

SHARING OF REVENUES FROM FEDERATION ACCOUNT: ISLAMIC APPROACH TO THE PROPOSED VALUE-ADDED TAX (VAT) REFORM 2024

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Abstract

The federating system allocating resources to the federating units: Federal, States and Local Governments for economic activities has been faced with fiscal imbalances for long. This study examines the economic effects of the review of derivation model for VAT, collection and distribution of the revenues accruing into the Federation Account to the federating units based on the derivation principle, in the proposed Tax Reform 2024, on the economically fragile non-oil producing States with unfunded resource endowments. This work adopted a comparative research method. Also, relevant internet sources were used. Findings reveal that the derivation principle makes few States with federally-funded resource endowments richer than the States with unfunded resource endowments, starving them of the developmental funds and leading to disparity among the States of the federation. It is recommended that the Federal Government should institutionalise optimal funding of all other revenue endowments such as gold, iron-ore etc across the non-oil-producing States so as to genuinely bring about just, fair and equal financial opportunities in the redistribution of fiscal capacities to our federating units.

Keywords: Revenue Sharing; Federation Account; Tax Reform; Islam.

Introduction

Revenue sharing in Nigeria has evolved significantly over the years, it evolves the federating system allocating resources to their constituent units for economic activities has been said to have a major issue in the Nigerian political system even from the pre-independence era (Ohiomu, and Oluyemi, n.d). The four controversial tax reform bills 2024 are – the Joint Revenue Board of Nigeria (Establishment) Bill, 2024; Nigeria Revenue Service (Establishment) Bill, 2024; Nigeria Tax Administration Bill, 2024; and Nigeria Tax Bill 2024 (The Punch, December 3, 2024). Some of the significant provisions of the bills are the elimination of sub-national consumption levies, except for VAT review of the derivation model for VAT collection and distribution and reduction or elimination of VAT on essential goods and services like food, education, health, transportation and accommodation. One of the bills is seeking an alteration of the VAT sharing formula, reducing the Federal Government's share from 15 per cent to 10 per cent but, with a provision that the allocation among States would consider the derivation principle (The Punch, December 5, 2024). This proposed bill- “the Nigeria Tax Bill, 2024 has generated hot debates and contention across the country.

The 13 per cent derivation fund/revenue is deducted from the net mineral revenue first before the rest is shared among the three federating units: Federal; States; and Local governments on a monthly basis (neiti.gov.ng, February 2025). This includes 13 per cent net revenue generated from oil extraction, 13 per cent net revenue from the Exchange Difference / Gain share, 13 per cent from Exchange equalization, 13 per cent from withdrawal from the Excess Crude Account, 3 per cent from royalties to the oil communities and the special allocations from the Niger Delta Development Commission (NDDC).

Between 1999 and 2020, over N9 trillion was allocated to the few oil - producing States of the federation as 13 per cent derivative fund (thisdaylive.com, February 2025). In 2021, they got N739.677 billion according to the Central Bank of Nigeria's Economic Report, 2022. Between 2022 and 2023, the oil-producing States received N1.883 trillion from 13 per cent oil derivation revenue (dailytrust.com, January 2024). And in 2024, they got more than N900 billion.

The size of revenues that government generates at any point in time is influenced by its resource endowments, level of economic activities and the efficiency of its revenue collection machinery. The stability and growth of revenue is a function of the ability of government to stimulate and sustain a high level of economic activities and optional mix of revenue generating instruments (Ohiomu, and Oluyemi, n.d). Necessitating a just and fair revenue sharing system is the whole essence of revenue allocation to the federating units. The size of revenues generated in the non-oil-producing States of the federation is not influenced by their real resource endowments. The inability of the Federal Government to adequately fund the resource endowments in the non-oil-producing States has remained unsatisfactory as this has negative economic implications for their finances.

Any reform that does not sustain the true fiscal federalism, aiming at further empowering the fiscal capacity of a section of the country and starving the rest section of equal developmental funds, financial opportunities and equal funding of the resource endowments is indeed in a sharp contraction to the Islamic principle of just, fair and equal distribution of revenue / wealth. Allah says:

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا.

Surely, Allah commands you (mankind) to make over trusts to their owners and that when you judge among people, you judge with justice. Surely, Allah admonishes you with what is excellent: surely, Allah is All-Seeing, All-Hearing. (Qur'an 4:58)

Islam commands a fiscal system that promotes justice, fairness and equity among people as a nation, states -, or local councils not a fiscal reform which does not exacerbate the uneven development of the federating units favouring a few States while unfairly penalising others based on derivation principle.

Federation Revenue

Nigeria is a federation with three federating units made up of the Federal , State and Local Governments. Federation revenue is therefore owned by the three federating units. Section 162 of the 1999 Constitution of the Federal Republic of Nigeria defines “revenue” as any income or returns accruing to or derived by the Government of the Federation from any source including:

1. Any receipt, however described, arising from the operation of any law.
2. Any return, however described, arising from or in respect of any property held by the Government of the federation.
3. Any return by way of interest on loans and dividends in respect of shares or interest held by the Government of the federation in any company or statutory body (neiti.gov.ng, February 2025).

Chapter 162 Section (1) of the 1999 Constitution States that:-

The Federation shall maintain a special account to be called : “The Federation Account” into which shall be paid all revenues collected by the Government of the Federation, except the proceeds from the Personal Income Tax of the personnel of the Armed Forces of the federation, the Nigeria Police Force, the Ministry or Department of Government charged with responsibility for Foreign Affairs and the residents of the Federal Capital Territory, Abuja (The Constitution of the Federal Republic of Nigeria 1999: 121).

Section (3) of the same chapter further states:

Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the Local Government Councils in each State on such terms and in such manner as may be prescribed by the National Assembly (The Constitution of the Federal Republic of Nigeria 1999: 121).

The Office of the Accountant General of the Federation (OAGF) is responsible for the overall management of all receipts and payments of the Federal Republic of Nigeria. It has responsibility for providing comprehensive accounting systems and controls in the Ministries, extra ministerial departments and agencies (neiti.gov.ng, February 2025).

Revenue Receipts into the Federation Account

The OAGF classifies revenue receipts into the Federation Account into mineral and non– mineral revenues-

Mineral Revenues are the oil and gas specific flows which include royalty, PPT, EDT and proceeds from crude and gas sales.

Non-Mineral Revenues are the non-sector specific flows which include VAT, WHT and custom / excise duties etc. Deductions of joint venture cash calls are made from proceeds of sales of crude oil and gas before payments are made to the Federation Account (neiti.gov.ng, February 2025).

The Legal Framework for Sharing Federation Account

The Federation Account is currently being managed on a legal framework that allows funds to be shared under three major components. They are:

- the Statutory allocations;
 - Value Added Tax (VAT) distribution; and
 - allocations made under the 13 per cent derivation principle.
- Under the Statutory allocations,
- the Federal Government gets 52.68 per cent of the revenue;
 - States get 26.72 per cent; and
 - Local Governments get 20.60 per cent (punchng.com, February 2022).

The framework also provides that VAT revenue be shared thus:

Federal Governments	15%
States Governments	50%; and
Local Governments	35%

Similarly, and additional allocation is given to the nine (9) oil-producing States based on the 13 per cent derivation principle (punchng.com, February 2022).

Revenue Allocation

Dang sees revenue allocation as a method of sharing the centrally-generated revenue among different tiers of government and how the amount allocated to the particular tier is shared among its components for economic development (Dang, 2025). Olowononi broadly defines revenue allocation to include allocation of tax powers and the revenue sharing arrangements not only among the three levels of government but, among the State government as well (Olowononi, 2000) Revenue allocation refers to the redistribution of fiscal capacity between various levels of government, or the distribution of fiscal responsibilities among tiers of government. Revenue sharing arrangement is at two levels. One is the vertical allocation which is among Federal, State and Local Governments. Secondly, it is the horizontal allocation among the States and the Local Governments (Ohiomu, and

Oluyemi, n.d). Revenue allocation is a means through which the federating units for economic activities.

The Federation Account Department of the Office of the Accountant-General of the Federation (OAGF) is responsible for distributing revenue from the Federation Account to the three tiers of Government. The Federation Account Allocation formula to share revenue between States and Local Governments. Its formula considers factors such as population, land mass, equality and social developments, while disbursing the federation account revenues.

13 per cent Derivation Revenue to the Oil-Producing States 1999-2024.

Between 1999 and 2020, over N9 trillion was allocated to the few oil-producing states of the federation as 13 per cent derivation fund (thisdaylive.com, February 2025). According to the Central Bank of Nigeria's Economic Report, 2022, the oil-producing States were allocated N739.677 billion and N542.83 billion in 2021 and 2022 respectively. This monthly allocation goes thus:

Table 1:13 % Derivation Fund, 2021.

Months	Amount N Billion	Months	Amount N Billion
January	54.516	July	75.345
February	52.846	August	75.327
March	60.125	September	52.757
April	64.157	October	78.029
May	59.997	November	45.15
June	48.716	December	72.712

Total = N739.677 Billion

Source: Central Bank of Nigeria's Economic Report 2022.

Federation Account Allocation Committee (FAAC) Disbursements for 2023

January 2023 Allocation:

The Federation Account Allocation Committee (FAAC) disbursed N750.174 billion among the three tiers of government in January 2023. Out of N100.000 billion augmentation, Federal Government got N52.680 billion, States received N26.720 billion and Local Government Councils got N20.600 billion (thecable.ng, February 2023).

February 2023 Allocation

The Federation Account Allocation Committee (FAAC) shared N722.677 billion among the three tiers of government as a federation account revenue for February 2023. FAAC added that from the augmentation of N120 billion Exchange Rate Gain, the Federal Government got N54.998 billion, States were paid N27.896 billion, while Local Governments received N21.506 billion. A total of N15.600 billion was shared to the relevant States as 13 per cent mineral revenue (thecable.ng, March 2023).

March 2023 Allocation

The Federation Account Allocation Committee (FAAC) distributed N714.629 billion to the Federal States and Local Governments. (businessday.ng, April 2023). A breakdown of the figure further revealed that the Federal Government received N276.141 billion, State Governments received

N232.129 billion, while Local Governments got N171.257 billion. Additionally, a total sum of N35.102 billion was shared to the relevant States as 13 per cent derivation revenue (punchng.com April 2023).

April 2023 Allocation

The Federation Account Allocation Committee (FAAC) shared N655.932 billion as April 2023 federation account revenue to the Federal, State and Local Governments. (punchng.com, May 2023). From the distributable revenue, the Federal Government received N248.809 billion, States received N218.307 billion, while the Local Governments got N160.600 billion. In addition, the oil-producing States got N28.216 billion as 13 per cent mineral revenue under the Derivation Principle. Also, from N50.000 billion Augmentation from Forex Equalisation, the sum of N6.500 billion was for 13 per cent Mineral Revenue (thisdaylive.com, May 2003).

May 2023 Allocation

The Federation Account Allocation Committee (FAAC) disbursed N786.161 billion to the three tiers of government as federation allocation for the month of May 2023. From the N0.639 billion Exchange Difference, Federal Government received N0.307 billion, States got N0.156 billion, Local Councils got N0.119 billion and N0.057 billion was allocated to 13 per cent derivation revenue (fmino.gov.ng, June 2023). From the total distributable revenue of N786.161 billion, the Federal Government received N301.889 billion, State Governments got N265.875 billion and Local Government Councils received N195.541 billion. A total sum of N22.855 billion was allocated to the relevant States as 13 per cent derivation revenue (oagf.gov.ng, June 2023).

June 2023 Allocation

The Federation Account Allocation Committee (FAAC) distributed N907.054 billion to the three tiers of government as federation allocation for June 2023, out of a total gross revenue of N1,959.367 trillion. The FAAC agreed to save balance of N1 trillion with the Central Bank of Nigeria (CBN) which would be shared later. The essence was to avoid further inflationary pressures in the nation's economy and for investment in infrastructure across the States of the federation. The sum of N501.123 billion was received from the Exchange Difference which was shared as follows: Federal Government got N156.155 billion, the States received N79.204 billion, the sum of N61.063 billion was allocated to Local Government Councils, N24.470 billion was given additionally for 13 per cent derivation revenue to relevant States (fmino.gov.ng, July 2023).

July 2023 Allocation

The Federation Account Allocation Committee (FAAC) shared N966.110 billion July 2023 federation account revenue to the Federal Government, States and Local Councils. From the N283.904 billion Exchange Difference Revenue, the Federal Government received N141.278 billion, the States got N71.658 billion, Local Government Councils received N55.245 billion, while N15.723 billion was shared to relevant States as 13 per cent Mineral Revenue (vanguardngr.com, August 2023).

August 2023 Allocation

The Federation Account Allocation Committee (FAAC) disbursed N1.1 trillion revenue that was generated in August 2023 to the three tiers of government being monthly allocation from Joint Federation Account. A total revenue of N1,483,902 trillion was available in the month. A breakdown of the shared figure revealed that the Federal Government took N114.445 billion from N229.568 billion Exchange Differential, while the States received N58.048 billion, with Local Government Areas receiving N44.752 billion. Meanwhile, N12.027 billion, 13 per cent and N0.296 billion as 13 per cent of savings from NNPC, went to relevant States as derivation revenue. From the N177.092 billion augmentation, Federal Government got N93.292 billion, the States received N47.319 billion and Local Government Areas collected N36.481 billion (leadership.ng, September 2023).

September 2023 Allocation

The Federation Account Allocation Committee (FAAC) distributed N903.48 billion among the three tiers of government for September 2023 out of the gross revenue of N1.59 trillion available for the month (punchng.com, October 2023). The statement by FAAC showed further that the Federal Government received N85.647 billion from the N186.813 billion Exchange Difference revenue. The States got N43.442 billion and Local Government Councils received N33.491 billion. The sum of N24.233 billion (13 per cent of mineral revenue) went to the relevant States as derivation revenue (channelstv.com, October 2023).

October 2023 Allocation

The Federation Account Allocation Committee (FAAC) shared N906.96 billion among the three tiers of government for October 2023. Although a gross total of N1.35 trillion was generated, only N906.955 billion was disbursed to the three tiers of government as federation allocation for the month. Further disclosure by the communique showed that from N202.887 billion of Exchange Difference, Federal Government received N93.323 billion, States got N47.334 billion, Local Government Areas were allocated N36.493 billion, N25.737 billion given to derivation as 13 per cent of mineral revenue to relevant States. Also, the augmentation of N60.000 billion was shared as Federal Government got N31.606 billion, the States got N16.032 billion, while Local Government Councils received N12.360 billion (punchng.com, November 2023).

November 2023 Allocation

The Federation Account Allocation Committee (FAAC) distributed N1.088 trillion to Federal Government, States and Local Government Councils as the allocation from November 2023 federation account revenues out of a total gross revenue of N1.620 trillion earned in the month, The Federal Government received N175.817 billion from the N364.869 billion Exchange Difference revenue, States got N89.177 billion and Local Government Councils received N68.751 billion. The sum of N31.124 billion was shared with benefitting States as 13 per cent derivation revenue (punchng.com, December 2023).

December 2023 Allocation

The Federation Account Allocation Committee shared N1.13 trillion among the three tiers of government as revenue from December 2023. From the N287.7 billion Exchange Difference revenue, Federal Government received N138.672 billion, the States got N70.336 billion and Local Government Councils received N54.226 billion. The sum of N24.509 billion was given to benefitting States as 13 per cent derivation revenue (nairametrics, January 2024).

According to a review of the Federation Account Allocation Committee (FAAC) report from January-December 2023, the Federal Government, the thirty-six (36) States of the federation and all the 774 Local Government Councils across the country shared about N2.517 trillion as FAAC Exchange Rate Gain for the year 2023. This was from a gross FX Gain of N2.836 trillion recorded during the twelve months. From the gross FX Gain of N2.836 trillion, a sum of N318.29 billion was deducted from the non-oil account for the period. And from the total distributable N2.517 trillion, the Federal Government received N1.211 trillion, the State Governments shared N614.49 billion and the Local Government Councils got N473.92 billion. In addition, States producing mineral resources like oil received N217.38 billion as 13 per cent derivation during the period (nairametrics, February 2024.)

Federation Account Allocation Committee (FAAC) Disbursements for 2024

January 2024 Allocation

The Federation Account Allocation Committee (FAAC) shared N1,149.816 trillion January 2024 federation account revenue to the Federal Government, States and Local Government Councils (oagf.gov.ng, January 2024). The communique stated further that the Federal Government received N129.354 billion from the N279.028 billion Exchange Difference revenue. The States got N65.610 billion and the Local Government Councils collected N50.582 billion. The sum of N33.482 billion given as 13 per cent of mineral revenue to the benefitting States (derivation revenue) (punchng.com, February 2024).

February 2024 Allocation

The Federation Account Allocation Committee (FAAC) disbursed N1,152.756 trillion to the three tiers of government as federation account allocation for the month of February 2024, from a gross total of N2,326.149 trillion. It was disclosed that the N657.444 billion from the Exchange Difference was distributed thus: Federal Government got N278.463, States received N141.240 billion, while N108.891 billion was allocated to Local Government Councils, N78.850 billion was given for Derivation (13 per cent revenue) and the sum of N50.000 billion was saved (fmino.gov.ng, March 2024).

March 2024 Allocation

The Federation Account Allocation Committee (FAAC) distributed a total of N1,123.391 trillion to the three tiers of government as federation allocation for March 2024, from a gross total of N1,867.808 trillion, from the N285.525 billion Exchange Difference revenue, Federal Government was allocated N132.935 billion, State Governments received N67.426 billion, Local Government Councils got N51.983 billion, while N33.181 billion was given for derivation (13 per cent of mineral revenue) to relevant States (fmino.gov.ng, April 2024).

April 2024 Allocation

The Federation Account Allocation Committee (FAAC) shared a total sum of N1.208 trillion to the Federal, States and Local Government Councils from the April 2024 federation account revenue out of the gross N2.192 trillion available for the month. The Federal Government received N205.591 billion from the N438.884 billion Exchange Difference revenue. The State Government got N104.279 billion and the Local Government Councils received N80.394 billion. The sum of N48.620 billion was shared to benefitting States as 13 per cent derivation revenue (businessday.ng, May 2024).

May 2024 Allocation

The Federation Account Allocation Committee (FAAC) distributed N1,143.210 trillion to the three tiers of government as federation allocation for May 2024, out of a gross total of N2,324.792 trillion available for the month. From the total distributable amount, the Federal Government received N365.813 billion, the States got N388.419 billion, the Local Government Councils got N282.476 billion, while the oil-producing States received N106.502 billion as 13 per cent derivation revenue. From the N587.456 billion Exchange Difference, N80.000 billion was allocated to transfer, interventions and refunds leaving a balance of N507.456 billion of which Federal Government took N233.017 billion, States got N118.189 billion, the sum of N91.119 billion was allocated to Local Government Councils and N65.131 billion given to relevant States as 13 per cent derivation revenue (finance.gov.ng, June 2024).

June 2024 Allocation

The Federation Account Allocation Committee (FAAC) shared N1.354 trillion June 2024 federation account revenue with the Federal Government, States and Local Government Councils in the country. This was the first federation revenue shared among the three tiers of government after the Supreme Court granted financial autonomy to Local Governments. Total gross revenue of N2.483 trillion was available for the month. It was disclosed further that from N472.192 billion Exchange Difference revenue, N224.514 billion was distributed to the Federal Government, the States received N113.877 billion, Local Government Councils got N87.794 billion and N46.007 billion was allocated to relevant States as 13 per cent derivation revenue (channelstv.com, July 2024).

July 2024 Allocation

The Federation Account Allocation Committee (FAAC) disbursed a total sum of N1,358.075 billion to the three tiers of government as federation allocation for July 2024, from a gross total revenue of N2,613.791 trillion. The N581.710 billion of Exchange rate gain was shared as follows: Federal Government got N276.110 billion, States received N140.047 billion, Local Government Councils were given N107.970 billion and N57.583 billion was distributed to benefitting States as 13 per cent of mineral revenue (fmino.gov.ng, August 2024).

August 2024 Allocation

The Federation Account Allocation Committee (FAAC) shared N1.203 trillion for August 2024 to the Federal Government, States and Local Governments. An analysis of the issued statement by FAAC indicated that a total gross revenue of N2.278 trillion accrued into the federation account in August 2024. From the N1.203 trillion total distributable revenue, the Federal Government received N374.93 billion, State Governments got N422.86 billion, Local Government Councils received N306.53 billion and N99.47 billion was shared with the benefitting States as 13 per cent derivation revenue. And from the N468.245 billion Exchange Difference revenue, Federal Government was allocated N220.964 billion, States were allocated N112.076 billion, Local Government Councils were allocated N86.406 billion, while relevant States were given N48.799 billion as 13 per cent derivation revenue (punchng.com, September 2004).

September 2024 Allocation

The Federation Account Allocation Committee (FAAC) disbursed N1.298 trillion to the three tiers of government as federation allocation for the month of September 2024 from a gross total of N2.298 trillion. From the distributable Exchange Difference revenue of N462.191 billion, the Federal Government received N218.515 billion, States got N110.834 billion, Local Governments collected N85.448 billion, while N47.394 billion was allocated for the benefitting States as 13 per cent derivation revenue. It further disclosed that from N150.000 billion Augmentation, Federal Government got N70.020 billion, States received N40.080 billion and Local Government Councils got N30.900 billion (fminogov.ng, October 2024).

October 2024 Allocation

The Federation Account Allocation Committee (FAAC) distributed N1.411 trillion as revenue for October 2024. The total gross revenue available for the month was N2.668 trillion. The Exchange Difference revenue of N566 billion was distributed as N259.545 billion to the Federal Government, N131.644 billion to States and N101.493 billion to Councils, with N73.318 billion allocated to oil-producing States as 13 per cent derivation revenue (punchng.com, November 2024).

November 2024 Allocation

The Federation Account Allocation Committee (FAAC) shared a total of N1.727 trillion, representing the November 2024 federation account, among the Federal, States and Local Governments. The total gross revenue for the month stood at N3.143 trillion. From the N671.392

billion Exchange Difference revenue, the Federal Government received N316.054 billion, States collected N160.306 billion, Local Governments got N123.590 billion, while oil-producing States received N71.442 billion as 13 per cent derivation fund 2024 (thenationonline.net, December 2024).

December 2024 Allocation

The Federation Account Allocation Committee (FAAC) disbursed N1.424 trillion to the three tiers of government as federation allocation for December 2024, from a gross total of N2.310 trillion. From this distributable amount, the Federal Government received N451.193 billion, States got N498.498 billion, Local Government Councils got N361.754 billion, while the oil-producing States got N113.477 billion as 13 per cent derivation revenue. From the N402.714 billion of the Exchange Difference, Federal Government received N188.090 billion, States got N95.402 billion, Local Government Councils collected N45.671 billion, while N45.671 billion was given to relevant States as 13 per cent derivation funds (thenationonline.com, January 2025).

The Islamic Distributive Approach to Revenue Endowments and Allocations

In all phases and activities of life, Islam has provided guidance to all nations at large. Its divine teachings on economic life affirm the fact that the natural resource endowments are not equal among states, nations, continents and world as a whole. There are natural grades in resource endowments in the very interest of the human societies. Whatever that is found on earth, beneath the earth, in the seas and heavens have been created and made subservient to mankind by Allah, the Supreme Creator. It remains for them to take the best advantage of the unique creations of Allah in their favours, profit by them through the dominance and exploitation of the revenue endowments that bring constant progress sustainable economic growth and developments to the human livelihood at local, sub national, national and global levels. Allah says: "It is He (Allah) Who made the earth smooth for you, therefore go about in the spacious sides thereof and eat of the sustenance and to Him is the return after death." (Qu'ran 67:15)

This is the exigency of the Islamic economic policy conforming to nature. The unfunded resource endowments across the federating units is unequivocally a waste to the great misfortune of the States, nation and humanity at large. Allah says:

وَأَتَّبِعْ فِيمَا آتَاكَ اللَّهُ الدَّارَ الْآخِرَةَ وَلَا تَنْسَ نَصِيبَكَ مِنَ الدُّنْيَا وَأَحْسِنْ كَمَا أَحْسَنَ اللَّهُ إِلَيْكَ وَلَا تَبْغِ الْفُسَادَ فِي الْأَرْضِ إِنَّ اللَّهَ لَا يُحِبُّ الْمُفْسِدِينَ.

And seek by means of what Allah has bestowed you (Wealth), the Home of the Hereafter and do not neglect your portion of this world: and do good as Allah has been good to you and seek not (occasion for) mischief in the land. Surely, Allah does not love those who do mischief (Qur'an 28:77)

Indeed, the portion of every federating unit of the federation are the abundant revenue endowments which Almighty Allah has graciously bestowed on it as its legitimate sources of revenue for its legitimate fiscal needs hence Islam does not recommend for mankind to keep greedy in their personalities.

Nationality, the mineral resources are the exclusive revenues that cannot be owned by the individuals but, are constitutionally owned, managed and protected by the Federal Government. So, partial funding of the resource endowments available in a few section of the country is tantamount to economic injustice and can never sustain the true fiscal federalism, proving the assertion that says that "the stability and growth of revenue is a function of the ability of the government to stimulate and sustain a high level of economic activities and an optional mix of revenue generating instruments to be untrue. To achieve the two broad objections of revenue allocations namely: efficiency: and equity in Nigeria, equal funding of the revenue endowments should be accorded the non-oil-producing States of the nation as this would efficiently empower their fiscal capacities and responsible, Allah says:

وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تَعْتُوا فِي الْأَرْضِ مُفْسِدِينَ

And withhold not things justly due to men, nor act corruptly in the earth making mischief Qur'an 26:183)

The Nigerian Tax Bill, 2024 which is seeking an alteration of the VAT sharing formula, reducing the Federal Government's share from 15 per cent to 10 per cent but, with a provision that the allocation among states would consider the derivation principle, negates the Islamic distributable principle that sanctions circulation of revenue allocations solely among the rich people or super rich states of the federation. Allah says:

مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَىٰ فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسْكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

What Allah has bestowed on His Messenger (and taken away) from the people of the townships belongs to Allah, to His Messenger and to kindred and orphans, the needy and the way farer; so that the wealth may not circulate solely among the rich from among you. So, take what the Messenger assigns to you and deny yourselves that which he withholds from you. And fear Allah; for Allah is strict in Punishment. (Quran 59:7).

The distributive approach in the above Qur'anic verse solidly establishes the fact that the Islamic distributive scheme is strongly characterised by justice, fairness and equity. Islam regards all revenue endowments as mineral resources and opts for efficiency in the revenue allocations of a country as it allows each federating unit of the federation obtain fair revenue allocations without compromising the economic activities of others (mpira.ub.un, September 2015).

The requisite conditions of humanity have the simultaneous existence of a society (nation), a cooperation and a liberty of competition among the people. Every discovery of the means of economic comfort came into existence through competition and existence of grade of resources (Hamidullahi,2025). To achieve optimum economic efficiency through original position of fairness and equity among all the federating units, major mineral resources in the non-oil-producing States of Nigeria such as gold, iron-ore etc should be funded, managed and protected by the Federal Government in the same way and manner it does regarding oil and gas in the few oil-producing States of the Federation. Allah says:

وَيَقُومُوا أَوْفُوا الْمِكْيَالَ وَالْمِيزَانَ بِالْقِسْطِ وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تَعْتُوا فِي الْأَرْضِ مُفْسِدِينَ

And O my people! Give just measure and weight, nor withhold from the people the things that are their due: commit not evil in the land with intent to do mischief (Qur'an 11:85)

Recommendation

The classification of the revenue receipts into the Federation Account into mineral revenues as oil and gas specifications that include royalty, PPT, EDT and proceeds from crude and gas sales at the cost of adequate funding of other resources endowments in the non – oil producing States is quite unjust and unfair in every economic sense. Therefore, the researcher recommends that the Federal Government of Nigeria should institutionalise the optimal funding of all other revenue endowments such as gold, iron-ore etc across the non-oil producing States of the federation so as to genuinely bring about just, fair and equal financial opportunities in the redistribution of fiscal capacities to our federation units.

Conclusion

The 13 per cent derivation fund is deducted from the net mineral revenue first before the rest is shared among the three federating units: Federal; States; and Local Governments, and the relevant

revenue generating agencies on a monthly basis. This 13 per cent derivative principle includes 13 per cent of the total revenue generated from oil extraction, 13 per cent of net revenue from Exchange Difference / Gain share, 13 per cent from Exchange equalisation, 13 per cent from withdrawal from the Excess Crude Account (ECA), and 3 per cent from royalties to the oil communities and allocations from the Niger Delta Development Commission (NDDC).

According to the Central Bank of Nigeria (CBN), between 1999 and 2020, over N9 trillion was allocated to the few oil-producing States of the nation as 13 per cent derivation revenue. In 2021, they got N739.677 billion. In 2022, they received N522 billion as 13 per cent derivation fund. In 2023, they collected the sum of N970.20 billion and in 2024, they got more than N900 billion as their 13 per cent derivation revenue. Any inward review seeking an alteration of the Value Added Tax (VAT) sharing formula, reducing the Federal Government's share from 15 per cent to 10 per cent with a provision that the allocation among States would consider the derivation principle, is quite exploitative, unsatisfactory. It is a reform initiative aiming at further empowering of the fiscal capacity of the super rich oil-producing States at the expense of the non-oil producing States whose resource endowments are neither funded by Federal Government nor categorised as mineral revenues. True fiscal federalism, just and fair revenue sharing system cannot be achieved, and as such, it is in sharp contravention with the Islamic principle of just and fair redistribution of revenue / wealth.

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