THE CONTRIBUTIONS OF ALTERNATIVE DISPUTE RESOLUTION TO COMMERCIAL ARBITRATION AND TAX DISPUTES IN NIGERIA

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Abstract

Dispute resolution is an inevitable aspect of commercial and economic relations, particularly in developing economies such as Nigeria where litigation remains slow, costly, and procedurally complex. This paper examined the role and contributions of alternative dispute resolution (ADR), with particular emphasis on arbitration, to the effective settlement of commercial and tax disputes in Nigeria. The paper adopts a doctrinal and comparative methodology, relying on statutory provisions, judicial decisions, and scholarly opinions, while drawing lessons from arbitration practices in the United Kingdom and the United States. The findings revealed that arbitration offers significant advantages over litigation, including speed, cost efficiency, confidentiality, procedural flexibility, and improved commercial relationships. Despite these benefits, the paper identified persistent challenges such as limited awareness among stakeholders, judicial delays in enforcing arbitral awards, and outdated legal frameworks that undermine confidence in Nigeria as an arbitration-friendly jurisdiction. The study concluded that arbitration remains a vital tool for enhancing commercial justice and economic growth in Nigeria if properly supported. It recommended the integration of ADR mechanisms into the formal court system, improved judicial interpretation of arbitration laws, increased stakeholder education, clearer enforcement guidelines, and the adoption of international best practices to strengthen Nigeria's commercial arbitration regime.

Keywords: Arbitration, Commercial Arbitration, Disputes, Dispute Resolution.

1. Introduction

Disputes, which might be domestic, international, civil, commercial, or economic in character, are typically an unavoidable aspect of human contact. The conventional approach of resolving disputes is through litigation.[1] People must learn how to handle disputes, prevent them from getting worse

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and causing havoc, and come up with creative solutions because they are an unavoidable part of human connection. Litigation is a process that is frequently used to resolve a variety of issues, and

there is evidence of this widespread use in local and international jurisdictions. Commercial conflicts are not effectively resolved by the ordinary courts of law, especially in Nigeria, and these systematic delays offer several opportunities for the distorting of the administration of justice. Additionally, the cost-benefit analysis for the impacted company concerns over the short to medium term is often unfavorable when commercial issues are the topic of protracted litigation. Consequently, commercial interests would have sustained significant monetary losses and operational losses under these conditions.[2]

Unnecessary delays in commercial litigation in Nigeria lead to overcrowded courts and ongoing case adjournments. This is one of the unfavorable aspects of business litigation in Nigeria, especially in populated areas like Lagos, Kano, and the Rivers States. It is common knowledge that after a lawsuit has been launched, litigants cannot realistically foresee how long it will last. Consequently, reliance on an arbitration provision in a legitimate agreement, identifiable parties may choose to submit a contractual disagreement to an arbitration panel in order to avoid such a bad consequence.[3]

2. Conceptual Clarifications

The paper will define certain concepts that are important.

2.1 Disputes

Abel provides the broadest definition of a dispute in detailed research of institution for resolving conflicts in society, saying that "... a disagreement is only a type of social interaction and a step in the evolution of any relationship."[4] Merry and Silby investigated the ethnographic perspectives on conflict in three small American neighborhoods. The definition of conflicts in this context is given as "... cultural changes occur inside a system of rules indicating what is important to fight for., how to fight in a proper or moral way, what wrongs require action, and what types of solutions are appropriate."[5] In their groundbreaking study on dispute metamorphosis, Felstiner, Abel, and Sarat make the following observation: "Disputes are social constructs rather than physical objects, and their shapes correspond to the definitions that observers give to the concepts."[6]

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[2] A Onabanjo, 'The Importance of Arbitration in Nigerian Oil Company Conflict Resolution' <https://www.academia.edu/24762963/ The Relevance of Arbitration in the Settlement of Disputes Between Nigerian Oil Companies > accessed 10 January 2026.

[3] Arbitration and Conciliation Act 1990, s 2.

[4] R A Abel, 'Comparative theory of societal dispute resolution mechanisms' [1973] *Law and Society Review*, 250.

[5] S E Meny and S SSilbey, 'What are the plaintiffs seeking? Reviewing the conflict idea' [1984] *Justice System Journal*, 151-157.

[6] W L F Felstiner and others, 'Conflicts' emergence and evolution: blaming, accusing, and asserting' [1980/1981] *Law and Society Review*, 631.

2.2 Dispute Resolution

Dispute resolution is the process of settling disagreements between parties. Arbitration, litigation, and mediation are the three primary methods of resolving disputes. It's important to remember that issues can be settled out of court via conflict resolution approaches.[7] Additional names for the conflict-resolution process include ADR, appropriate dispute resolution, and alternative dispute resolution. Most economic disputes can be attempted to be resolved using this approach.[8]

2.3 Arbitration

The act of transferring a dispute or disagreement between at least two parties to a third party so that it can be resolved after both sides have been fairly heard without going through a court of competent jurisdiction is another definition of arbitration.[9] Arbitration is essentially the voluntary submission of a dispute to a person or group of people chosen by the parties in order to arrive at a resolution that is enforceable by law.[10]

2.4 Commercial Arbitration

Commercial arbitration is not defined under the statute, nevertheless. Instead, it defines "commercial" as "any deal pertaining to the provision of products and services; a distribution agreement; a commercial agency or representation; factoring; leasing; investing; finance; banking; insurance; a concession or exploitation agreement; or a joint venture, or other forms of industrial or commercial cooperation is considered a commercial interaction, as is the movement of goods or people by air, sea, train, or road."

Therefore, the voluntarily referral of a dispute arising from business transactions to a person or group of people chosen by the parties for judicial settlement is known as commercial arbitration. Unless otherwise noted, any further references to arbitration are to commercial arbitration. Commercial arbitration can be divided into two categories. Arbitration is available both domestically and abroad.[11]

3. The Contributions of Alternative Dispute Resolution to Commercial Arbitration in Nigeria

Given the necessity to increase commercial activity there and the unquestionable authority of parties to international accords to arbitrate disputes, it is imperative that Nigeria joins and ratifies the New York Convention. Unquestionably, there are a number of reasons why the administration of justice in our regular courts is sometimes delayed. In Nigeria, arbitration has grown in popularity as a way to prevent these delays and guarantee that justice is served more swiftly. The need for speed has long dominated international business operations, which results in more economical and

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[7] Lawbite, 'What Is Dispute Resolution?' <https://www.lawbite.co.uk/resources/blog/what-is-dispute-resolution> accessed 10 January 2026.

[8] *Ibid.*

[9] V Hailsham, *Halsbury's Laws of England* (4th edn, Vol. 2, London: Butterworth & Co. Publishers Ltd, 1978) 501.

[10] G G Otuturu, *The Legal Environment of Business in Nigeria* (Port Harcourt, Ano Publication, 2003) 77.

[11] G G Otuturu, 'Some aspects of the law and practice of commercial arbitration in Nigeria' [2014] (6)(4) *Journal of Law and Conflict Resolution*, 67-77.

efficient contract design. As a result, some advantages of commercial arbitration for conflict resolution include the following:

3.1 Time Saving and Money

ADR can significantly reduce the amount of time and money spent on a dispute, especially when employed early on.[12] ADR saves parties to disputes and the legal system time and money by facilitating early settlements. By defining and limiting the scope of the issue, ADR can nevertheless result in savings even when it does not immediately resolve the dispute.

In *Ebokan v. Ekwenibe and Sons Trading Co*.[13] according to Ogundare, JCA, the following is a list of advantages of arbitration provided by the court of appeals: "In order to resolve their disagreement swiftly, easily, affordably, and without any complex legal difficulties, parties typically submit it to an arbitrator.'

Arbitration sessions typically move considerably more quickly than judicial disputes. Because the arbitrators selected to settle a specific case have nothing else to do, there is little to no delay. Arbitration sessions do not require formal pleadings or other procedural formalities that can occasionally prolong litigation. For example, the procedural peculiarities of the Evidence Act do not apply to arbitration procedures in Nigeria.[14]

3.2 Increased Flexibility and Control

When using mediation or arbitration, the parties frequently have more latitude and control over the conflict resolution procedure. ADR often gives more procedural flexibility because the parties can create a dispute settlement process that is tailored to the specific circumstances. They decide whether to utilize a binding or non-binding method and when it will happen. ADR procedures also consider a wider range of interests and concerns than litigation can. ADR also takes non-legal concerns into consideration. A greater range of potential remedies are frequently available through alternative dispute resolution than through traditional litigation. ADR processes that are non-adjudicatory, in particular, allow parties to come up with their own original ways to resolve disputes, so disputants are not restricted to monetary compensation or other remedies that a court could impose.

3.3 Confidentiality

ADR procedures are often private. The specific parameters of confidentiality will be determined by the laws that apply and the parties' agreements to employ ADR. Confidentiality is regarded as a key element in enhancing the success of ADR since it promotes honesty and open communication.[15]

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[12] M CElven, 'Note on mediation research' in S B Goldberg and others, *Dispute Resolution* (Wolters Kluwer Law & Business, 2002) 162 – 164.

[13](2001) 2NWLR (Pt. 696) 32

[14]Evidence Act, Cap E14, Laws of the Federation of Nigeria 2004 s 1(4)

[15] O Ojieto, *Alternative Dispute Resolution (ADR)* (CPA Books, 2001) 16.

3.4 Improved Communication

The adversarial stances taken in court proceedings frequently worsen the communication issue present in the majority of disagreements and could further erode the parties' relationship. The parties often want to maintain their relationship, whether it be between parties involved in the same building project, between a bank and its client, or between a manufacturer and a distributor. Many dispute resolution procedures aim to lessen the animosity brought on by the conflict and to facilitate communication between the disputing parties.

Despite the fact that major international arbitration organizations settle a significant portion of disputes in the region, there are only a few places outside of Africa where international business arbitration is widely used. Despite its size and the crucial role it plays in regional economic integration, Nigeria is listed as a significant African jurisdiction that struggles to draw the attention of the international arbitration market. This is due to a number of factors, including outdated legislation and ineffective formal legal frameworks, uneven judicial behavior, and misguided beliefs about the impartiality of legal institutions.

The most frequent issue in commercial disputes is parties' refusal to submit themselves and their cases to foreign courts for settlement, especially foreign merchants. The vast majority of commercial conflicts that arise in Nigeria's numerous cities are still resolved in civil courts, which have been the traditional and preferred setting for this purpose. The majority of actors and stakeholders in the commercial sector, however, do not fully comprehend the specifics of commercial conflict arbitration, particularly its contribution to the effectiveness of dispute resolution frameworks and the possibility of using arbitration to resolve disputes in commercial transactions. Nigeria's economy, which is still in development, has not yet been able to connect policy intentions with market realities, particularly in terms of extensive integration and the application of arbitral instruments. This tendency cannot continue given the increased efforts to support better justice delivery, lower administrative costs, and the urgent need to fully utilize the skills of the judicial branch of government.

3.5 Enforcement of Commercial Arbitration Awards

In arbitration, an award is the ultimate verdict. It is definitive on every issue raised. The parties' resolution of their disagreements during the arbitration procedure may also result in an agreed award. At the parties' desire, the arbitrators would complete the arbitration in this matter and record the settlement as an agreement on terms award, which would have the same standing and consequences as any other agreement on terms based on the merits of the case. The enforcement of an arbitral judgment is essential to the arbitration process because it allows the winning party to profit from the panel's ruling. However, if the losing party abides by the ruling, no more action will be required to enforce the award.

According to Section 31(1) of the ACA, an arbitral award is enforceable by the court upon written request and is acknowledged as legally binding on the parties. This application presently comprises:

i. Either the original award that has been properly certified or a certified copy of the award.
ii. The original arbitration agreement or an exact replica that has been officially certified.
iii. If these requirements are met, the award may be enforced with the court's consent in the same way as a judgment or order with the same effect.

An arbitral award may be enforced or a judgment based on the award may be entered by a direct application to the judge or court. It must be demonstrated that there is a contract with an arbitration clause, that a dispute falling under its jurisdiction has arisen, that the arbitrator was chosen in compliance with the agreement, that the arbitrator rendered an award, and that the award was ignored in order for the award to be enforced.[16] Following receipt of the court's decision or order, execution may be carried out in accordance with the Sheriff and Civil Process Act.[17] The power of the other party to the arbitration agreement to request that the judge or court refuse to accept and uphold the arbitration outcome is a prerequisite for this.[18]
Additionally, the Supreme Court ruled in the instance of *Ras Pal Gazi Construction Company Ltd Vs Fcda*[19] that the decision of an arbitrator is the same as that of a court.

In *Ebokan v. Ekwenibe andSons Trading Co*[20] the court of appeals came to the conclusion that an arbitral award should be recorded as a court judgment and used in accordance with that ruling after it has reached the final and binding stage and there are no procedural or substance flaws. According to Galadima, JCA (as he was known at the time), if parties decide to arbitrate a dispute, they cannot later change their minds about the arbitrator's decision.

It must be a final arbitral award in order to be enforced. In *Ake Shareholdings Ltd v Optimum Construction & Property Dev Company Ltd*[21] it was held that:

> A final decision on all issues that were brought before the arbitrator is known as an arbitration award. It has complete legal authority and effect and is enforceable upon written request to the court. Once an award has been rendered and is not being challenged in court, it should be recorded as a judgment and given effect as such. The losing side cannot express his desire to come to an agreement on any particular matter. He should not and would not do so in the instance of an award that he has not contested, just as he would not be permitted to do so in the case of a judgment that is not the focus of an appeal.

[16] Otuturu (n 11)

[17] Cap S6, Laws of the Federation of Nigeria, 2004.

[18] ACA, 2004 s 33

[19] (2001) 10 NWLR Part 722 page 559.

[20](2001) 2NWLR (Pt. 696) 32

[21] (2015) LPELR p.24536 (CA).

4. The Contributions of Alternative Dispute Resolution to Commercial Arbitration in Other Jurisdictions

4.1 The United Kingdom

At the moment, England, Scotland, Wales, and Northern Ireland comprise the United Kingdom. The legal systems of Wales and England differ from those of Scotland and Northern Ireland. The

Geneva Protocol on Arbitration Clauses (1923 Geneva Protocol) became enforceable in England with the Arbitration Clauses (Protocol) Act of 1924. It removed the courts' power to refuse a stay of court proceedings in cases involving parties from member countries.[22] After the UK ratified the 1958 New York Convention, this clause was updated as clause 4(2) of the Arbitration Act 1950 and, more recently, as Section 8(2) of the Arbitration Act 1975. This convention created an arbitration agreement, which is currently accepted globally, as the basis for delaying legal processes.

The basis established in was repealed by the Arbitration Act of 1934 *Scott v Avery*,[23] Parties that knew their rivals couldn't afford to pay for arbitration were targeted by making an arbitration ruling a prerequisite to bringing a case. According to Section 3(4), the courts may also order the clause requiring an award prior to bringing a case to be annulled if the agreement to submit expires. Although "submission to arbitration" was replaced with "arbitration agreement" in the Arbitration Act of 1934, there were actually no notable changes.

Under the leadership of Lord Mustill, the Secretary of State for Trade and Industry of the United Kingdom established the Departmental Advisory Committee on International Commercial Arbitration Law in England. In June 1989, the Committee came to the conclusion that English arbitration law was superior and should be maintained in its current form at all costs.[24] The Arbitration Act of 1996 was ultimately passed using the UNCITRAL Model framework and the "superior" English arbitration system. However, under Section 66 and Schedule 7 of the Law Reform (Scotland) Act 1990, Scotland adopted the UNCITRAL Model Law in accordance with the recommendations of the Scottish Advisory Committee, which was presided over by Professor J. Murray QC.

Prior to the Arbitration Act of 1996, under English common law, the courts' jurisdiction over arbitration cases was subject to discretion.[25] Regardless matter whether an arbitration was place in England or not, English courts had rather broad discretionary power over arbitration since they might acquire jurisdiction by service of proceedings.

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[22]Protocol on Arbitration Clauses (1923 Geneva Protocol), s 1(1)

[23]*Alexander Scott v. George Avery* (1856) 5 HLC 811; 10 ER 1121.

[24] M J Mustill, 'A New Arbitration Act for the United Kingdom? The Response of the Departmental Advisory Committee to the UNCITRAL Model Law' [1990] (6)(1) *Arbitration International*, 3-10.

[25] M J Mustill and S C Boyd, *The Law and Practice of Commercial Arbitration in England* (2nd ed. London: Butterworths, 1989) 87.

Therefore, the courts could recognize jurisdiction before identifying the seat by exercising their discretion. For instance, if an arbitration clause specified how arbitrators would be chosen, the

courts may be given jurisdiction by serving a writ and could choose the arbitrators at their discretion. In *Gola Sports Ltd. v. General Sport craft Co. Ltd.*,[26] An arbitration agreement was reached between an English shoemaker and an American shoe retailer: " However, any dispute will be arbitrated by an impartial arbiter selected by the Anglo-American Chamber of Commerce. English law governs this agreement." There was no such Chamber. In line with Section 10 of the Arbitration Act 1950, the English party asked the English court to select an arbitrator. The American defendants, however, insisted that the New Jersey courts select an impartial arbitrator. The English court felt that the US courts were more qualified to resolve the conflict, thus it chose not to appoint an arbitrator. As a result, the English court acknowledged its jurisdiction in this case but relinquished its authority to choose an arbitrator.

Lord Justice Dunn said the following in this case: "The parties' main concern was that the dispute be settled through arbitration rather than in open court, not how the arbitrator was chosen."[27]

Therefore, if English courts deem it appropriate to handle the issue within English jurisdiction, even if an arbitration agreement doesn't define the venue or the right way to choose arbitrators, they may nonetheless have jurisdiction over the arbitration.

Because of this, the courts' common law discretionary power served as the foundation for the establishment of jurisdiction over arbitration prior to the Arbitration Act of 1996. Although not crucial, the seat's location inside the geographical jurisdiction was important.

Section 14(4) of the English Arbitration Act states that

> Arbitration procedures begin when one party notifies the other party or parties in writing that they are required to select an arbitrator or consent to the appointment of an arbitrator in relation to a subject in which the arbitrator or arbitrators are to be chosen by the parties.

Under the Act,[28] it is provided that "this article's requirements apply if the arbitration takes place in Northern Ireland or England and Wales."[29] The arbitration will be conducted at the courthouse selected by the parties to the arbitration agreement, by the arbitral panel, or by any other entity or individual designated by the parties in this particular instance..…[30] Traditionally, the parties must

[26]*Gola Sports Ltd. v. General Sportcraft Co. Ltd.* [1982] Com LR 51.

[27]*Ibid.*

[28] Arbitration Act 1996

[29]*Ibid*, s 2(1)

[30]*Ibid*, s 3(a)(b)(c)

have a written agreement to arbitrate.[31] Any party to an arbitration agreement may ask the court to halt any actions pertaining to the arbitration agreement's subject matter.[32]

The Arbitration Act of England, 1996 states that "any chairman or umpire, as well as the arbitrator or arbitrators, will be chosen by the parties."…[33] Together, the parties may decide to restrict the arbitrator's power …[34] Attorneys may represent each arbitration side or another individual of their choosing, unless the parties have made a written agreement to the contrary.[35]

4.2 The United States of America

In the United States of America, arbitration and the implementation of arbitral decisions are governed by the Federal Arbitration Act. An arbitral award made in the United States may be enforced under the Federal Arbitration Act, one of the numerous State Arbitration Laws, or both the State Law of the country in which the arbitral decision was rendered and the Federal Arbitration Act.[36]

However, the following details about the deadline for enforcing an arbitral ruling are included in Section 9 of the Federal Arbitration Act:

> Any party to the arbitration may obtain an order from the court designated for that purpose within a year after the award's establishment; the court must accept the request unless the award is canceled, changed, or corrected in accordance with Articles 10 and 11. if the parties agreed that the court would choose the court and render a ruling based on the outcome of the arbitration. The application may be filed with the US Court in and for the district where the award was rendered if the parties' agreement does not name a court. Before the court can exercise jurisdiction over the opposing party as if that party had typically joined in the case, the opposing party must be notified of the application. If the opposing party lives in the district where the award was issued, they must be served in the same way as required by law when a notice of motion is served in an action in the same court. If the opposing party is a nonresident, the marshal of any district where they may be located must serve the notice

[31] Arbitration Act s 5(2)

[32] Arbitration Act s 9(1)

[33] *Ibid*, s 16(1).

[34] *Ibid*, s 23(1), (2) and (3)

[35] *Ibid*, s 36

[36] *Robert Lawrence Co v Devonshire Fabrics Inc*.271 f.2D 402, 408(2d ar. 1959).

> of the application in the same manner as other court proceedings.[37]

The deadline for enforcing an arbitral decision in the United States was specified in both state arbitration legislation and the Federal Arbitration Act. For example, according to Section 7510 of the New York Civil Practice Law Rules: "Within a year of the party obtaining the award, the Court will affirm it upon request, unless the award is revoked or changed for one of the reasons listed in Section 7511."[38]

When an arbitral ruling must be upheld in the US has been made explicit by the Federal Arbitration Act and state arbitration laws. The Federal Arbitration Act of the United States was described in*Consolidated Rail Corp v Del & Hudson Rwy. Co*,[39] where the American Court later ruled that;

> In addition to offering a quick result, arbitration should definitively clarify the parties' rights. A one-year restriction period is essential to achieve this objective. This court holds that the award cannot be reversed, changed, or corrected in accordance with sections 10 and 11 of this Act prior to the court making the order, and that the parties have a year to react. The application may be submitted in the United States Court for the district where the award was made if the parties' agreement does not name a court.

5. Lessons from the United Kingdom and the United States of America

The Civil Procedure Rules I 998 (the CPR) contain a number of provisions meant to encourage ADR, demonstrating the UK government's strong support for this process.[40] "... encouraging the parties to engage in alternative conflict resolution and supporting the adoption of such a method, if the court thinks it acceptable " is part of the courts' overarching goal in the UK.[41] The conclusion of the following is that alternative conflict resolution practices are supported by the UK government. Of course, no industrialized country will ignore the benefits of ADR in resolving commercial and other economic disputes within its borders.

Since the adoption of the 1999 Civil Procedural Rules, which were intended to encourage parties to mediate and provide courts the authority to impose fines when mediation is unfairly denied, mediation has been a fixture of the litigation process in the UK.

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[37]Federal Arbitration Act s 9

[38]New York Civil Practice Law Rules s. 7510

[39] 867 F. Supp. 25(D.D.C 1994).

[40] H Lovells 'Alternative Dispute Resolution in England and Wales' (Hogan Lovells Publishers 2017) <https://www.hoganlovells.com/~/media/hogan-lovells/pdf> accessed 10 January 2026.

[41] Civil Procedure Rules, 1998, Rule 1(4)(2)(c) <https://www.justice.gov.uk/civil/procrules_fin/menus/rules> accessed 10 January 2026.

The Federal Arbitration Act governs arbitration and the enforcement of arbitral rulings in the United States of America. An arbitral award made in the United States may be enforced under the Federal Arbitration Act, one of the many State Arbitration Laws, or both the Federal Arbitration Act and the State Law of the region where the arbitral judgment was delivered. The Federal Arbitration Act and State Arbitration Laws both specify when an arbitral decision must be sustained in the United States.

6. Contributions of Alternative Dispute Resolution to Tax Disputes In Nigeria

Conflicts between taxpayers and tax authorities have unavoidably increased as a result of Nigeria's growing tax administration complexity, especially when it comes to tax assessment, collection, and statutory interpretation. Historically, the dominant mechanism for resolving such disputes in Nigeria has been litigation before the regular courts and, more recently, the Tax Appeal Tribunal (TAT). However, as demonstrated in practice and highlighted in scholarly discourse, litigation has proven to be an inefficient and often counterproductive mechanism for resolving tax disputes due to delay, high costs, and institutional congestion. Against this background, Alternative Dispute Resolution (ADR) has emerged as a viable and necessary complement to traditional tax dispute resolution mechanisms in Nigeria.[42]

One of the most significant contributions of ADR to tax dispute resolution in Nigeria lies in its ability to ensure the speedy resolution of disputes. Tax disputes can take years to move from the court of first instance to the Supreme Court in Nigeria due to the country's infamously slow legal system.[43] This prolonged process undermines the fundamental objective of taxation, which is the timely generation of revenue for public purposes. The document illustrates instances where tax disputes lasted up to seven years before final determination, thereby locking up substantial revenue and frustrating fiscal planning.[44] ADR mechanisms, by contrast, are designed to operate within shorter timelines and without the rigid procedural formalities that characterize litigation. By facilitating early resolution of disputes, ADR ensures that tax liabilities are determined promptly and that government revenue is not unduly delayed.[45]

Closely linked to the issue of delay is the cost-effectiveness of ADR in tax dispute resolution. Litigation involves substantial financial commitments for both taxpayers and tax authorities, including legal fees, administrative expenses, and opportunity costs arising from prolonged proceedings.[46] Arbitration and other ADR mechanisms offer a cheaper alternative by reducing procedural complexity and minimizing reliance on extensive legal representation. This reduction in cost is particularly important in encouraging taxpayers to engage constructively with tax authorities rather than resorting to tax evasion or avoidance as a defensive response to perceived

[42] O Ucheagwu-Okoye, *The Need for Arbitration as an Alternative Dispute Resolution Mechanism in Tax Disputes Resolution in Nigeria* (2021) IBJ (2) 67–68.

[43] *Ibid*, 73–74.

[44] *Ibid*, 73; *Mobil Oil (Nig.) Ltd v FBIR* (1977) ALR Comm Law Series Pt 1, cited in Ucheagwu-Okoye (n 42).

[45] Ucheagwu-Okoye (n 42) 68–69.

[46] *Ibid*, 68.

oppressive enforcement.[47] In this sense, ADR contributes not only to dispute resolution but also to improved taxpayer behaviour and compliance.

ADR also plays a critical role in reducing the burden on courts and tax adjudicatory bodies in Nigeria. The regular courts and the Tax Appeal Tribunal are inundated with cases of varying complexity, many of which could be resolved amicably without full adjudication.[48] The National Tax Policy expressly recognises the importance of ADR and encourages its use as a preliminary mechanism before resorting to litigation.[49] By diverting disputes capable of settlement away from the courts, ADR enhances judicial efficiency and allows courts to focus on matters that raise substantial questions of law or constitutional interpretation. This contribution is particularly relevant in Nigeria, where judicial congestion has become a major impediment to effective tax administration.[50]

One of the most significant ADR-related developments in the 2025/2026 tax reforms is the creation of an independent Tax Ombud office in the Joint Revenue Board of Nigeria (Establishment) Act, 2025. This office is designed to receive taxpayer complaints and resolve disputes outside traditional courts through more amicable processes. The Tax Ombud prioritises amicable settlement and mediation or conciliation procedures, helping to resolve issues between taxpayers and authorities without litigation.[51]

Another major contribution of ADR to tax disputes in Nigeria is its capacity to enhance voluntary tax compliance. The adversarial nature of litigation often creates hostility between taxpayers and tax authorities, eroding trust in the tax system. Unresolved disputes and aggressive enforcement strategies contribute significantly to non-compliance, tax evasion, and revenue loss. ADR mechanisms such as mediation and negotiation promote dialogue, transparency, and mutual understanding, thereby fostering a cooperative relationship between taxpayers and revenue authorities. When taxpayers perceive the dispute resolution process as fair and accessible, they are more likely to comply voluntarily with tax obligations, which ultimately strengthens the tax system.[52]

Furthermore, ADR offers a level of flexibility and technical competence that is often lacking in traditional litigation. Tax disputes frequently involve complex issues of accounting, valuation, and statutory interpretation that require specialised expertise. Generalist courts may lack the technical capacity to address such issues efficiently, leading to inconsistent or delayed outcomes. ADR allows parties to appoint neutrals with specific expertise in taxation and finance, thereby ensuring that disputes are resolved by individuals with the requisite technical knowledge. The flexibility of

[47] Ucheagwu-Okoye (n 42) 73.

[48] *Ibid*, 71–74.

[49] National Tax Policy 2012 ch 6 para 6.6, cited in Ucheagwu-Okoye (n 42) 70.

[50] Ucheagwu-Okoye (n 42) 74.

[51] Joint Revenue Board of Nigeria (Establishment) Act 2025, s 41(1)(b).

[52] *Ibid*, 79–80.

ADR procedures also allows parties to tailor the dispute resolution process to the peculiarities of tax disputes, a feature that is largely absent in court proceedings.[53]

In addition, ADR contributes to the modernisation of Nigeria's tax dispute resolution framework by aligning it with international best practices. Jurisdictions such as the United Kingdom, United States, Canada, Australia, Kenya, and South Africa have successfully integrated ADR into their tax administration systems, with a significant percentage of tax disputes resolved through mediation or arbitration.[54] These jurisdictions have recorded improvements in efficiency, revenue recovery, and taxpayer confidence. The adoption of ADR in Nigeria would therefore not only enhance domestic tax administration but also improve Nigeria's attractiveness to foreign investors who often view efficient dispute resolution mechanisms as a key determinant of investment decisions.[55]

Ultimately, ADR contributes significantly to effective tax administration and revenue generation in Nigeria. By ensuring timely resolution of disputes, reducing costs, improving compliance, and decongesting courts, ADR supports the broader fiscal objectives of the Nigerian state. Although current judicial decisions have raised questions about the arbitrability of tax disputes, the policy direction articulated in the National Tax Policy and comparative international experience strongly support the integration of ADR into Nigeria's tax dispute resolution framework.[56]

7. Conclusion/Recommendations

When the issues are decided upon and a judgment is rendered by courts, conflict of interests between parties in economic activities, like in other facets of human endeavors, can develop in various conditions and have diverse effects on the parties. The hesitation of parties, particularly foreign businesspeople, to submit their issues and themselves for adjudication in foreign courts is the most prevalent issue in business conflicts. In Nigeria, civil courts have continued to be the conventional and preferred setting for resolving the numerous commercial issues that arise across the country's several states.

Arbitration and mediation were accepted as ways to settle conflicts in Africa before colonial rule began in Nigeria. Most crucially, nations like Nigeria frequently see conflicts as social imbalances, and attempts at reconciliation are frequently undertaken to restore social balance. It is impossible to overestimate the significance of arbitration in settling business conflicts. Arbitration is quick, simple, inexpensive, and free of technicalities. Because of this, it is ideal for resolving business issues. It is true that any party may cause a delay by asking the court to annul an award, deny its enforcement, or allow an appeal. This is expected because each method of resolving a dispute has its own unique issues.

The recommendations in the paper are as follows:

i. Arbitration is quick, easy, cheap, and devoid of technicalities. Because of this, it is ideal for resolving business issues. It is true that any party may cause a delay by asking the court

[53] Ucheagwu-Okoye (n 42) 68.

[54] *Ibid*, 79–80.

[55] *Ibid*, 80.

[56] *Ibid*, 81.

to annul an award, deny its enforcement, or allow an appeal. This is expected because each method of resolving a dispute has its own unique issues. However, it makes sense to incorporate arbitration and other alternative conflict resolution processes within the ordinary court system given the overcrowding, lengthy wait periods for justice to be served, and costly litigation.

ii. Although Nigeria has a reasonably comprehensive arbitration law, it hasn't always been advantageous for the law to be interpreted by the courts, especially when it comes to the statute of limitations for carrying out an arbitral decision. The court participating in a commercial arbitration should therefore ensure that the parties are informed of the statute of limitations for enforcing an arbitral ruling.

iii. The majority of players and stakeholders in the commercial sector do not fully comprehend the specifics of commercial dispute arbitration, particularly how it contributes to the efficacy of conflict resolution frameworks. It advised Nigerian courts to refer commercial dispute cases that don't need to be heard in court to the ADR Center in order to resolve them.

iv. The Nigerian courts should establish basic guidelines for the applicability of awards, especially in ensuring that the law conflicts with the local legislation of the jurisdiction where the award is to be put into effect.

v. Nigeria must adopt worldwide best practices, particularly those from the US and the UK, to persuade actors and stakeholders that commercial arbitration is an excellent choice for settling conflicts.