



A P O L I C Y B R I E F

MAKING NIGERIA'S TAX REFORMS WORK FOR WOMEN IN THE INFORMAL ECONOMY: LESSONS FROM THE LAGOS STATE'S WOMEN ECONOMIC EMPOWERMENT POLICY ROADMAP

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Executive Summary

Nigeria's tax reforms aim to simplify tax administration, improve revenue mobilization, and strengthen fiscal sustainability. While primarily fiscal in nature, these reforms also have important implications for women's economic participation, particularly in the informal economy where women are highly represented.

Insights from the Lagos State Women's Economic Empowerment (WEE) Policy Roadmap highlight persistent challenges facing women entrepreneurs, including limited access to finance, informal market levies, and low awareness of government policies. While tax reforms create opportunities through simplified taxation, incentives for small businesses, and pathways to formalization, their impact will depend on how effectively these opportunities are implemented in ways that reflect the realities of women's economic participation.

This policy brief explores key drivers and barriers shaping women's economic empowerment in the context of tax reform and outlines priority actions for research and policy to ensure that tax reforms support inclusive economic growth.



Background: Nigeria's New Tax Reform and Women's Economic Empowerment



These structural constraints mean that fiscal reforms, such as changes in tax administration, business taxation, and compliance systems, can have differentiated impacts on women and men.

Nigeria has embarked on a comprehensive reform of its tax system aimed at simplifying tax administration, improving revenue mobilization, and strengthening fiscal sustainability. The reforms seek to consolidate multiple tax laws, enhance compliance, and expand the tax base in order to increase government revenues and support economic growth. These changes come at a critical moment as Nigeria faces fiscal pressures, low tax-to-GDP ratios, and growing demand for public investment in infrastructure, social protection, and economic development.¹

Although tax reforms are primarily designed as macroeconomic and fiscal policy tools, they also have significant implications for social inclusion and equity. Tax systems influence how income is distributed, how businesses operate, and how individuals interact with the state. As a result, tax policy can shape women's economic opportunities, particularly in the informal sector where women are disproportionately represented. In this context, the informal sector is defined as small-scale businesses, street vending, market trading, and home-based enterprises that often operate without formal

registration, regulatory oversight, or access to financial services.²

In Nigeria, women play a significant role in economic activities but remain concentrated in the informal economy, small-scale enterprises, agriculture, and low-paid service sectors. Many women entrepreneurs operate micro and small businesses with limited access to formal finance, business support services, and regulatory systems. These structural constraints mean that fiscal reforms, such as changes in tax administration, business taxation, and compliance systems, can have differentiated impacts on women and men.

Insights from the Lagos State Women's Economic Empowerment Policy Roadmap highlight structural barriers facing women entrepreneurs in the informal sector, including limited access to credit, restricted access to land, high loan costs, and informal market levies. Addressing these constraints will be critical to ensuring that Nigeria's ongoing tax reforms, particularly efforts to simplify taxation, reduce multiple levies, and formalize small businesses, expand economic opportunities for women and promote inclusive growth.

Tax reforms create opportunities to expand women's economic participation.



¹ Federal Government of Nigeria. (2025). Nigeria Tax Act, 2025. <https://africacheck.org/sites/default/files/media/documents/2025-07/NIGERIA-TAX-ACT-2025.pdf>

² Lagos State Ministry of Women Affairs and Poverty Alleviation. (2025). Women's economic empowerment: A policy roadmap for Lagos State, Nigeria. Lagos State Government.

Drivers and Barriers of Women's Economic Empowerment in the Context of Tax Reform

3.1 Drivers

Tax reforms can create opportunities to expand women's economic participation by simplifying taxation, supporting small businesses, increasing public investment, and encouraging business formalization. These drivers are particularly important given that women dominate many small-scale and informal economic activities.



For women entrepreneurs, many of whom operate small businesses in local markets, simplified taxation can reduce compliance costs, limit harassment from informal tax collectors, and improve business predictability

3.1.1 Simplification of the Tax System:

Tax reforms that reduce multiple taxation and harmonize federal, state, and local taxes can significantly lower administrative burdens on micro and small enterprises. For women entrepreneurs, many of whom operate small businesses in local markets, simplified taxation can reduce compliance costs, limit harassment from informal tax collectors, and improve business predictability, particularly in environments where informal levies erode already thin profit margins.

3.1.2 Incentives for Micro and Small Enterprises:

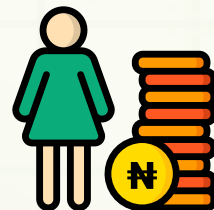
Policies that provide tax exemptions or simplified compliance requirements for micro and small enterprises can support women-led businesses, which are predominantly small-scale. Evidence from the Lagos State WEE Policy

Roadmap shows that many women entrepreneurs operate microenterprises in sectors such as retail, food processing, and informal trading. In Lagos alone, 4,663 women-owned MSMEs are registered³, and nationally about 40% of MSMEs are owned by women⁴.

3.1.3 Increased Fiscal Space for Social Investments:

Improved tax revenue stands to expand government resources for programs that support women's economic empowerment. Increased public investment in areas such as skills development, financial inclusion, entrepreneurship financing, and social protection can help address structural barriers faced by women. The WEE Policy Roadmap highlights the importance of such initiatives in strengthening women's access to training, markets, and financial services.

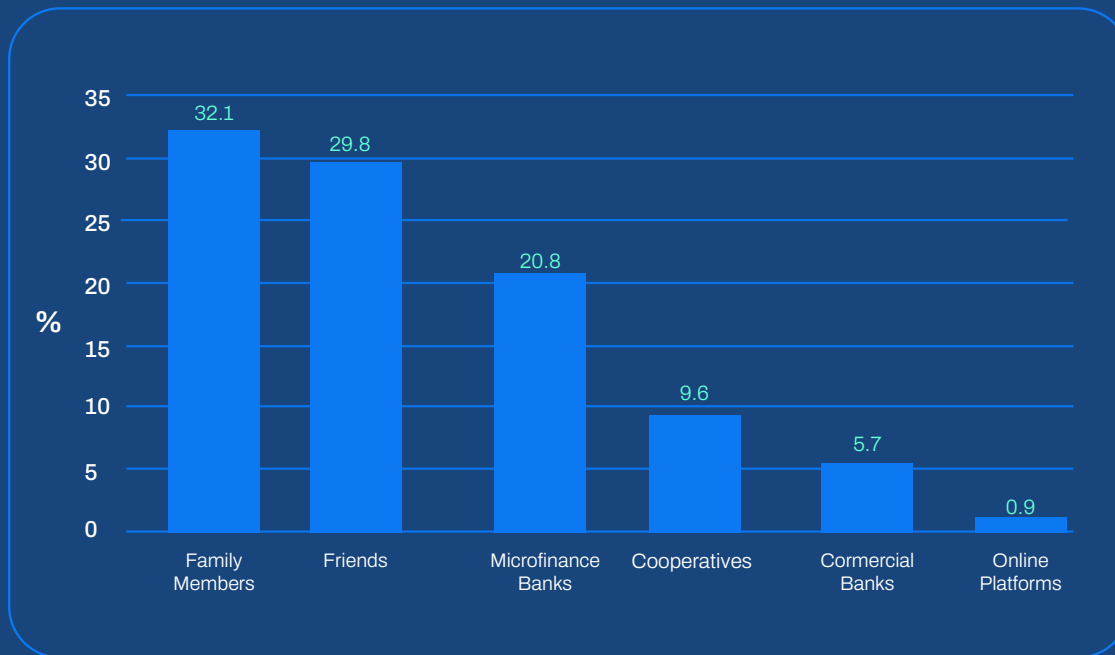
Women remain highly concentrated in informal enterprises, with limited access to finance, productive assets, and formal business support.



³ Ademola, O. A., Ogunnaiké, O. O., & Ibiidunni, A. S. (2017). Influence of financial inclusion and social inclusion on the performance of women-owned businesses in Lagos State, Nigeria. Retrieved from <https://www.researchgate.net/publication/317343170>

⁴ National Bureau of Statistics. (2023). 40% of MSMEs in Nigeria are owned by women. Retrieved from <https://nairametrics.com/2023/08/01/40-of-msmes-in-nigeria-are-owned-by-women-nbs>

3.2 Barriers



Culled from the Nigeria's Multiple Indicator Cluster Survey 2021: Survey findings report.

Figure 1: Percentage of women in Lagos State who borrowed money in the last 12 months by source of loan



Women traders in local markets often face unauthorized revenue collection and informal levies which increases the cost of doing business and reduces profitability.

3.1.4 Formalization of Informal Businesses:

Tax reforms that simplify business registration and compliance procedures can encourage the formalization of informal enterprises. This is particularly important because women are highly concentrated in the informal economy; evidence indicates that 95.1% of employed women in Nigeria work in the informal sector, often in petty trading, subsistence agriculture, and other small-scale activities.⁵

3.2.1 Informal Levies and Market-Level Taxation:

Women traders in local markets often face unauthorized revenue collection and informal levies which increases the cost of doing business and reduces profitability. These practices

are common in market environments where many women operate small-scale businesses. If such informal taxation is not addressed, national tax reforms may have limited impact on women's daily economic realities.

3.2.2 Limited Access to Finance:

Limited access to finance remains a major constraint for women entrepreneurs. Many women rely on informal sources of borrowing such as family members and friends rather than formal financial institutions. For example, 32.1% of women borrow from family members and 29.8% from friends, while only 5.7% obtain loans from commercial banks.⁶ Access to credit is further constrained by high interest rates, strict documentation requirements,

⁵ International Labour Organisation. (2022). Promoting Gender Equality and Enterprise Formalisation in Nigeria. Retrieved from <https://www.ilo.org/resource/article/promoting-gender-equality-and-enterprise-formalization-nigeria-constituents>

⁶ National Bureau of Statistics (NBS) & United Nations Children's Fund (UNICEF). (2022). Multiple Indicator Cluster Survey 2021: Survey findings report. Abuja, Nigeria: National Bureau of Statistics and United Nations Children's Fund.



...many women entrepreneurs in informal sectors are unaware of available programs, incentives, or regulatory requirements.

and limited collateral. Property ownership, often required as collateral, is particularly restricted, with only about 1.9% of women aged 15-49 in Lagos owning land individually or jointly.⁷ These barriers limit women's ability to grow businesses, formalize operations, and comply with tax obligations.

3.2.3 High Informality

Among Women: Women are disproportionately concentrated in the informal economy.⁸ Without addressing these structural realities, tax reforms aimed at expanding the tax base may increase compliance burdens without delivering benefits for women entrepreneurs.

3.2.4 Digital and Administrative

Barriers: The new tax reforms aim to rely heavily on digital filing systems and formal administrative procedures. While the Lagos State WEE Policy Roadmap shows that 85.9% of women own mobile phones and 60.8% use them

for financial transactions,⁹ participation in formal digital and regulatory systems remains uneven. Women operating in informal sectors often face documentation requirements, limited familiarity with administrative procedures, and time constraints linked to unpaid care responsibilities. These barriers often limit their ability to comply with digital tax systems or access related government services.

3.2.5 Low Policy Awareness:

Limited awareness of government policies and programs remains a key challenge. Evidence from the WEE Policy Roadmap indicates that many women entrepreneurs in informal sectors are unaware of available programs, incentives, or regulatory requirements. Without targeted communication and outreach, women may not benefit from tax incentives, exemptions, or support programs introduced through tax reforms.



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40%
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by women



95.1%

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in Nigeria work in the
informal sector



⁷ National Population Commission (NPC) [Nigeria] & ICF. (2019). Nigeria Demographic and Health Survey 2018. Abuja, Nigeria, and Rockville, Maryland, USA: NPC and ICF.

⁸ International Labour Organization. (2022). Promoting gender equality and enterprise formalization in Nigeria. <https://www.ilo.org/resource/article/promoting-gender-equality-and-enterprise-formalization-nigeria-constituents>

⁹ National Population Commission (NPC) [Nigeria], & ICF. (2019). Nigeria Demographic and Health Survey 2018. NPC and ICF. <https://dhsprogram.com/pubs/pdf/FR359/FR359.pdf>

Implications for Research and Policy

Ensuring that Nigeria's tax reforms deliver inclusive economic outcomes requires attention to the structural realities of women's economic participation. Women are highly concentrated in micro and informal enterprises with limited capacity to absorb new compliance costs. Integrating gender considerations into implementation through accessible tax regimes, clear exemption thresholds, and oversight of informal levies, can strengthen both revenue mobilization and women's economic empowerment. Here is how:



Implementation therefore needs to reflect the economic realities of small-scale traders and entrepreneurs.

4.1 Integrate Gender Considerations into Tax Policy Implementation:

Nigeria's tax reforms introduce exemption thresholds that protect many micro and small enterprises from corporate taxation. While this provides relief for low-turnover businesses, women remain highly concentrated in informal and micro-enterprise activities where profitability is low and exposure to informal levies remains significant. Implementation therefore needs to reflect the economic realities of small-scale traders and entrepreneurs. Maintaining accessible simplified tax regimes, protecting low-income businesses from excessive compliance burdens, and strengthening oversight of informal levies are important for ensuring that tax reforms support inclusive economic participation. At the same time, limited evidence exists on the gendered impacts of taxation in

Nigeria, highlighting the need for gender-disaggregated data to inform more responsive fiscal policy.

4.2 Strengthen Complementary Support for Women Entrepreneurs:

Tax reforms operate within broader economic and structural conditions that shape women's participation in the economy. The Lagos State Women's Economic Empowerment (WEE) Policy Roadmap identifies structural barriers, including limited access to finance, skills gaps, and restricted access to productive resources, that constrain women's economic participation, challenges also reflected in the National WEE Policy. Aligning tax reform implementation with these priorities by expanding access to affordable credit, financial literacy, entrepreneurship training, and business development services can strengthen women's capacity to grow

Simplified tax systems and formalization incentives can support the growth of women-owned micro and small enterprises.



* International Labour Organization. (2022). Promoting gender equality and enterprise formalization in Nigeria. <https://www.ilo.org/resource/article/promoting-gender-equality-and-enterprise-formalization-nigeria-constituents>

* National Population Commission (NPC) [Nigeria], & ICF. (2019). Nigeria Demographic and Health Survey 2018. NPC and ICF. <https://dhsprogram.com/pubs/pdf/FR359/FR359.pdf>

enterprises and transition into the formal economy. Strengthening support for women-owned MSMEs can improve tax compliance while increasing business productivity and resilience.

4.3 Strengthen Governance and Transparency in Market-Level Revenue Systems:

National tax reforms will only translate into meaningful improvements for small businesses if local revenue systems are transparent and predictable. Many women entrepreneurs operate in market environments where multiple actors collect fees and levies with limited oversight. Strengthening coordination between federal, state, and local authorities to clarify revenue mandates and improve transparency in market-level collections can help align local practices with broader tax reform objectives. Evidence from the Lagos State Women's Economic Empowerment Policy Roadmap highlights the importance of strengthening institutional coordination and support systems for women-led MSMEs. Aligning local revenue practices with these priorities can improve the business environment for women traders and strengthen trust between informal sector businesses and formal tax institutions.

4.4 Improve Policy Awareness and Communication:

Limited awareness of tax policies and incentives remains a significant barrier for women entrepreneurs operating in informal sectors. Effective

communication will therefore be critical to the successful implementation of Nigeria's tax reforms. Partnerships with market associations, community networks, civil society organizations, and women's business groups can help disseminate clear and accessible information on tax rules, exemptions, and compliance requirements. Strengthening outreach and taxpayer education can improve understanding of the reforms and enable women entrepreneurs to benefit from available incentives while meeting their tax obligations. Further research on information gaps and communication channels among informal sector operators can help design more effective and inclusive taxpayer education strategies.

4.5 Ensure Inclusive Digital Tax Systems:

As tax administration becomes increasingly digital, the accessibility of digital tax systems for micro and small enterprises, including women entrepreneurs in the informal sector, remains critical. Simplified filing procedures, mobile-friendly platforms, and targeted taxpayer education can reduce compliance barriers and support broader participation in the formal tax system. From a research perspective, stronger evidence on digital access, literacy, and platform usability among informal sector operators would help inform the design of more inclusive digital tax systems and support effective implementation of digital tax reforms.



Strengthening support for women-owned MSMEs can improve tax compliance while increasing business productivity and resilience.

Aligning tax reforms with women's economic empowerment (WEE) policies can strengthen inclusive growth and improve tax compliance.



Conclusion

Nigeria's tax reforms present an important opportunity to strengthen revenue systems while supporting inclusive economic growth. However, the extent to which these reforms benefit women will depend on how effectively implementation reflects the realities of women's economic participation, particularly in micro and informal enterprises. Insights from the Lagos State Women's Economic Empowerment Policy Roadmap examines the structural barriers women entrepreneurs continue to face, including limited access to finance, market constraints, and information gaps. Aligning tax reform implementation with broader women's economic empowerment priorities, strengthening institutional coordination, and improving evidence on gender-related tax impacts will be essential to ensuring that tax reforms contribute to both stronger fiscal outcomes and expanded economic opportunities for women.

Appendix

Methodology: This policy brief is based on a desk review of the Nigerian Tax Reform Acts and the Lagos State Women's Economic Empowerment (WEE) Policy Roadmap. These documents were examined to identify relevant provisions, priorities, and points of alignment, which informed the analysis and insights presented on potential implications.

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Women's Economic Empowerment: A Policy Roadmap For Lagos State, Nigeria.



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