, limited manpower, and insufficient technological tools, and this has given opportunities to avoidance (Karibo, 2025). The latest changes, such as the rises in audits and anti-avoidance regulations, are attempts to increase the effectiveness of tax management, improve transparency, and make sure that banks contribute to the national income fairly without compromising the stability of the financial sector (Umenweke, 2024).

### **2.3. The Nigeria Tax Act 2025: Re-aligning and harmonizing the Tax Laws**

The Nigeria Tax Act 2025 can be seen as a historic reform since it is an integration of various tax laws, such as the Companies Income Tax Act, Personal Income Tax Act, Capital Gains Tax Act, Petroleum Profits Tax Act, and Stamp Duties Act, into a new single framework (Tope Adebayo LP, 2025). With this consolidation, redundant provisions will be eliminated while a reduction in administrative inefficiencies will emerge, resulting in a tax system that is more precise and transparent. Generally, the tax Act aims to ease the compliance process, bring about an improvement in fragmentation, and ensure that taxes are properly aligned between federal and state levels in order to establish a sustainable tax administration in the country (KPMG, 2025).

#### **2.3.1. Nigeria Tax Act 2025: Personal Income Tax (PIT) Reforms**

In its report of the review of the Nigerian Tax Act (NTA) 2025, Tope Adebayo LP (2025) proposes major changes to the personal income tax system. To begin with, the Act will bring in a zero-rated tax rate on individuals whose income is up to a certain annual limit, which will significantly lower the tax load on low-income earners and people in the informal sector. Any income that exceeds this limit is charged at progressive rates, which means that the overall tax liability is reduced compared to the previous regime. Comparative illustrations show that a substantial tax payable by both the middle and high-income earners has been reduced under the new structure. Second, the Consolidated Relief Allowance has been eliminated, and a specific housing-based relief has been introduced, but it has a limit of a statutory amount or a fixed percentage of the rent payable. Third, the definition of total income has expanded to state clearly that it covers the business profits, employment income, investment returns, and gains on digital or virtual properties. Fourth, the Act enhances the control over taxation of remote work and foreign-source income as it provides that resident individuals would be taxable on global income. Foreign tax credits are also no longer automatically available,

as in the previous regime; this heightens the risk of a situation in which an individual is subject to double taxation in the event that no such treaty relief is available. Lastly, non-cash fringe benefits are subject to taxation according to the prescriptive valuation provisions, but there are certain exemptions to such items as accommodation, staff meals, uniforms, and relocation expenses. The Act also presents an introduction of a presumptive tax system to deal with poor record keeping, where the tax authorities can estimate income based on rebuttable presumptions (Tope Adebayo LP, 2025).

### ***2.3.2. The Nigeria Tax Act 2025: Corporate Income Tax (CIT) Reforms***

The NTA 2025, according to Tope Adebayo LP (TALP, 2025), maintains the normal rate of corporate income tax payable by non-small companies but adds a special development levy, thus adding to the effective tax rate. Small companies enjoy remaining under the exemption regime so long as the turnover and asset levels are not surpassed, but the same cannot be said of the business of professional service firms, which are not to receive this preferential treatment regardless of their size. This mechanism will substitute the previous minimum tax regime and align domestic law with the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two model, by requiring a minimum effective tax rate, and thus discouraging the profit shifting to low-tax jurisdictions. This mechanism will also be accompanied by tightening deductibility rules, by ensuring that expenses are incurred wholly and exclusively to generate income, which is consistent with international best practice. Although initial capital allowances have been abolished, the annual allowances still apply, and intangible assets, software, and agricultural equipment are also recognized with increased recognition. The Act also precludes deductions of related-party payments, which include royalties, management fees, and the like, paid to a connected person or a non-resident, unless it is a pure reimbursement of costs. This also supersedes the traditional principles of transfer pricing and can raise the effective tax rate of subsidiaries of multinational enterprises.

### ***2.3.3. Capital Gains Tax (CGT) Reforms Nigeria Tax Act 2025***

According to recent KPMG (2025) and Tope Adebayo LP (TALP, 2025) analyses, the capital gains tax regime has significant changes after the NTA 2025. The capital gains are not a separate flat tax but instead incorporated into the income tax system and taxed at the personal or corporate income tax rates. The list of chargeable assets has been increased with digital assets, intellectual property, and other incorporeal assets. Exemptive statutory disposals are, however, subject to certain conditions, namely residential property, compensation for personal injury or unemployment

to prescribed limits, or disposal of low-value personal assets (KPMG, 2025; Tope Adebayo LP, 2025).

#### **2.4. Strategic Implications**

The NTA 2025 reforms the tax system of Nigeria by ensuring that it expands the tax base, makes it easier to comply, and also aligns with international standards. In the case of a business, the reforms also require reorganization of intercompany arrangements, meticulous records of expenses, and taking action to learn the new reporting demands. To individuals, the Act offers relief to workers with low incomes and increases the burden on participants in the digital economy and remote workers (KPMG, 2025; Tope Adebayo LP, 2025).

#### **2.5. Tax Avoidance**

Tax avoidance in the banking sector is the intentional application of legal means of planning to reduce tax payment without transgressing the laws and regulations of taxation (Asomba, Owa, & Chime, 2023). Capital allowance optimization, income timing, and related-party transaction structuring are typical advanced avoidance mechanisms that are used by the commercial banks in Nigeria to lower the effective tax rates and boost post-tax incomes (Park et al., 2015). In contrast to tax evasion, tax avoidance takes advantage of the loopholes and vague points of the law, which are technically allowed but morally dubious, especially in a developing economy that depends on tax income (Adisa, 2025). In the case of banks, shareholder value maximization, competition, and high statutory tax rates are the major causes of tax avoidance (Duo-Duo, 2025). Nevertheless, aggressive avoidance heightens regulatory risk by the Federal Inland Revenue Service, subjecting banks to tax risk, reputational risk, and compliance expenses (Duo-Duo, 2025).

#### **2.6. Rationale for Tax Avoidance**

The economic, institutional, and psychostrategical factors that affect corporate behavior in the context of the Nigerian banks explain the rationale of tax avoidance in the banks. The presence of high rates of statutory taxes and other levies brings down the profitability of banks to an extent that the management is motivated to find legal ways of minimizing tax burden. The Nigerian tax laws are complex and ambiguous, which also promotes avoidance as banks take advantage of the loopholes and use professional tax planning and financial engineering (Asomba, Owa, & Chime, 2023). An enabling environment to avoid practices in the banking sector is also created by weak tax administration due to restricted capacity and inconsistency in the enforcement of the

administration (Karibo, 2025). Moreover, the poor perception of banks of poor state infrastructure and suboptimal utilization of tax funds undermines the ethical basis of complete compliance, which supports avoiding behavior (Oladejo, 2021). In terms of business, tax avoidance is considered a business tactic of maintaining capital, increasing shareholder profit, and staying competitive despite raising ethical issues and increasing regulatory control in Nigeria (Karibo, 2025).

## 2.7. Tax Avoidance Strategies

Tax avoidance strategies denote the legal planning techniques that have been used by the taxpayers to organize their financial structure to reduce the tax payments and at the same time not contravening the tax laws in Nigeria. These are strategies that are carried out based on the existing statutory provisions and are not based on income concealment or misrepresentation. To achieve analytical clarity, the concept of lawful tax avoidance strategies can be generalized into two groups by the interaction with the financial flows.

1. **Income/ Receipt- Based Tax Avoidance Strategies:** These are aimed at minimizing the income to be assessed or taxable before the imposition of tax rates. These strategies pay attention to the classification and treatment of financial inflows that are recorded on the receipt side of the accounts of an individual or entity. Taxpayers can legally restrict the amount of their income that is liable to taxation by maximizing statutory deductions and reliefs, and having their receipts duly narrated and documented. The main aim of this type is to increase disposable income with no violation of tax laws and regulations.
2. **Expenditure/Payment-Based Tax Avoidance Strategies:** These are about the management of the transaction-related taxes, levies, and charges that come up during the process of making financial outflows. These plans are used in payment that is recognized under the expenditure column of financial accounts and involve payment practices like fragmentation of transfer, intra-bank transfer, structured payment processing, and optimum timing of payments. Although such methods do not change the amount of the underlying tax base, they allow the taxpayers to structure the flow of payments in a way that will allow them to minimize the transaction costs legally. It focuses on enhancing financial efficiency without going against statutory or regulatory provisions.

The categorization of tax avoidance strategies in Nigeria can be clearly illustrated in the diagram below:

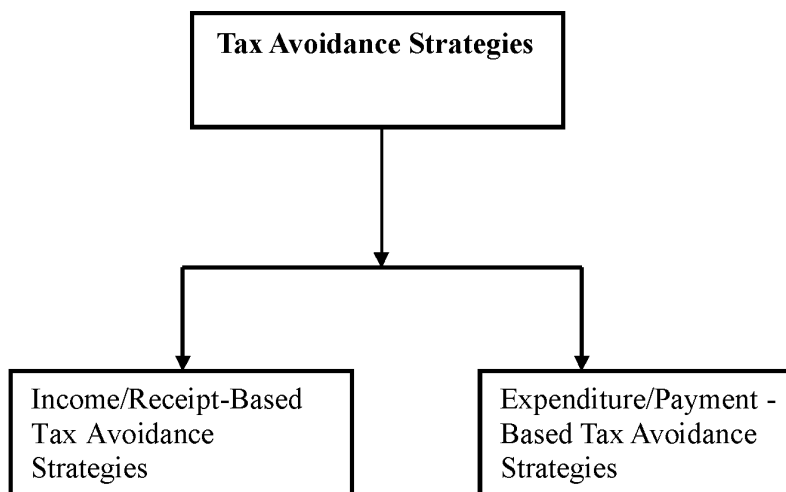


Figure 1: Categories of Tax Avoidance Strategies

### ***2.7.1. Category A: Income/Receipt-Based Tax Avoidance Strategies***

*2.7.1.1. Tax Deductibles:* Tax deductibles are legislative deductions from gross income that are acknowledged by the law to lower the taxable income before tax liability is calculated. The examples of the allowable deductibles in the Nigerian context are the contributions to the pension schemes, National Housing Fund (NHF), the National Health Insurance Scheme (NHIS), as well as life assurance premiums. In principle, tax deductibles are a legally approved method of modifying the taxable base, which alters the amount of income that is taxable (Adisa, 2025; Asomba, Owa, & Chime, 2023; Bako, 2021; Oladejo, 2021).

*2.7.1.2. Tax Reliefs:* Tax relief is a legal exemption or deduction that decreases the amount of income that is available to taxation, depending upon statutory bases or on certain qualifying expenditures. Examples in Nigeria are the Consolidated Relief Allowance, housing-related deductions up to the statutory limits, and tax-free income levels that exempt an initial part of annual income. Tax reliefs are systems that alter the assessable income base in line with the law (Adisa, 2025; Bako, 2021; Oladejo, 2021; Umenweke, 2024).

*2.7.1.3. Labeling Strategy Narration Strategy:* Labeling and narration strategy is defining the non-income inflows of financial records systematically since they do not constitute taxable income. It entails the giving of proper labeling or classification of financial receipts, like personal transfers or reimbursements, among others, so that the difference between the income and the financial receipt is well established. This type of strategy is more of the conceptual type, which emphasizes the influence of the

categorization of transactions on the determination of the taxable base (Asomba, Owa, & Chime, 2023; Duo-Duo, 2025; Karibo, 2025; Olanakanmi et al., 2025).

*2.7.1.4. Income Shifting Strategy:* Income shifting is a tax avoidance technique that conceptually involves moving taxable income across entities, jurisdictions, or between financial accounts with the objective to effect variations in the rates of taxes. The use of the income shifting strategy is common in situations when it is allowed by the legal and regulatory frameworks, as the effective taxation in branches, subsidiaries, or other related entities can differ. The importance of assigning and categorizing financial flows to identify the taxable base is emphasized by the strategy (Duo-Duo, 2025; Adisa, 2025).

### ***2.7.2. Category B: Strategies of Expenditure/Payment Tax Avoidance***

*2.7.2.1. Split Transfer/Threshold Strategy:* Split transfer strategy (also known as the threshold strategy) is an approach where financial outflows (cash payments) are disaggregated into different denominations, each falling below the threshold that can warrant payment of tax for making the outflows. The strategy directly relates to payments or transfers via a digital payment platform that have transaction-based charges, and it is an action plan for organizing payments under the current legal and regulatory frameworks. Split transfers, in theory, help a taxpayer to understand how to structure financial outflows/money payments via electronic fund transfer, to meet the statutory thresholds (Adisa, 2025; Asomba, Owa, & Chime, 2023; Duo-Duo, 2025; Olanakanmi et al., 2025).

*2.7.2.2. Intra-Bank Transfer Strategy:* Intra-bank transfer strategy is defined as the practice of transacting financial operations within a specific banking institution, as opposed to having financial transactions across various banks. In principle, such a strategy embodies the organization of the payment flows in just one institution as a reaction to transaction-related levies or interbank fees. The intra-bank transfers represent a legitimate way of structuring the financial outflows with the current regulatory frameworks, without modifying the tax liability (Asomba, Owa, & Chime, 2023; Bako, 2021; Duo-Duo, 2025).

*2.7.2.3. Payroll Processing Strategy:* The term payroll processing strategy is used to refer to the organized processing of wage and salary payments using agreed payroll systems or platforms. In theory, this plan separates payments that are payroll-dependent against regular bank payments so as to conform to statutory exemptions or regulatory frameworks of transaction levies. The payroll processing strategies can be viewed as a legal way of structuring employee compensation flows without any change in the underlying tax obligations, which underscores the interplay between the classification

of transactions and the structure of systems and the statutory requirements (Adisa, 2025; Asomba, Owa, & Chime, 2023; Duo-Duo, 2025).

*2.7.2.4. Timing of Payments Strategy:* The timing of payments strategy is defined as being used to plan the timing of financial outlay or when revenue is recognized so as to conform to the statutory fiscal year or taxation regulations. The conceptual meaning of this strategy is the organization of the temporal stream of funds received or paid during a fiscal year in order to adhere to the existing tax laws without changing the tax base. It emphasizes the timing of transactions that the taxpayer makes based on statutory deadlines and financial reporting (Adisa, 2025; Asomba, Owa, & Chime, 2023).

## **2.8. Tax Avoidance Strategy Implications on the Banks in Nigeria**

This part is a discussion of how the identified tax avoidance strategies impact the operation, compliance, and regulatory issues of banks in Nigeria.

### ***2.8.1. Tax Deductibles Implications on the Banks in Nigeria***

Nigerian banks have direct operational repercussions in the use of tax deductibles, including pension funds, NHF, NHIS, and life assurance premiums, since they need to design their payroll systems, which capture, compute, and remit deductible elements in tax laws (Omesì & Ebimobowei, 2021). Banks must have well-developed internal payroll controls and records that enable deductible items to be properly recorded in the taxable income of employees to limit disagreements in tax audits by FIRS and State Internal Revenue Services (SIRS) (Adisa, 2025). Compliance-wise, the misclassification or failure to classify statutory deductibles is subjecting banks to fines, back taxes, and reputational risks, particularly in the context of an ever-growing e-tax system in Nigeria (Egbara, Asomba, & Ofodu, 2023). It is also stipulated under regulatory requirements that to maintain transparency, improve audit trails, and exhibit due diligence in supporting lawful tax avoidance on behalf of the employees, banks should align payroll reporting with the Integrated Tax Administration System (ITAS) and other online tax platforms (Oladele et al., 2020).

### ***2.8.2. Banks implications of Tax Reliefs in Nigeria***

The Consolidated Relief Allowance and rent relief are tax reliefs that have a profound impact on banking operations because they demand that banks incorporate relief calculations in their payroll software to make appropriate tax deductions at source (Egbara, Asomba, & Ofodu, 2023). In its operations, banks are required to check the records of employees, such as rental receipts and identification numbers, to facilitate rescue claims and evade the risks of scrutiny by regulatory bodies when they inspect

tax payments (Karibo, 2025). Compliance-wise, a failure to implement reliefs correctly can lead to over-taxation of the employees, which can lead to suits being filed by any of the employees, and the tax authorities imposing corrective actions on the banks, which results in more administrative strains on banks. Based on regulatory requirements, banks are also required to align payroll with FIRS and SIRS systems to ensure reliefs are consistently done and reported to the banks, which constantly remind the banks of the importance of the intermediary role in the tax administration and enforcement in the formal economy of Nigeria (Eke & Alohan, 2022).

### ***2.8.3. Labeling Strategy and Narration Strategy Implications on Banks in Nigeria***

The labeling and narration strategy also has significant operational consequences for banks in Nigeria, in that the characterization of transactions has a direct impact on the taxation, AML, and compliance analytics imposed on the banking systems (Hanlon & Heitzman, 2010). To prevent a negative response to tax reporting and compliance issues, banks should implement superior transaction-monitoring systems that can help them distinguish between taxable and non-taxable inflows like gifts, reimbursements, and loan repayment (Olasunkanmi et al., 2025). Compliance-wise, vague or unclear stories expose banks to regulatory fines, suspicious transactions reporting, and audit disputes with clients when audited by tax and other financial regulators (Duo-Duo, 2025). The regulatory requirements, thus, mandate the banks to implement standardized narration frameworks, reinforce Know Your Customer/Client (KYC) recordings, and harmonize transaction oversight with FIRS, CBN, and AML laws to balance the customer tax-avoidance conduct with the systemic fiscal integrity (Duo-Duo, 2025).

### ***2.8.4. Implications of Income Shifting Strategy on Banks in Nigeria***

The transfer pricing and allocation of profits among the subsidiaries are known as income shifting strategies, which also contribute significantly to the complexity of operations of banks in Nigeria because of the increase in the cross-border reports, internal pricing documentation, and consolidated financial reporting (Desai & Dharmapala, 2006). Banking institutions that participate or are involved in these types of strategies need to enhance internal audit, tax risk management, and governance controls to align with the provisions of the Finance Acts and anti-avoidance in Nigeria (Chambers & Partners, 2024). Compliance-wise, the shifting of income raises the compliance risk due to regulatory scrutiny, especially as to related-party transactions and thin capitalization, and the cost of compliance and audit defense of banks increases (Duo-Duo, 2025). As per the requirements of the banking regulations, banks are expected

to keep transparent transfer pricing records and that they are expected to be able to comply with the international reporting standards; otherwise, they will face penalties, legitimacy, and to safeguard the tax base of Nigeria as they continue to operate within legitimate tax planning limits (Adisa, 2025).

### ***2.8.5. Implications of Split Transfer/Threshold Strategy on Banks in Nigeria***

The split transfer technique has an impact on banks by causing more transactions to be transacted, which strains the system of transacting the transactions as well as the AML systems (Okolo, Obikeze, Ugonna, & Nebo, 2017). Though fragmented transfer patterns can be made within the boundaries of current levy thresholds, over-fragmentation of transactions draws the attention of banks, which are required to provide more monitoring to differentiate between legal and non-legal economic activity and structuring that is illegal as per the AML regulations (Olasunkanmi et al., 2025). Compliance-wise, banks need to strike a balance between customer transaction conduct and the legal requirements to disclose suspicious activity to the authorities to heighten compliance expenses and operational alertness (Adisa, 2025). The banks' regulatory requirements also mandate such banks to implement threshold monitoring principles, keep comprehensive transaction records, and collaborate with tax and financial regulators to make sure that the disjointed patterns of transfers will not compromise financial transparency and regulatory purposes (Duo-Duo, 2025).

### ***2.8.6. Implications of Intra-Bank Transfer Strategy on Nigerian Banks***

Intra-bank transfer strategies affect the banking activity by promoting the consolidation of customers into one institution and therefore raising the internal transaction moving on and lowering the exposure to statutory inter-bank levies (Bako, 2021). On the operational front, banks enjoy less transaction friction and customer retention, yet they have to modify monitoring systems in order to curb the abuse of levy exemptions (Asomba, Owa, & Chime, 2023). Compliance-wise, recurrent intra-bank transfers can blur the purpose of transactions, and to meet the demands of regulatory audit, banks have to tighten internal control and documentation requirements (Uadiale et al., 2010). Therefore, it is required by the banking law that banks should also uphold the application of exemptions on levies strictly within the scope of the law, and incorporate transparency and accountability as part of the requirements stipulated by the supervisory roles of FIRS and CBN (Eke & Alohan, 2022).

### ***2.8.7. Implications of Payroll Processing Strategy on Nigerian Banks***

Banks have great implications on operational aspects of payroll processing strategy since, subject to payroll systems, the payment of salaries is not subject to any

transaction levies, and the banks must distinguish between payroll transactions and normal transfer transactions (Adisa, 2025). Banks should invest in payroll solutions that are compliant and merge them with tax reporting solutions to guarantee that they remit the PAYE and the corresponding deductions (Asomba, Owa, & Chime, 2023). Regulatory-wise, wrong classification of payment of payroll subjects banks to regulatory fines and tax controversy, which erodes confidence in payroll exemptions (Egbara, Asomba, & Ofodu, 2023). The regulatory requirements, in turn, mandate banks to keep comprehensive payroll records, balance them with the e-taxation solutions, and assist employers in their ability to comply with tax regulations and protect the amounts of take-home pay of employees (Oladele et al., 2020).

#### ***2.8.8. Timing of Payments Strategy Implications on Banks in Nigeria***

Payment plans also have implications on the bank operations in the sense that they have a bearing on the turnover of transactions, liquidity management, and annual report volumes when customers hasten in paying their deductibles or postpone the recognition of income (Igbinovia & Usman, 2024). The accounting, reporting, and monitoring systems used by banks will have to be modified to suit the seasonal increases in transactions associated with tax planning behavior (Adisa, 2025). Compliance-wise, the discrepancy between reporting and transaction dates may raise audit questions, and banks have to ensure that the records and time stamps are correct (Asomba, Owa, & Chime, 2023). It is also the demand of the regulations that banks should facilitate clear reporting during fiscal periods and that timing strategies related to tax incentives should be within the scope of the law and should not misrepresent financial reporting and confidence in the regulation (Maisiba & Atambo, 2016).

### **3. CONCEPTUAL APPROACH**

This paper employed a conceptual and analytical prognosis to look at legal strategies of tax avoidance that can be implemented by the taxpayers in Nigeria, and analyze their effects on the banking industry. It is not an empirical study, hence precluding the gathering of primary data or statistical examination. Rather, the reasoning is based on a systematic review of ideas and theological reasoning based on the existing principles of taxation, regulatory policies, and scholarly sources. The adopted methodology is sufficiently fitting since the aim of the research is to clarify the concepts, to systematize tax-avoidance strategies, as well as to question their institutional consequences in the changing fiscal environment in Nigeria. The secondary sources used include peer-reviewed journal articles, statutory tax provisions, regulatory provisions, policy documents, and professional publications relevant to the topic of taxation and banking

in Nigeria. The current emphasis on the new changes under the Nigeria Tax Act 2025 is explained by the fact that the amendments have had a dramatic impact on how taxpayers behave, comply, and go through banking processes. Sources are selected based on relevance to the research objectives, credibility, and appropriateness to the Nigerian legal and regulatory context. The review is thematic and categorical to improve the level of clarity. The first legal tax-avoidance plan that is conceptually distinguished is that of income/receipt-based and expenditure/payment-based. The classification provides a systematic understanding of the manner in which taxpayers legally mitigate tax exposure in both the income-producing operations and the transactional operations, and it provides an in-depth analysis of the interaction between these operations and the formal banking operations. The institutional and regulatory implications for the banks are studied, focusing on the efficiency of the operation, regulatory duties, and risk management. The discussion poses the question of how the practices of tax-planning affecting banking operations, such as payroll administration, narration of transactions, deduction of levies, monitoring transactions, and compliance with anti-money laundering (AML). The paper argues that the point of tax avoidance in the financial environment of the banks does not only lie in the respective financial decision-making of the banks, but it also has the capacity to affect financial intermediation and regulatory control. The conclusions are made through strategic inference and conceptual synthesis of the themes discussed without the use of generalization based on empiricism. This methodology is an implication-based approach that guarantees that the results are based on legal and institutional facts and are aimed at academic discussion and policy-making. The theoretical system created in this paper can be used as a research background in the future and provide real-world advice to policymakers, tax bodies, banks, and taxpayers working in the modern taxation setting in Nigeria.

#### **4. CONCLUSION**

In conclusion, the paper highlights the dire need for legal and tactical avoidance of tax in the changing fiscal environment in Nigeria. Both taxpayers and banks will have to overcome the burden of increased compliance requirements, greater reporting standards, and regulatory scrutiny with the adoption of the Nigeria Tax Act 2025. However, such difficulties also have their prospects that people and organizations may utilize to reduce tax deductions under the law, benefit from relief claims, and do honest financial planning and be in accordance. To taxpayers, the careful use of deductions, reliefs, and proper transaction narration increases disposable income and eliminates compliance phobia. In the case of banks, the strategies determine the monitoring of transactions, AML requirements, and the efficiency of their operations, thus

requiring sound systems that ensure that the customer behavior is balanced against the regulatory expectations. The wider implication is that legitimate tax avoidance, which is done by proper interpretation and application, builds trust in the tax system, helps to mobilize revenue in a sustainable way, and helps to make the financial system stable. Good tax avoidance is not a defensive strategy but an offensive tool that would make taxpayer interests congruent with the goals of national development. Nigeria still has the opportunities of crossing the knowledge gaps and transparency to nurture the culture of taxation and equilibrium of individual economic stability, institutional accountability, and economic progress.

## **5. RECOMMENDATIONS**

Following the conceptual review, there are various recommendations that can be taken.

1. To start with, the taxpayers ought to take maximum tax deductibles under the statutory deductibles like pension, NHF, NHIS, and life assurance premiums, and provide the correct documentation to resist an audit.
2. Second, banks should incorporate tax reliefs in payroll and transaction systems, automating the compliance and minimizing conflicts with tax authorities.
3. Third, people and businesses ought to embrace an accurate transaction narration policy to avoid the inappropriate categorization of inflows and minimize AML warnings.
4. Fourth, taxpayer education programs should be enhanced by the regulators with a greater emphasis on legitimate methods of taxpayer education, but not on enforcement measures, thus alleviating fear and promoting voluntary compliance.
5. Fifth, the banks ought to reinforce the governance structures and audit to handle risks connected with advanced practices such as income shifting, which would be in tandem with the international transfer pricing norms.
6. Lastly, the policymakers must balance the tax reforms with the incentives that will increase compliance, especially in the digital economy, where it is difficult to monitor. With all the aforementioned recommendations, there is a possibility to increase transparency, while compliance expenses are reduced, and a beneficial culture of sustainable tax is created for the banks, taxpayers, and the Nigerian economy.

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