

THE PROSPECT AND LEGAL ISSUES OF INCOME TAX IN THE NIGERIAN METAVERSE

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Abstract

The Metaverse, a virtual space encompassing augmented reality, virtual reality, and the internet, has witnessed rapid growth, giving rise to complex economic activities. However, it suffices to state that despite the relevance of the metaverse concept in the global terrain, Nigeria, like many nations, could face the challenge of adapting its tax laws to the unique characteristics of the Metaverse. Given this, this study adopts a hybrid method of study to explore the taxation challenges within the Nigerian Metaverse, evaluating the efficacy of current tax laws and regulations in this evolving digital landscape. In this regard, 352 questionnaires were distributed to legal practitioners residing in Nigeria to ascertain their views concerning the sufficiency and deficiency of the existing tax laws regulating the tax issues in the metaverse. The study's findings reveal significant challenges in existing tax laws, including jurisdictional complexities, defining taxable income in virtual environments, identifying entities subject to taxation, enforcing regulations without physical assets, overcoming technology gaps, and ensuring legislative adaptability to digital advancements. These challenges hinder the growth of the Metaverse industry and pose risks in revenue generation within the metaverse operation in Nigeria. It was therefore concluded that there is an urgent need to adapt tax policies to the unique characteristics of the Metaverse in Nigeria. A balance between innovation and regulatory oversight is crucial for sustainable growth in the virtual economy. In this regard, the study recommended clear definitions and classifications of virtual assets, considering international best practices and collaborating with international bodies to establish a comprehensive and adaptive legal framework for taxing Metaverse activities in Nigeria.

Keywords: Income Tax, Legal Issue, Metaverse, Nigeria

Introduction

In the rapidly evolving landscape of the digital era, the metaverse has emerged as a groundbreaking and transformative force, reshaping the traditional boundaries that once delineated the physical and virtual realms¹. The metaverse is a multifaceted concept that transcends conventional definitions, encompassing a collective virtual shared space where individuals, businesses, and entities engage in myriad activities that span the spectrum of social, economic, and cultural interactions². As the metaverse continues to ascend in prominence, capturing the collective imagination of users worldwide, governments and policymakers find themselves confronted with a myriad of taxation challenges³. The novel and complex nature of economic activities within the metaverse poses a unique set of challenges for tax authorities. Traditional taxation models, designed for tangible goods and brick-and-mortar transactions, struggle to adapt to the intangible and decentralized nature of the metaverse economy.

Various nations, irrespective of their technological maturity, are now engaged in a collective effort to grapple with these emerging taxation challenges⁴. The need to define and implement a comprehensive tax framework⁵ for the metaverse has become a pressing concern for governments globally⁶. As digital assets, virtual transactions, and novel forms of economic exchange proliferate within the metaverse, adapting taxation policies becomes essential to ensure fiscal responsibility, regulatory compliance, and equitable revenue distribution.

¹ Cheong Ben Chester, "Avatars in the metaverse: potential legal issues and remedies," *International Cybersecurity Law Review*, 3 (2), 2022, 453.

² Denisov Edward, "Robots, artificial intelligence, augmented and virtual reality: ethical, legal and hygienic issues," *Hygiene and Sanitation*, 98 No. 1, 2019. 5-10. (In Russ.). <https://doi.org/10.18821/0016-9900-2019-98-1-5-10>.

³ Pavel Stepanov and Maria Filatova, "Problems of Protecting Virtual Game Property by Means of Criminal Law," *Russian Journal of Criminology*, 15(6), 2021,744-755.

⁴ Timshin Yu, "Formation of a legal model for the use of copyright objects in the virtual space of the metaverses," *Legal Science*, 6, 2022, 172-177.

⁵ Oladele O. Olukayode, Aidonjio Paul Atagamen, Uzualu E. James, Ikubanni, O. Oluwaseye and Oyedeji I. Adefisayo, "An Empirical Study of Criminalizing Minor Infractions of Tax Laws in Nigeria: The Need for Negotiated Punishments", *KIU Journal of Humanities*, 7 (2), 2022, 23-35.

⁶ Dwivedi Yogesh, "Metaverse beyond the hype: Multidisciplinary perspectives on emerging challenges, opportunities, and agenda for research, practice and policy," *International Journal of Information Management*, 2022, 66, 102542.

Nigeria, characterized by a vibrant and expanding tech ecosystem, finds itself in the midst of the transformative wave brought about by the metaverse⁷. The nation's technological landscape, marked by innovative startups, a burgeoning digital economy, and an increasingly tech-savvy population, positions it as a key player in the unfolding narrative of the metaverse. As Nigeria undergoes a digital revolution, there is a pressing need to comprehensively grasp the legal implications and challenges accompanying the taxation of activities within this virtual realm. The metaverse's transformative effects extend beyond its technological allure, permeating various sectors of Nigeria's economy⁸. From virtual marketplaces to blockchain-based transactions, the metaverse influences how business is conducted, social interactions unfold, and economic value is generated. In this dynamic environment, the traditional tax frameworks, tailored for conventional business models, face significant hurdles in capturing the nuances of the metaverse economy⁹. The decentralized and borderless nature of metaverse transactions, coupled with the unique characteristics of virtual assets and currencies, adds complexity to the taxation landscape.

Understanding the legal implications of taxing metaverse activities becomes paramount as Nigeria positions itself as a key player in the global digital economy. The need for a nuanced legal framework is underscored by the potential impact on revenue generation, investor confidence, and the facilitation of a conducive environment for digital innovation. Failure to adapt swiftly to the evolving metaverse dynamics may lead to regulatory gaps, potential tax evasion¹⁰, and hindered economic growth within this emerging digital frontier¹¹. Against this

⁷ Dwivedi Yogesh, "Metaverse beyond the hype: Multidisciplinary perspectives on emerging challenges, opportunities, and agenda for research, practice and policy," 66.

⁸ Dwivedi Yogesh, "Metaverse beyond the hype: Multidisciplinary perspectives on emerging challenges, opportunities, and agenda for research, practice and policy," 66.

⁹ Fedorchenko Sergey, "Artificial intelligence phenomenon: citizen between digital avatar and political interface," *Journal of Political Research*, 4 No. 2 (2020), 34–57.

¹⁰ Aidonojie Paul Atagamen, Nwazi Joseph and Ugiomo Eruteya, "Illegality of Income Tax Evasion in Edo State: Adopting an Automated Income Tax System as a Panacea", *Jurnal Legalitas*, 16 No. 1, (2023), 56-86.

¹¹ Aidonojie Paul Atagamen, "Voluntary Assets and Income Declaration Scheme a Panacea to Tax Evasion in Edo State, Nigeria", *Administrative And Environmental Law Review*, 4 No. 1 (2023), 1-20, <https://doi.org/10.25041/aelr.v4i1.2822>.

backdrop, a critical question arises: What are the key legal challenges in taxing activities¹² within the Nigerian metaverse, and how can the existing legal and regulatory framework be adapted to address these challenges effectively? This question explores the intricacies of defining and taxing virtual assets, establishing jurisdiction over decentralized transactions, and formulating policies encouraging innovation while ensuring regulatory compliance¹³. It necessitates an in-depth analysis of the intersections between existing tax laws and the rapidly evolving metaverse ecosystem, focusing on developing a flexible and adaptive legal framework that keeps pace with technological advancements.

In essence, this study endeavours to shed light on Nigeria's specific legal challenges within its metaverse, offering insights into adapting the existing legal and regulatory framework. By addressing these challenges head-on, Nigeria can not only harness the full potential of the metaverse for economic development but also set a precedent for other nations navigating the complex intersection of technology, law, and taxation in the digital age¹⁴.

Method

To conduct a comprehensive legal analysis of the taxation challenges in the Nigerian Metaverse, a hybrid research methodology combining both doctrinal and non-doctrinal approaches was employed. The doctrinal aspect of the research is designed to theorize and scrutinize the legal framework and challenges associated with taxation in the Nigerian Metaverse. This involves an in-depth examination of primary and secondary legal sources, including laws, judicial decisions, textbooks, scholarly journals, and relevant online articles. The doctrinal phase provides a theoretical foundation for understanding the intricacies of taxation within the

¹² Aidonojie Paul Atagamen, "The Legal Impact and Relevance of using the Concept of Plea Bargain in Resolving Tax Dispute in Nigeria", *Brawijaya Law Journal: Journal of Legal Studies*, 9 No. 2, (2023), 44-63.

¹³ Sparkes Matthew, "What is a metaverse", *New Scientist*, Vol. 251 (2021), 18-32, [https://doi.org/10.1016/S0262-4079\(21\)01450-0](https://doi.org/10.1016/S0262-4079(21)01450-0).

¹⁴ Aidonojie, P. A., Nwazi, J. and Ugiomo E., "The Legality, Prospect, and Challenges of adopting Automated Personal Income Tax by States in Nigeria: A Facile Study of Edo State," *Cogito Multidisciplinary Journal*, Vol. 14 No. 2, (2022), 149 – 170.

metaverse, drawing insights from established legal principles, regulations, and precedents. By synthesizing information from authoritative legal literature, the study aims to construct a robust theoretical framework to guide the analysis of specific taxation challenges unique to the Nigerian Metaverse.

Furthermore, the non-doctrinal aspect of the research serves the purpose of verifying and ascertaining the practical dimensions of the taxation challenges in the Nigerian Metaverse. This involves investigating the prevalence of digital activities, virtual transactions, and emerging economic trends within the metaverse. Also, the study aims to gauge the sentiments of the Nigerian populace regarding the taxation of metaverse activities, exploring their comfort levels with this evolving digital taxation landscape. Key questions addressed in the non-doctrinal phase include assessing the level of acceptance of compulsory taxation policies within the metaverse, understanding the feasibility of implementing such policies in Nigeria, and exploring strategies to ensure effective and voluntary compliance with metaverse taxation regulations among Nigerian citizens.

In this regard, this non-doctrinal approach, data collection methods include questionnaire surveys, by adopting this empirical insights with the theoretical foundations established through the doctrinal approach, the research seeks to offer a comprehensive and holistic understanding of the taxation challenges in the Nigerian Metaverse. This hybrid methodology ensures a multifaceted examination of the topic, integrating theoretical and practical perspectives to contribute valuable insights to legal analysis in the context of emerging digital economies.

Discussion

The Development, Concept of Metaverse, and its Prospect towards Taxation Systems

The rapid evolution of technology has ushered in a new era marked by the emergence of the metaverse, a virtual universe where physical and digital realities

seamlessly coexist¹⁵. This paradigm shift is reshaping how individuals interact with digital spaces and poses significant opportunities for taxation systems worldwide. The metaverse, conceived as a collective virtual space, has undergone a transformative evolution¹⁶. Initially rooted in science fiction, it has now become a tangible reality, driven by advancements in augmented reality (AR), virtual reality (VR), blockchain technology, and other immersive technologies¹⁷.

Today's metaverse is a dynamic ecosystem where users engage in social interactions, economic transactions, and digital activities within a shared virtual environment. Understanding the metaverse involves recognizing its diverse components¹⁸. Virtual reality, augmented reality, decentralized platforms, blockchain, and digital currencies collectively contribute to the intricate fabric of the metaverse. Users participate in various activities within this digital realm, including virtual commerce, social interactions, gaming, education, and even virtual real estate transactions. These activities give rise to novel economic structures and, consequently, challenge traditional tax frameworks¹⁹.

In this regard, it suffices to opine that the swift and dynamic evolution of technology has propelled humanity into an unprecedented era, characterized by the advent of the metaverse, an intricate virtual universe that blurs the boundaries between physical and digital realities, fostering a seamless coexistence. This transformative paradigm shift extends far beyond the realm of mere technological advancement; it is redefining the very nature of how individuals engage with and navigate through digital spaces²⁰. As the metaverse becomes an integral part of our societal fabric, its impact on taxation systems worldwide is becoming increasingly

¹⁵ Aidonojie P. A., Ikubanni O. O. and Okoughae N., The Prospect, challenges and Legal Issues of Digital Banking in Nigeria, *Cogito Multidisciplinary Journal*, Vol. 14 No. 3 (2022), 186 – 209.

¹⁶ Glushchenko Idar, "Development of Virtual Migration in the Context of the Ongoing Digitalization," *DEMIS: Demographic Research*, 1 No. 2 (2021), 57–64.

¹⁷ Zaslavskii Darl, "Avatar as a means of self-presentation of a personality in the virtual environment". *Innovatsii. Nauka. Obrazovanie*, 48 (2021), 1909–1914.

¹⁸ Gurov Oleg, Panel discussion "The processes of reality creation: metaverses of visionaries and projects of its embodiment", *Artificial Societies*, 17 No. 2 (2022), 432-447.

¹⁹ Koos Stefan, "Digital Globalization and Law", *Lex Scientia Law Review*, 6 No. 1 (2022), 33–68.

²⁰ Zhihan Lyu, Liang Qiao, Yuxi Li, Yong Yuan and Fei-Yue Wang, "BlockNet: Beyond reliable spatial Digital Twins to Parallel Metaverse", *Patterns*, 3 No. 5 (2022), 100468.

pronounced, bringing forth both challenges and opportunities that demand thoughtful consideration²¹.

The metaverse's influence on taxation is multifaceted, presenting governments with unique challenges that require innovative and adaptive solutions. The virtual economy within the metaverse is rapidly gaining economic significance, with virtual assets acquiring real-world value. This evolution necessitates a reevaluation of existing taxation frameworks to encompass the complexities of virtual transactions²². Tax authorities globally face the challenge of devising strategies to tax these virtual transactions effectively, considering the fluid and decentralized nature of the metaverse.

Simultaneously, the metaverse opens up novel opportunities for taxation that were previously inconceivable²³. The concept of digital property within this virtual realm, including virtual real estate, creates a potential avenue for tax revenue. Governments can explore the imposition of taxes on the value of virtual land, buildings, and other digital assets owned by individuals and businesses. However, implementing such a tax framework requires a nuanced understanding of the metaverse's unique dynamics, ensuring that it aligns with principles of fairness, transparency, and practicality in this digital frontier²⁴. In essence, the emergence of the metaverse symbolizes not just a technological leap but a profound societal transformation. Taxation systems, integral to the functioning of societies, must evolve in tandem with these changes. Governments worldwide must navigate the intricate challenges posed by the metaverse, ranging from the taxation of virtual transactions to the introduction of innovative tax structures for digital properties²⁵.

²¹ Oleksandr Zozulia, Ihor Zozulia, Oksana Brusakova, Yurii Kholod and Yevheniia Berezhna, "Information Sovereignty as the Basis of Modern State Information Security", *International Journal of Computer Science and Network Security*, 21 No. 12 (2022), 264–268.

²² Minbaleev Avare, "Problems of the civil law protection of personal non-property rights in the process of the digital profiling of citizens," *Grazhdanskoe Pravo*, 2 No. 1 (2022), 9–11.

²³ Florence Ulunma Massajuwa, Paul Atagamen Aidonojie, "The Challenges of the plain and unambiguous legal interpretation of some of the provisions of Nigeria Stamp Duties Act," *KIU Journal of Social Sciences*, 6 No. 3, 91-100.

²⁴ Frederick Mostert and Wei Ting Yeoh, "Meta-Worse, a lawyer's mega paradise," *Journal of Intellectual Property Law & Practice*, 17 No. 3 (2022), 211–212.

²⁵ Levan Nanobashvili, "If the Metaverse is Built, Will Copyright Challenges Come?" *UIC Review of Intellectual Property Law*, 21 No. 3 (2022), 215–251.

This evolution necessitates a collaborative effort involving tax authorities, technology pioneers, and policymakers. By doing so, societies can harness the opportunities presented by the metaverse while crafting equitable, adaptive tax systems that reflect the complexities inherent in this groundbreaking virtual frontier.

The potential for tax generation within the Metaverse is multifaceted and presents a novel landscape for governmental revenue. First, the taxation of virtual transactions emerges as a key avenue. With the increasing economic value of virtual assets, governments have the opportunity to tap into this revenue stream²⁶. However, this necessitates a significant adaptation of existing tax frameworks or the development of entirely new ones. Virtual transactions pose unique challenges that traditional taxation systems may not adequately address. As such, tax authorities must engage in strategic and forward-thinking measures to ensure the fair and effective taxation of the burgeoning digital economy within the Metaverse.

Another avenue for tax revenue lies in the concept of digital property tax. As users acquire and establish ownership of digital real estate within the Metaverse, there is a potential for governments to introduce taxes on these digital properties²⁷. This may include levies on the value of virtual land, buildings, and other digital assets held by individuals and businesses. Effectively implementing digital property taxes will require a careful balance, ensuring that they are both feasible and equitable in the virtual realm. Overall, as the Metaverse continues to evolve, it is clear that innovative approaches to taxation are imperative for governments to adapt and thrive in this emerging digital frontier.

Concerning the above, it suffices to state that the Metaverse is not just a realm of entertainment and gaming; it represents a paradigm shift with profound implications for various facets of our digital and physical lives. The prospects for tax generation within the Metaverse are substantial, ranging from the taxation of virtual

²⁶ Nedzvetskaya Nesar & Prostavkov Idar, "Virtual reality of a digital society," *Philosophy of Economy*, 3 No. 141 (2022), 208–217.

²⁷ Nemitz Paul, "Constitutional democracy and technology in the age of artificial intelligence. *Philosophical Transactions of the Royal Society A*", *Mathematical Physical and Engineering Sciences*, 376 (2018), 2133.

transactions and digital property to income derived from virtual economies and the regulation of cryptocurrencies. Successful implementation of these taxation strategies will hinge on collaborative efforts between technology innovators, policymakers, and tax authorities. A unified and adaptive approach is essential to create a fair, transparent, and efficient tax system capable of navigating the intricacies of this dynamic digital landscape.

Regulatory Framework of Income Tax in the Nigerian as it Concern the Metaverse

The foundational legal document in Nigeria is the Constitution²⁸, which possesses authoritative influence over the government, its institutions, and all residents within the country²⁹. The Constitution establishes the Federal Government and the various state governments³⁰, outlining their legislative powers on specific matters as delineated in the exclusive³¹ and concurrent legislative lists³². It is essential to recognize that the scope of the Nigerian constitution about personal income tax and automated personal income tax pertains to determining which level of government is authorized to enact laws regarding taxation and legislate the procedures for tax collection. Upon careful examination of the Nigerian Constitution, it becomes evident that the Federal Government is empowered to legislate on matters outlined in the exclusive legislative list³³. Specifically, item 59, schedule 2 of the exclusive legislative list³⁴ confers exclusive authority upon the National Assembly to enact laws related to the taxation of income, profits, and capital gains, unless otherwise specified by the constitution. Legal cases such as *Everest Hotels v. AG Lagos* have reiterated this constitutional stance³⁵.

²⁸ Constitution of the Federal Republic of Nigeria (as amended 2010).

²⁹ Section 1, Constitution of the Federal Republic of Nigeria (as amended) 2011.

³⁰ Section 3, 4 and 5, Constitution of the Federal Republic of Nigeria (as amended) 2011.

³¹ Part I, Exclusive Legislative List of the Second Schedule to the Constitution

³² Part II, Concurrent Legislative List of the

³³ Exclusive Legislative List of the Second Schedule to the Constitution of the Federal Republic of Nigeria (as amended) 2011.

³⁴ Exclusive Legislative List of the Second Schedule to the Constitution of the Federal Republic of Nigeria.

³⁵ 2 TLRN, 1. At 14, (2010).

The Nigerian court, when addressing the legislative power regarding taxation, emphasized that the combined reading of section 4 and item 59³⁶, schedule 2 of the exclusive legislative list grants the National Assembly exclusive jurisdiction over making laws concerning the taxation of income, profits, and capital gains, "except as otherwise prescribed by the constitution. This cautious limitation is reflected in section 4(3)³⁷, which states that laws enacted by the National Assembly for the peace, order, and good government of the federation concerning matters in the exclusive legislative list shall unless otherwise provided in the constitution, supersede the authority of the state assemblies. The court's interpretation is that the constitution does not intend to grant the National Assembly unrestricted jurisdiction over all aspects of good governance related to taxation.

However, section 4(2) and items 7, 8, and 9 of Part I of the Exclusive Legislative List in the Second Schedule to the Constitution of Nigeria³⁸ affirm that both the Federal and State Governments possess the authority to legislate on matters related to the imposition and collection of taxes. It is explicitly stated that if a law passed by a State House of Assembly on a subject within the concurrent legislative jurisdiction conflicts with a law duly enacted by the National Assembly, the latter prevails. Consequently, any state law inconsistent with federal law is rendered void³⁹ to the extent of the inconsistency. Additionally, for matters not covered in the exclusive and concurrent legislative lists, individual states in the federation retain residual powers for legislation.

Concerning the above, it is essential to recognize that the Nigerian Constitution does not serve as primary legislation explicitly addressing and regulating income tax in the metaverse. However, according to item 59, Schedule 2 of the Exclusive Legislative List⁴⁰, granting the National Assembly the authority to enact laws concerning the taxation of income, profits, and capital gains, legislation

³⁶ 2 TLRN, 1. At 14.

³⁷ 2 TLRN, 1. At 14.

³⁸ Exclusive Legislative List of the Second Schedule to the Constitution of the Federal Republic of Nigeria (as amended) 2011.

³⁹ A.G. Abia State v. A.G. Federation (2005) SC

⁴⁰ Exclusive Legislative List of the Second Schedule to the Constitution of the Federal Republic of Nigeria (as amended) 2011.

on income tax about business activities in the metaverse could be established or integrated into Nigerian income tax laws.

The primary legal structure governing the imposition, assessment, and collection of income tax from individuals in Nigeria is the Personal Income Tax Act⁴¹. This legislation outlines the procedures for direct assessment, collection, and recovery of personal income tax in Nigeria, encompassing regions such as Edo state. It is essential to delve into a detailed analysis of the Personal Income Tax Act, including its amendment sections, to ascertain whether it adequately addresses and regulates income derived from business activities within the metaverse.

Section 1 of the legislation⁴² establishes the imposition of a tax on the income of individuals, communities, and families. Additionally, Section 3(1) of the Act⁴³ outlines that, by the provisions of the Act, tax is required to be paid annually on the total income of each taxable person. This income encompasses amounts derived from sources within or outside Nigeria. The inclusive definition covers gains or profits from various sources, including but not limited to trade, business, profession, or vocation, regardless of the duration of such activities. Furthermore, an amendment introduced in Section 3(1)(b)⁴⁴ specifies additional details related to taxable income.

According to this amendment, any salary, wage, fee, allowance, or other forms of gain or profit from employment, such as compensations, bonuses, premiums, benefits, or perquisites provided by any person to a temporary or permanent employee, is subject to taxation. Notably, this excludes the portion of any expenses incurred by the employee in performing their duties, where no profit or gain is intended. In this regard, the Act establishes the framework for taxing the income of individuals, communities, and families, encompassing diverse sources of income. The subsequent amendment in Section 3(1)(b)⁴⁵ provides specific details regarding the taxation of income derived from employment, emphasizing the inclusion of

⁴¹ Personal Income Tax Act Cap P8 LFN 2004.

⁴² Personal Income Tax Act Cap P8 LFN 2004.

⁴³ Personal Income Tax Act Cap P8 LFN 2004.

⁴⁴ PITA (Amendment Act) 2011.

⁴⁵ PITA.

various forms of compensation while allowing for the exclusion of certain expenses incurred in the course of duty.

In analyzing the implications of Section 3(1) of the Act⁴⁶, it becomes apparent that the language used is sufficiently expansive to encompass a broad spectrum of economic activities. Particularly noteworthy is the inclusion of "any trade and business" within the stipulations for taxable income. This wording provides a versatile framework that may extend to cover business operations within the metaverse. As the metaverse increasingly becomes a hub for virtual commerce, interactions, and digital transactions, the inclusive nature of Section 3(1)⁴⁷ implies that income generated from these virtual business activities could fall under the purview of taxation. Considering the dynamic landscape of the digital age and the transformative potential of the metaverse, this interpretation highlights the adaptability of tax legislation to modern economic paradigms. As businesses continue to explore and expand their operations into virtual realms, the legal framework must evolve to address the novel challenges and opportunities presented by such endeavors. Regular review and adjustment of tax laws become imperative to ensure their applicability and effectiveness in capturing the diverse forms of income emerging in the ever-evolving metaverse.

Section 2 of the Personal Income Tax Act outlines that individuals, excluding those specified in paragraph (b) of this subsection, as well as corporation sole or body of individuals deemed residents in a given State under this Act, are required to pay tax. The amount of tax is determined according to the table in the Sixth Schedule, and it is applicable for each assessment year on the total income of the individual. Additionally, the relevant tax authority in a State is empowered to collect tax from itinerant workers under this Act. For individuals, excluding itinerant workers and others, tax for any assessment year can only be collected by the State where the individual is considered a resident for that year as per the provisions outlined in the First Schedule of this Act.

⁴⁶ PITA.

⁴⁷ PITA.

In this context, there is a potential challenge posed by Section 2(1) of the Act in generating revenue within the metaverse. This challenge arises due to the virtual nature of the metaverse, which lacks a specific physical location. As a result, the application of tax regulations outlined in Section 2(1) becomes intricate and may hinder the effective collection of revenue from activities conducted in the metaverse. The absence of a tangible location within the virtual realm complicates the identification and imposition of taxes, creating a unique set of obstacles for revenue generation in this emerging digital environment.

Regarding the service of notices for assessment, demand, and the recovery of tax charges, Section 57 of the Personal Income Tax Act specifies that a notice delineating the assessable, total, or chargeable income, along with the corresponding tax and the designated payment location, must be delivered to the taxpayer. This can be accomplished through various means such as personal services, registered post, or courier service. Furthermore, Section 76(2) of the Personal Income Tax Act ⁴⁸elaborates that if the taxpayer fails to make payment upon receiving the notice of the tax due, the tax authority is obligated to issue a demand notice, requiring compliance within one month from the date of service. A legal precedent supporting this timeframe is evident in the case of *Femi Ikuomola v. Alani Ige*⁴⁹, where the Nigerian court underscored that personal income tax is considered due two months after the service of the notice of assessment and the accompanying demand notice. The court emphasized this timeline, asserting that the tax becomes payable if the taxpayer refuses to comply within the stipulated two-month period following the service of the notice of assessment and demand notice.

A preliminary examination of Section 57 and Section 76 of the Personal Income Tax Act⁵⁰ reveals that they did not anticipate business activities within the metaverse. This oversight is evident because business operations in the metaverse are solely virtual, lacking a physical permanent location. This virtual nature introduces challenges in the service of tax assessments and the issuance of demand

⁴⁸ PITA.

⁴⁹ (1999) I.N.R.L.R, 83

⁵⁰ Personal Income Tax Act

notices. However, Section 13 of the Personal Income Tax Amendment Act⁵¹ has introduced an amendment by incorporating email as a recognized means of serving notices for tax assessments. This addition signifies a noteworthy step toward addressing the unique circumstances posed by business activities within the metaverse. It is noteworthy to state that the Personal Income Tax Amendment Act, to a certain extent, appears to accommodate the service of tax assessment notices through email.

Concerning the above, it suffices to state that the reference to Section 57 and Section 76 of the Personal Income Tax Act⁵² highlights a gap in anticipation of business activities within the metaverse. The metaverse is a virtual environment where businesses operate exclusively online, without a physical presence. Consequently, traditional tax-related provisions that rely on the existence of a physical permanent location become inadequate in this context. The oversight in these sections becomes apparent as they did not consider the distinctive challenges posed by the virtual nature of metaverse business operations. In the metaverse, businesses lack a tangible, permanent location, making it difficult to employ conventional methods for serving tax assessments and issuing demand notices, which typically depend on physical addresses. This inherent limitation prompts the need to reassess legal frameworks to address the unique circumstances introduced by the metaverse.

The absence of physical permanence in virtual business activities demands innovative solutions to ensure effective taxation practices. This gap is acknowledged in Section 13 of the Personal Income Tax Amendment Act⁵³. By incorporating email as a recognized means of serving notices for tax assessments, this amendment represents a significant step forward in adapting to the virtual landscape of the metaverse. Email, a digital communication tool, aligns more closely with the nature of business activities within the metaverse. It provides a practical and efficient

⁵¹ Personal Income Tax Amendment Act 2011

⁵² Personal Income Tax Act

⁵³ Personal Income Tax Act

solution for notifying taxpayers engaged in virtual business operations, overcoming the challenges associated with the absence of a physical location.

While Section 13 of the Personal Income Tax Act⁵⁴ is a commendable attempt to bridge the gap, it's essential to note that the adaptation is partial, indicating that there might still be room for further refinement of legal frameworks to accommodate the intricacies of the metaverse fully. As virtual business activities continue to evolve, ongoing revisions and updates to taxation laws will be necessary to ensure their effectiveness and relevance in the ever-changing landscape of the metaverse.

Also, it is important to highlight that the Nigerian Company Income Tax Act⁵⁵ serves as a fundamental legal framework that addresses and governs the taxation of company income, encompassing the entire process from assessment to the payment of taxes owed by a company. However, upon examining the provisions of the Company Income Tax Act, it becomes evident that the regulation of income tax related to business operations in the metaverse is lacking. While Section 9 of the Act⁵⁶ outlines that, subject to the Act's provisions, companies are obligated to pay taxes annually at the specified rate in subsection (1) of Section 40 of the Act. This pertains to profits accrued within, derived from, brought into, or received in Nigeria in connection with any trade or business, regardless of the duration of such business activities. The underlying principle of this legislation implies that companies registered in Nigeria are required to fulfill their tax obligations within the designated assessment year. Consequently, individuals in Nigeria intending to engage in trade or relocate their business activities to the metaverse may also be liable to pay taxes on income generated within this virtual environment.

Given the intricate nature of the Metaverse, there exists a potential vulnerability wherein the imposition of tax charges could be compromised or manipulated. Additionally, tax authorities may face challenges in possessing the requisite knowledge to accurately assess the appropriate taxes that should be duly

⁵⁴ Personal Income Tax Act

⁵⁵ Company Income Tax Act

⁵⁶ Company Income Tax Act

levied. While Section 64 of the Company Income Tax Act⁵⁷ attempts to address situations where there are grounds to suspect non-disclosure of information or irregularities related to tax offenses, it may encounter limitations in the context of the Metaverse. Section 64 stipulates that if the tax authority has reasonable grounds to suspect an offense or irregularity in connection with tax, it can authorize an officer to enter the premises, registered office, or any other location associated with the company to conduct a search.

The officer is empowered to seize and remove any items deemed necessary for determining a fair and accurate tax charge on the company. However, the application of Section 64 becomes challenging when considering the virtual nature of the Metaverse, where business and various activities unfold without a physical identity or location. It is crucial to recognize that the Metaverse operates as a virtual platform devoid of tangible physical entities. Consequently, the essence and practicality of Section 64 within the Company Income Tax Act⁵⁸ may be difficult to actualize in the context of the Metaverse. The existing legislative framework appears to have been crafted without anticipating sophisticated technologies such as the Metaverse, where business operations are executed in a virtual realm, introducing complexities related to the manipulation of tax issues. Therefore, there arises a necessity to revisit and amend the Company Income Tax Act to incorporate provisions that are relevant and effective in addressing the distinctive challenges posed by emerging technologies, ensuring that tax regulations remain pertinent and enforceable in the evolving landscape of digital business activities.

Moreover, concerning the imposition of tax obligations on a company's income, Section 68 of the Company Income Tax Act⁵⁹ outlines that the relevant authority is mandated to issue a notice to each company, either by serving it directly or sending it through registered post. This notice must specify crucial details, including the total profits, the corresponding tax amount, and the designated payment location. In the event of non-compliance with the tax charge, Section 86 of

⁵⁷ Company Income Tax Act

⁵⁸ Company Income Tax Act.

⁵⁹ Company Income Tax Act.

the Act⁶⁰ delineates the subsequent actions to be taken. According to Section 86, once an assessment has reached a final and conclusive status, and a demand note has been properly served on the company in accordance with the relevant provisions of the Act, the Board is empowered to take further measures if the tax payment is not made within the stipulated time frame.

Specifically, the Board has the authority, as outlined in the prescribed form, to initiate distraint proceedings against the taxpayer's goods, chattels, bonds, or other securities. Additionally, the Board is authorized to execute distraint on any land, premises, or location owned by the taxpayer. Subject to the subsequent provisions of this section, the Board is then permitted to recover the outstanding tax amount by selling any assets that have been subjected to distraint. This legal framework establishes a comprehensive process for enforcing the payment of taxes due from companies, ensuring that appropriate measures are taken in cases of non-compliance, thereby upholding the integrity of the taxation system outlined in the Company Income Tax Act⁶¹.

In relation to the aforementioned points, it is important to highlight that Section 68 of the Company Income Tax Act specifically addresses the service of tax charges on companies with physical permanent sites. Expanding on this, the provision outlines the necessary steps for notifying such companies about the amount of total profits, the corresponding tax payable, and the designated payment location. Moreover, Section 86 of the Act⁶² further elaborates that if a company fails to comply with the imposed tax charge, the tax authority is authorized to enforce compliance through the distraint of the company's goods, land, or premises where its business operations are conducted. However, a notable gap in the current legal framework becomes apparent when considering the emerging trend of business activities conducted within the metaverse. Notably, the virtual nature of the metaverse, where businesses operate in a digital space, is not adequately addressed by the existing provisions of Sections 68 and 86 of the Company Income Tax Act.

⁶⁰ Company Income Tax Act.

⁶¹ Company Income Tax Act.

⁶² Company Income Tax Act.

These sections appear to be tailored for traditional physical locations, rendering them insufficient in covering or outlining procedures for the service of tax charges and the enforcement of taxes through distraint on trade or business activities within the metaverse.⁶³

Given the transformative nature of technology and the increasing prevalence of virtual business operations, it becomes imperative to revisit and revise these sections to ensure that the legal framework aligns with the evolving landscape of business transactions.⁶⁴ A comprehensive approach is needed to incorporate provisions that specifically cater to the unique characteristics of the metaverse, ensuring that taxation processes are effective, fair, and reflective of the current digital business environment.

Legal Challenges in Taxing Activities within the Nigerian Metaverse

The legal challenges in taxing activities within the Nigerian metaverse can be identified by analysing the existing regulatory framework, primarily focusing on the Constitution, the Personal Income Tax Act, and the Company Income Tax Act. Here are some key legal challenges

1. Jurisdictional Issues

The Constitution grants the National Assembly exclusive authority over the taxation of income, profits, and capital gains. However, the metaverse operates in a virtual space without a physical location, making it challenging to determine the appropriate jurisdiction for taxation. The absence of explicit provisions for the metaverse in the Constitution may lead to uncertainties regarding which level of government (federal or state) has the authority to legislate on income tax related to virtual business activities.

⁶³ Aidonojie, Paul Atagamen and Edetalehn O. Idemudia, "A Facile Study of the Statutory Challenges Concerning Customary Practice of Intestate Succession in Nigeria", *Jurnal Hukum Replik*, 11 No. 1 (2023), 1-11;

⁶⁴ Majekodunmi, T. Afolabi, Oluwaseun A. John, Aidonojie Atagamen Paul Ikubbanni, O. Oluwaseye, and Oyebade A. Adeniyi, "Legal Issues in Combating the Scourge of Terrorism;Its Impact on International Trade and Investment: Nigeria as a Case Study", *KIU Journal of Humanities*, 7 No. 3 (2022), 129-139.

2. Definition of Taxable Income

The Personal Income Tax Act defines taxable income broadly, encompassing income from various sources, including trade and business. While this inclusivity is adaptable to modern economic paradigms, specific provisions for income derived from virtual business activities in the metaverse are lacking. The Act may need amendments to explicitly address income generated within the metaverse, considering the unique nature of digital transactions and virtual commerce.

3. Identification of Taxable Entities

Section 2(1) of the Personal Income Tax Act requires individuals and corporations deemed residents in a state to pay tax. The challenge arises in the metaverse, where the virtual nature makes it difficult to determine residency, leading to potential difficulties in identifying and taxing entities engaged in virtual business activities.

4. Service of Notices and Communication Challenges

Sections 57 and 76 of the Personal Income Tax Act, designed for physical addresses, may be ineffective in the metaverse. Virtual businesses lack a permanent location, and traditional methods of serving notices may not be applicable. While Section 13 introduces email as a means of serving notices, further refinement may be necessary to ensure the adequacy of communication channels in the metaverse.

5. Enforcement and Dstraint in the Metaverse

Sections 64 and 68 of the Company Income Tax Act, which authorize searches and dstraint proceedings, may face challenges in the metaverse due to the lack of physical entities. The practicality of enforcing compliance through traditional means is questionable in a virtual environment. The existing legal framework may need revisions to incorporate provisions that address the unique challenges posed by the metaverse, such as the absence of physical assets for dstraint.

6. **Lack of Specific Regulation for Metaverse Business Operations**

The Company Income Tax Act lacks explicit regulation for income tax related to business operations in the metaverse. The legislation primarily focuses on physical locations, making it inadequate to address the complexities of virtual business transactions. An overarching challenge is the need for a comprehensive legal framework that specifically caters to the characteristics of the metaverse, ensuring that taxation processes are effective and reflective of the digital business environment.

7. **Technology and Knowledge Gaps**

Tax authorities may face challenges in possessing the necessary knowledge to accurately assess taxes on activities within the metaverse. The fast-paced evolution of technology and virtual business operations may outpace the development of regulatory frameworks and the understanding of tax authorities.

8. **Adaptability of Legislation**

The legal framework needs to be agile and adaptable to the dynamic nature of the metaverse. Ongoing revisions and updates to taxation laws are crucial to ensure their effectiveness and relevance in the ever-changing landscape of digital business activities.⁶⁵

Concerning the above, it suffices to state that addressing the legal challenges associated with taxing activities in the Nigerian metaverse requires a proactive and agile approach from legislators.⁶⁶ This involves a thorough review and subsequent amendment of existing tax laws to explicitly incorporate provisions tailored to the unique characteristics of the metaverse. Legislators must redefine virtual residency,⁶⁷ establish jurisdictional frameworks for taxation in the absence of

⁶⁵ Aidonojie Paul Atagamen, Okuonghae Nosa and Ukhurebor E. Kingsley, (2022), "The Legal Rights and Challenges of COVID-19 Patients Accessing Private Healthcare in Nigeria", *BESTUUR*, 10(2), 183-197, <https://doi.org/10.20961/bestuur.v10i2.68118>

⁶⁶ Aidonojie Paul Atagamen, Ikubanni O. Oluwaseye, and Oyebade A. Adeniyi, "Legality of EndSARS Protest: A Quest for Democracy in Nigeria," *Journal of Human Rights, Culture and Legal System*, 2 No. 3 (2023), 209-224, <https://doi.org/10.53955/jhcls.v2i3.40>

⁶⁷ Aidonojie Paul Atagamen and Majekodunmi T Afolabi, Adeyemi-Balogun O Janet, "Unethical and Uncensored Content Creation in Nigeria Entertainment Industry: Springing the Law to Action", *Jurnal Hukum Replik*, 11 No. 2 (2023), 173-202.

physical boundaries, and introduce specialized regulations that recognize the digital nature of economic transactions within the metaverse.

Additionally, the legal framework should adapt communication channels, enforcement mechanisms, and audit strategies to the virtual environment, leveraging technology and collaborating with industry experts.⁶⁸ Continuous monitoring, international collaboration, and public awareness campaigns are vital components of this approach, ensuring that tax laws remain relevant, enforceable, and supportive of the dynamic digital business landscape. Overall, a proactive legislative stance is crucial for creating a transparent, adaptable, and fair regulatory environment that fosters innovation and compliance within the metaverse.⁶⁹

Data Presentation and Analysis

This section focuses on presenting and analyzing the data gathered from the questionnaires distributed among the study participants.⁷⁰ The methodical extraction of information from the respondents' questionnaire responses is outlined as follows:

Sample Size and Sampling Techniques

To obtain a comprehensive and representative set of responses from individuals residing in Nigeria, the study aimed for a sample size of 352 respondents across various geopolitical zones within the country. The selection of respondents was carried out using a simple random sampling method⁷¹. This method was chosen

⁶⁸ Aidonojie, Paul Atagamen and Majekodunmi T Afolabi, Adeyemi-Balogun O Janet, "The Legal Issues Concerning the Operation of Fin-Tech in Nigeria," *Jurnal Media Hukum*, 30 No. 2 (2023), 300.

⁶⁹ Aidonojie Paul Atagamen, Odojor A. Oyemwosa and Agbale O. Patient, "The Legal Impact of Plea Bargain in Settlement of High Profile Financial Criminal Cases in Nigeria", *Sriwijaya Law Review*, 5 No. 2 (2021), 161-174, <https://doi.org/10.28946/slrev.Vol5.Iss2.852.pp161-174>.

⁷⁰ Aidonojie Paul Atagamen, Oaihimore E. Idemudia and Agbale O. Patient, "The Legal and Ethical Issues concerning Diagnosing and Treatment of Patients by Pharmacists in Nigeria", *Euromentor Journal*, 13 No. 2 (2022), 113-138.

⁷¹ Aidonojie Paul Atagamen, Majekodunmi T. Afolabi, Ikubanni, O. Oluwaseye and Ibrahim Nathan, "The causes of the Rising incidence of domestic violence in Nigeria: Proposing Judicial Separation as a Panacea", *Jurnal Hukum UNISSULA*, 38 No. 2 (2022), 61-80, <https://doi.org/10.26532/jh.v38i2.21592>;

for its preference in reaching a diverse audience⁷². Additionally, simple random sampling offers several advantages, including:

- a. Well-suited for selecting respondents from diverse and heterogeneous populations.
- b. Outcomes obtained through simple random sampling are often unbiased, fair, and impartial.
- c. It is a straightforward and uncomplicated technique to implement.
- d. Simple random sampling can be effectively employed in hybrid legal research methodologies.

Data Analysis

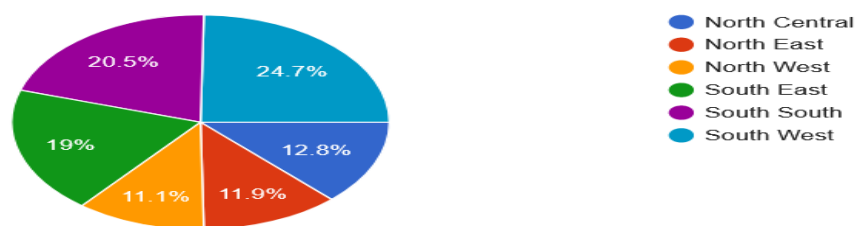
The results obtained from the distributed questionnaires underwent thorough analysis and are presented in graphical and tabular formats. This approach enhances clarity and facilitates ease of interpretation, ensuring that the findings are accessible to a broad audience.

Research Question One

Figure 1: displays the respondents based on their residential areas within the geopolitical zones of Nigeria.

Which of the following Geopolitical Zones in Nigeria do you reside in?

352 responses



⁷² Simon, I. E. & Aidonojie, P. A., Legal and Socio-economic Issues Concerning Black Marketer's Activities of Petroleum Products in Nigeria. *Yuridika*, 38 No. 2 (2023), 61-84. <https://doi.org/10.20473/ydk.v38i2.44999>.

Aidonojie, Paul Atagamen, "Environmental Hazard: The Legal Issues Concerning Environmental Justice in Nigeria", *Journal of Human Rights, Culture and Legal System*, 3 No. 1 (2023), 17-32, <https://doi.org/10.53955/jhcls.v3i1.60>.

Majekodunmi, T. Afolabi, Oluwaseun A. John, Idahosa M. Ekata, Ikubbanni, O. Oluwaseye and Aidonojie Atagame Paul, "The causes of the Rising incidence of Terrorism occasioning Deprivation of the Right to Life in Nigeria", *KIU Journal of Humanities*, 7 No. 2 (2022), 5-19.

Table 1: is a summary of valid responses from participants indicating their residential areas in Nigeria.

S/N	Geopolitical Zones in Nigeria	Responses of Respondents	Percent
1	North Central	45	12.8%
2	North East	42	11.9%
3	North West	39	11.1%
4	South East	67	19%
5	South South	72	20.5%
6	South West	87	24.7%
TOTAL		352	100%

Figure 1 and Table 1 depict the identification of the different geopolitical zones in Nigeria, as reported by the respondents

Research Question Two

Figure 2: illustrates participants expressing their knowledge of the Metaverse.

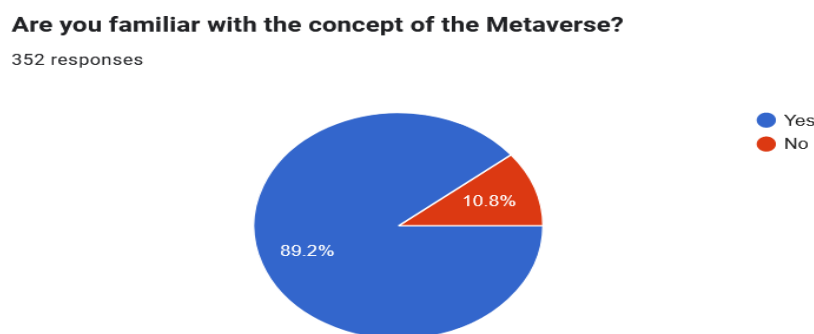


Table 2: a valid summary of valid respondents affirming their awareness of the Metaverse.

	Response	Percent
Valid Yes	314	89.2%
Valid No	38	10.8%
Total	352	100%

The data presented in Figure 2 and Table 2 collectively confirms respondents' familiarity with the concept of the Metaverse.

Research Question Three

Figure 3: Identification of potential impact of the metaverse concept on tax regulation in Nigeria

What are the positive potential impact of the metaverse concept on tax regulation in Nigeria? You can tick more an option

315 responses

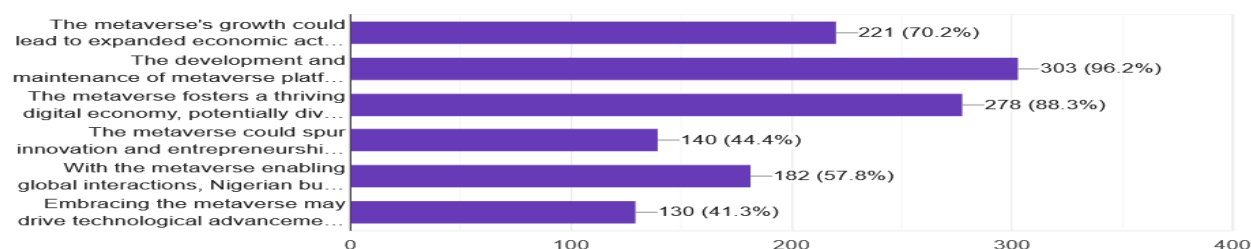


Table 3: Valid Cluster of identifying the potential impact of the metaverse on tax regulation in Nigeria

potential impact of the metaverse concept on tax regulation in Nigeria	Cluster of Response	Percentage
The metaverse's growth could lead to expanded economic activities, resulting in higher tax revenue for the Nigerian government.	221	70.2%
The development and maintenance of metaverse platforms may generate employment opportunities, contributing to higher income tax collection.	303	96.2%
The metaverse fosters a thriving digital economy, potentially diversifying Nigeria's revenue streams and reducing dependence on traditional sectors.	278	88.3%
The metaverse could spur innovation and entrepreneurship, fostering a dynamic business environment that attracts investments and stimulates tax-paying entities.	140	44.4%
With the metaverse enabling global interactions, Nigerian businesses may find new markets abroad, leading to increased international trade and potential tax benefits.	182	57.8%
Embracing the metaverse may drive technological advancements in Nigeria, creating a more efficient and transparent tax administration system.	130	41.3%

Figure 3 and Table 3 are valid clusters identification of the the positive potential impact of the metaverse concept on tax regulation in Nigeria.

Research Question Four

Figure 4: Confirming if Nigeria tax laws provide for tax on business activities on the metaverse

Do you agree that the current legal framework in Nigeria adequately addresses the taxation challenges posed by the Metaverse?

315 responses

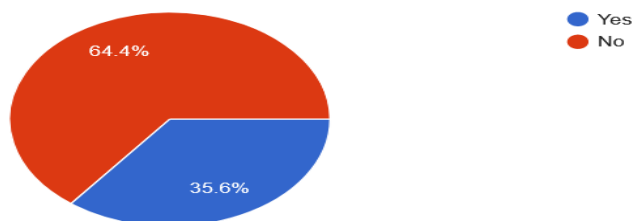


Table 4: Valid respondents confirming if Nigeria tax laws provide for tax on business activities on the metaverse

	Response	Percent
Valid Yes	112	35.6%
Valid No	203	64.4%
Total	315	100%

Figure 4 and Table 4 are confirmation by respondents whether the Nigerian tax laws adequately addressed taxing of business activities within the metaverse.

Research Question Five

Figure 5: Identification of tax issues the Nigerian laws did not adequately provide for and regulate

What are the taxation challenges posed by the Metaverse that the current legal framework in Nigeria does not adequately address? You can tick more than an option

212 responses

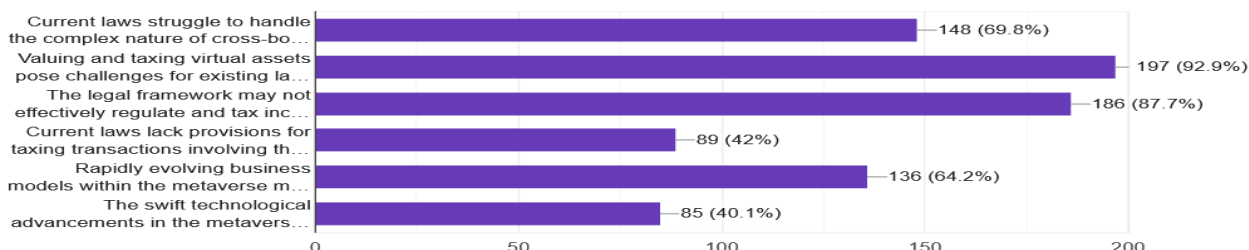


Table 5: Valid cluster of identifying the tax issues the Nigerian laws did not adequately provide for

Tax issues posed by the metaverse concept	Cluster of Responses	Percentage
Current laws struggle to handle the complex nature of cross-border transactions in the metaverse, leading to jurisdictional and enforcement challenges.	148	69.8%
Valuing and taxing virtual assets pose challenges for existing laws that may not adequately consider the unique characteristics of digital assets within the metaverse.	197	92.9%
The legal framework may not effectively regulate and tax income generated through virtual employment and freelancing in the metaverse.	186	87.7%
Current laws lack provisions for taxing transactions involving the collection and use of virtual user data, creating regulatory gaps in privacy and data taxation within the metaverse.	89	42%
Rapidly evolving business models within the metaverse may outpace existing tax regulations, creating challenges in effectively taxing new revenue streams and transactions.	136	64.2%
The swift technological advancements in the metaverse may surpass the adaptability of current tax laws, resulting in challenges in addressing the unique features and complexities of virtual environments.	85	40.1%

Figure 5 and Table 5 are cluster respondents identifying the tax issues or challenges not adequately provided for and regulated by the Nigeria tax laws.

Research Question Six

Figure 6: adaptation of Nigeria tax laws to better regulate taxing of business activities in the Metaverse

What improvements or adaptations do you think are necessary in the existing tax policies to better regulate the Metaverse in the Nigerian context? You can tick more than one option

212 responses

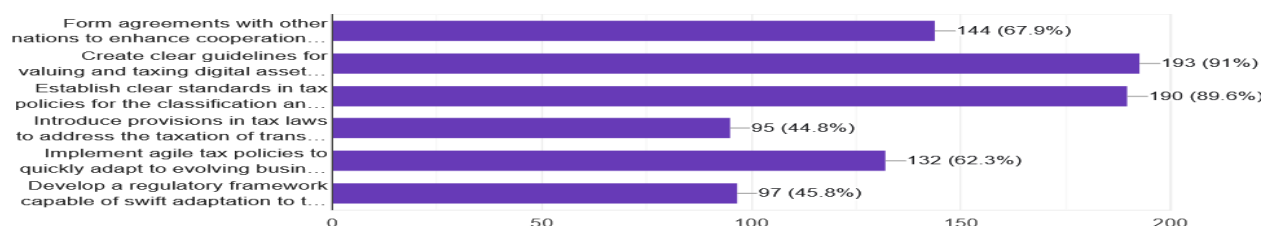


Table 6: Valid cluster of adapting Nigeria tax laws to better regulate taxing activities in the Metaverse

Remedy on tax challenges of business activities in the Metaverse	Cluster of Responses	Percentage
Form agreements with other nations to enhance cooperation in cross-border tax enforcement for the metaverse, addressing jurisdictional challenges.	144	67.9%
Create clear guidelines for valuing and taxing digital assets within the metaverse, adapting to their unique characteristics.	193	91%
Establish clear standards in tax policies for the classification and taxation of income from virtual employment and freelancing in the metaverse.	190	89.6%
Introduce provisions in tax laws to address the taxation of transactions involving the collection and use of virtual user data, closing regulatory gaps in privacy and data taxation within the metaverse.	95	44.8%
Implement agile tax policies to quickly adapt to evolving business models in the metaverse, ensuring effective taxation of new revenue streams.	132	62.3%
Develop a regulatory framework capable of swift adaptation to technological advancements in the metaverse, incorporating regular updates and collaboration with tech experts.	97	45.8%

Figure 6 and Table 6 are respondents' cluster identification of remedies to curtail incidences of tax challenges within the business activities on the current trending metaverse.

The information provided above illustrates the outcomes of an investigation that encompassed the circulation of surveys and subsequent analysis of data on the Prospect and Legal Issues of Income Tax in the Nigerian Metaverse. The outcomes are structured according to distinct research inquiries, and visual representations and tables are employed for clarity. In light of this, the obtained results are now delaborated as follows:

Figure 1 and Table 1 provide a comprehensive overview of the distribution of respondents across Nigeria's geopolitical zones. The data indicates a diverse representation, with the South West having the highest percentage of respondents (24.7%), followed by the South-South (20.5%). This distribution ensures a broad perspective, capturing insights from various regions. In this regard, the findings presented in Figure 2 and Table 2 demonstrate a high level of awareness regarding the concept of the Metaverse among the respondents. With 89.2% affirming their knowledge, it is evident that the Metaverse is a recognized and understood phenomenon among the surveyed individuals. However, Figure 3 and Table 3 delve into the potential positive impacts of the Metaverse on tax regulation in Nigeria. The responses of the respondents is as follows:

- a. 70.2%: Project that Metaverse growth could lead to expanded economic activities, resulting in higher tax revenue for Nigeria.
- b. 96.2%: Acknowledge that Metaverse platform development may generate employment opportunities, contributing to higher income tax collection.
- c. 88.3%: See the Metaverse fostering a thriving digital economy, potentially diversifying Nigeria's revenue streams.
- d. 44.4%: Believe the Metaverse could spur innovation and entrepreneurship, attracting investments and stimulating tax-paying entities.
- e. 57.8%: Anticipate Nigerian businesses finding new markets abroad, leading to increased international trade and potential tax benefits.
- f. 41.3%: Highlight the potential for embracing the Metaverse to drive technological advancements, creating a more efficient tax administration system.

Table 3 summarizes these percentages, offering a clear overview of respondents' perspectives on the positive potential impacts of the Metaverse on tax regulation in Nigeria. However, despite the positive potential impact identified in research question three, the results depicted in Figure 4 and Table 4 underscore a significant concern. A substantial 64.4% of respondents indicate that Nigeria's current tax laws do not adequately address the taxation of business activities within the Metaverse. This signals a gap in the existing regulatory framework. In this regard, Figure 5 and Table 5 shed light on specific tax challenges not adequately covered by Nigerian laws.

- a. 69.8%: Recognize that current laws struggle with the complexity of cross-border transactions in the Metaverse, leading to jurisdictional and enforcement challenges.
- b. 92.9%: Identify challenges in valuing and taxing virtual assets, as existing laws may not adequately consider the unique characteristics of digital assets within the Metaverse.
- c. 87.7%: Express concern that the legal framework may not effectively regulate and tax income generated through virtual employment and freelancing in the Metaverse.
- d. 42.0%: Note that current laws lack provisions for taxing transactions involving the collection and use of virtual user data, creating regulatory gaps in privacy and data taxation within the Metaverse.
- e. 64.2%: Highlight the concern that rapidly evolving business models within the Metaverse may outpace existing tax regulations, creating challenges in effectively taxing new revenue streams and transactions.
- f. 40.1%: Express the concern that swift technological advancements in the Metaverse may surpass the adaptability of current tax laws, resulting in challenges in addressing the unique features and complexities of virtual environments.

Table 5 summarizes these percentages, providing a clear breakdown of respondents' views on the tax issues or challenges not adequately provided for and regulated by Nigerian tax laws. However, the findings in Figure 6 and Table 6

provide valuable insights into respondents' suggestions for adapting Nigeria's tax laws to regulate business activities in the Metaverse. As follows:

- a. 67.9%: Recommend forming agreements with other nations to enhance cooperation in cross-border tax enforcement for the Metaverse, addressing jurisdictional challenges.
- b. 91.0%: Advocate for creating clear guidelines for valuing and taxing digital assets within the Metaverse, adapting to their unique characteristics.
- c. 89.6%: Suggest establishing clear standards in tax policies for the classification and taxation of income from virtual employment and freelancing in the Metaverse.
- d. 44.8%: Propose introducing provisions in tax laws to address the taxation of transactions involving the collection and use of virtual user data, closing regulatory gaps in privacy and data taxation within the Metaverse.
- e. 62.3%: Recommend implementing agile tax policies to quickly adapt to evolving business models in the Metaverse, ensuring effective taxation of new revenue streams.
- f. 45.8%: Suggest developing a regulatory framework capable of swift adaptation to technological advancements in the Metaverse, incorporating regular updates and collaboration with tech experts.

Table 6 summarizes these percentages, providing a clear breakdown of respondents' suggestions for adapting Nigerian tax laws to better regulate taxing activities in the Metaverse.

Concerning the above, it suffices to state, the study provides a thorough examination of the current landscape of Metaverse awareness, its potential impact on tax regulation, and the existing gaps in Nigeria's tax laws. The identified issues and proposed remedies offer a foundation for policymakers and stakeholders to consider as they navigate the integration of the Metaverse into the country's economic and regulatory framework.

Conclusion

Concerning the above, the study highlights the pressing need for Nigeria to adapt its tax policies to the distinctive features of the Metaverse, a rapidly evolving digital space encompassing augmented reality, virtual reality, and the internet. The examination of the current tax laws revealed significant challenges, including jurisdictional complexities, difficulties in defining taxable income in virtual environments, and enforcing regulations in the absence of physical assets. These hurdles pose risks to revenue generation and hinder the growth of the Metaverse industry in Nigeria. The study, conducted through a hybrid methodology involving the distribution of questionnaires to legal practitioners, emphasizes the urgency of revising tax policies to foster a conducive environment for the Metaverse's sustainable development. Furthermore, also underscores the importance of striking a balance between innovation and regulatory oversight to ensure the continued growth of the virtual economy. Recommendations include the establishment of clear definitions and classifications for virtual assets, consideration of international best practices, and collaborative efforts with global bodies to formulate a comprehensive and adaptive legal framework for taxing Metaverse activities in Nigeria. By taking these steps, Nigeria can position itself to harness the economic potential of the Metaverse while ensuring that its taxation policies remain responsive to the dynamic nature of digital advancements and global standards. Ultimately, a proactive approach to legislative adaptation is essential to support innovation and create an environment conducive to the long-term success of the Metaverse industry in the Nigerian context.

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