

## UNDERSTANDING THE NEW TAX REGIME

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### 1.0. INTRODUCTION

On 3 October 2024, President Bola Ahmed Tinubu (the President) presented to the National Assembly four proposed bills aimed at overhauling the legal framework for taxation and revenue generation. The Bills were the Nigeria Tax Bill 2024, the Nigeria Tax Administration Bill, the Nigeria Revenue Service Establishment Bill, and the Joint Revenue Board Establishment Bill. Clearly, the overhauling of the tax regime is a product of foresight. The President in his manifesto stated that;

“We shall review the corporate tax system and deploy technology and effective policies to better rationalize the system. Our aim shall be to create a progressive tax regime, plug harmful loopholes, enhance the efficiency of collection and give the people a greater sense of responsibility in relation to their taxes.”<sup>1</sup>

In furtherance of his manifesto, the President inaugurated a ‘Presidential Committee’ and appointed Taiwo Oyedele, a renowned expert on Fiscal Policy and Tax Reforms, as the Chairman of the Presidential Committee on Tax Policy and Fiscal Reforms.<sup>2</sup>

On 26 June 2025, the President signed the four tax bills into law. They are now the Nigeria Tax Act, the Nigeria Tax Administration Act, the Nigeria Revenue Service (Establishment) Act, and the Joint Revenue Board (Establishment) Act.<sup>3</sup> (Reform Acts)

This research work aims to provide a comprehensive understanding of the new tax regime. In addition, this research paper will examine an overview of the pre-2025 tax framework, highlight the key provisions of the Reform Acts, assess the significance of the reforms, and identify the challenges associated with their implementation.

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<sup>1</sup> Renewed Hope Mandate, Page 16

<sup>2</sup> Joint Tax Board, ‘Federal Government Inaugurates Presidential Fiscal Policy and Tax Reforms Committee’ (JTB, 19 October 2023) <https://jtb.gov.ng/2023/10/19/federal-government-inaugurates-presidential-fiscal-policy-and-tax-reforms-committee/> accessed 30 July 2025.

<sup>3</sup> Pavestones Legal, ‘Tax Administration in Nigeria – A Review of the 2025 Nigerian Tax Reform Laws’ (Pavestones Legal, 4 July 2025) <https://pavestoneslegal.com/tax-administration-in-nigeria-a-review-of-the-2025-nigerian-tax-reform-laws/> accessed 30 July 2025.

## **2.0. OVERVIEW OF THE PRE-2025 TAX REGIME**

Before the enactment of the Reform Acts, Nigeria's tax system operated under a fragmented framework. It was governed by a disjointed body of legislation, such as the Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), Capital Gains Tax Act, Value Added Tax Act, Petroleum Profits Tax Act, Stamp Duties Act, and a host of sectoral levies like the TETFund Act and NITDA Levy Order.

### **2.1. Types of Taxes under the old Tax Regime**

#### **Companies Income Tax**

Companies Income Tax (CIT), also known as corporate tax, was a tax levied on a company's income. The Companies Income Tax Act<sup>4</sup> governed and regulated the Companies Income Tax. Under the previous tax regime, Companies Income Tax was managed and collected by the Federal Inland Revenue Service (FIRS). The tax is charged at 30% (thirty per cent) of a company's profit.<sup>5</sup> Non-resident companies providing professional, consultancy, management, and technical (PCMT) services to Nigerian residents were subject to a final tax of 10% (ten per cent), where such a company has a significant economic presence in Nigeria.<sup>6</sup>

#### **Personal Income Tax**

This tax was chargeable on the income of individuals. It was regulated by the Personal Income Tax Act. Under the previous tax regime, the State Board of Internal Revenue of the state where the individual is resident administered this tax. However, taxes on persons employed by the Nigerian Armed Forces, the Nigeria Police Force, Officers of foreign missions and every resident of the FCT, Abuja<sup>7</sup> are administered by the FIRS<sup>8</sup>

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<sup>4</sup> Companies Income Tax Act, Cap C21, Laws of the Federation of Nigeria 2004.

<sup>5</sup> Tunde Ogunsakin, *A Review of Effective Tax Regime in Nigeria* (1st edn, Xlibris Publishing 2017)15

<sup>6</sup> PwC, '*Nigeria – Corporate – Taxes on corporate income*' (PwC Tax Summaries, 14 April 2025) <https://taxsummaries.pwc.com/nigeria/corporate/taxes-on-corporate-income> accessed 30 July 2025.

<sup>7</sup> Section 2 (1) (b)Of the Personal Income Tax Act Cap P8, Laws of the Federation, 2004.

<sup>8</sup> Section 2 (2) of the Personal Income Tax Act Cap P8, Laws of the Federation, 2004.

## **Value Added Tax**

Value Added Tax (VAT) was charged on the sale of specified goods and services. It was charged at the rate of 7.5%. The Value Added Tax Act<sup>9</sup> regulated the collection of VAT. <sup>10</sup> Under the old regime, VAT collection went into the VAT pool account, unlike CIT, which goes into the federation's account. The previous sharing formula of VAT was - the Federal Government takes 15% (fifteen per cent), the State government takes 50% (fifty per cent), and the local government takes 35% (thirty-five per cent). These taxes were collected by the FIRS. Under the old regime, VAT on certain goods such as medical and pharmaceutical products and services, agricultural products, books and baby products were not subject to tax. <sup>11</sup>

## **Petroleum Profits Tax (PPT)**

The Petroleum Profits Tax (PPT) was a tax charged at a rate of 85% (eighty-five per cent) on the profits of companies engaged in petroleum operations in Nigeria. These operations include activities such as drilling, mining, extracting, and transporting crude oil (referred to as "chargeable oil") for the company's benefit. However, refining of petroleum is not included in this definition. The tax also applied to any sale or disposal of chargeable oil carried out by or on behalf of the company. PPT is administered by the FIRS.<sup>12</sup>

## **Capital Gains Tax (CGT)**

The Capital Gains Tax (CGT) was charged at 10% (ten per cent) on gains from the disposal of chargeable assets like land, shares, or buildings. It is by both the FIRS and SIRS. It was administered by the Capital Gains Tax Act.<sup>13</sup>

## **Stamp Duties**

It was levied on instruments (documents) such as contracts, tenancy agreements, and share transfers. <sup>14</sup>It was administered by both federal and state tax authorities, depending on the nature of the transaction. The law that governed stamp duties was the Stamp Duties Act.<sup>15</sup>

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<sup>9</sup> Value Added Tax Act, Cap V1, Laws of the Federation of Nigeria 2004.

<sup>10</sup> Ibid

<sup>11</sup> Ibid pg. 19

<sup>12</sup> Ibid pg. 17

<sup>13</sup> Capital Gains Tax Act 2004

<sup>14</sup> Section 6 of the Stamp Duties Act, LFN, 2004

<sup>15</sup> Stamp Duties Act, LFN, 2004

## **Withholding Tax**

Withholding Tax (WHT) was an advance payment of income tax that was deducted at source from certain payments like rent, dividends, interest, and contracts.<sup>16</sup>

## **Excise Taxes**

Excise Taxes were levied on specific goods produced or imported into Nigeria, such as alcohol and tobacco. It is administered and collected by the Nigeria Customs Service under the Customs and Excise Management Act.<sup>17</sup>

## **Customs Duties**

Customs Duties were taxes imposed on imported and exported goods, managed by the Nigeria Customs Service.<sup>18</sup> It is administered and collected by the Nigeria Customs Service under the Customs and Excise Management Act

### **2.2. Tax Administration Under the PRE-2025 Tax Regime**

Tax Administration under the previous tax regime was carried out through a multi-tier structure. It was a decentralised system where every level of government was responsible for its tax administration. The FIRS administered taxes due to the federal government, while the State Inland Revenue Service (SIRS) administered taxes due to the state government. The local government revenue committee administered taxes for the local government area. There was also the establishment of the Joint Tax Board by the Personal Income Tax.<sup>19</sup>

The taxes and levies which were collectable by the FIRS on behalf of the Federal Government are primarily the Companies Income Tax, Petroleum Profits Tax, Value Added Tax, Capital Gains Tax (in respect of corporate entities), Stamp Duties, Tertiary Education Tax, and Withholding Tax, among others, as may be prescribed by law.<sup>20</sup>

The taxes and levies which were collectable by the SIRS on behalf of the respective State Governments include Personal Income Tax (in respect of individuals resident in the state), Capital Gains Tax (applicable to individuals),

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<sup>16</sup> Tunde Ogunsakin, *A Review of Effective Tax Regime in Nigeria* (1st edn, Xlibris Publishing 2017)20

<sup>17</sup> Customs and Excise Management Act, CAP C45 Laws of the Federation, 2004

<sup>18</sup> Section 59 of the Customs and Excise Management Act

<sup>19</sup> Tunde Ogunsakin, *A Review of Effective Tax Regime in Nigeria* (1st edn, Xlibris Publishing 2017)29

<sup>20</sup> Olugbenga Obatola, *The Rudiments of Nigerian Taxation* (1<sup>st</sup> edn, ASCO Publishers 2013).28

Business Premises Levy, Development Levy, and Withholding Tax on certain transactions involving individuals. States are also empowered to collect other taxes and charges as may be authorised by law and outlined in the Taxes and Levies (Approved List for Collection) Act.<sup>21</sup>

The Personal Income Tax Act, as amended, established a local government revenue committee for each of the various local government councils in Nigeria. The taxes and levies collectable by the Local Government Councils include tenement rates, shop and kiosk rates, market taxes and levies, motor park levies, bicycle and wheelbarrow fees, and fees on marriage, birth, and death registrations. Local governments may also impose other minor levies and rates within their jurisdiction, provided such are not in conflict with federal or state tax laws. It operates through a revenue department.<sup>22</sup>

The Joint Tax Board (JTB) is a statutory body established under Section 86 of the Personal Income Tax Act (PITA) Cap. P8, LFN 2004. Its primary mandate is to ensure uniformity and harmonisation in the administration of Personal Income Tax across the various states of the federation and the Federal Capital Territory (FCT). The JTB plays a crucial coordinating role in Nigeria's multi-tier tax system. It plays an advisory role.<sup>23</sup> The Board is chaired by the Chairman of the Federal Inland Revenue Service (FIRS) and comprises members from the Federal Ministry of Finance, the Revenue Boards of each of the 36 states and the FCT, and other relevant agencies as may be co-opted. One of the major functions of the JTB is to advise the federal and state governments on tax policy and legislation, particularly those affecting Personal Income Tax. It also serves as a platform for fostering cooperation among tax authorities, resolving inter-jurisdictional tax disputes, and developing uniform tax procedures, guidelines, and enforcement strategies.

### **2.3. Challenges Of The Pre-2025 Tax Regime**

The challenges of the Pre-2025 Tax Regime are:

#### **Tax Avoidance.**

In the previous regime, taxpayers took advantage of ambiguities or gaps in legislation to reduce their tax burden without breaking the law. In the case of

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<sup>21</sup> Ibid, pg 29

<sup>22</sup> Tunde Ogunsakin, *A Review of Effective Tax Regime in Nigeria* (1st edn, Xlibris Publishing 2017)32

<sup>23</sup> Olugbenga Obatola, *The Rudiments of Nigerian Taxation* (1<sup>st</sup> edn, ASCO Publishers 2013) 23

Shell Pet. Dev. Co. (Nig.) Ltd, v. F.B.I.R.<sup>24</sup> , the Supreme Court highlighted how even government agencies had entered into tax arrangements contrary to statutory provisions. Despite several amendments under the old regime, new loopholes often arise, enabling taxpayers to continue this practice.<sup>25</sup>

### **Tax Evasion**

In the previous tax regime, tax evasion was rampant across sectors, including among high-net-worth individuals and corporations. Examples include under-declaration of profits, false claims of dependents or allowances, and non-disclosure of rental income. Some companies have operated for decades, particularly in the oil and gas sector, without remitting taxes despite making huge profits.<sup>26</sup>

### **Difficulty Taxing Internet Activities**

The rise of digital transactions presented a complex challenge for Nigeria's tax authorities in the previous regime. E-commerce is inherently borderless, and current tax systems, which rely on the location of economic activities, struggle to track and tax such operations effectively. Transactions via online platforms, scratch card purchases, and internet banking often escape proper documentation, leaving significant revenue uncollected. Additionally, multinational corporations structure transactions in ways that legally avoid taxation across borders, complicating enforcement. Nigeria lacked a robust framework for taxing online economic activity, leading to lost revenue opportunities in a rapidly growing sector of the economy. Additionally, persons working remotely for international firms were not taxed under the old regime.<sup>27</sup>

### **Non-Remittance and Diversion of Tax Funds by Collecting Banks**

A major obstacle in the previous tax regime was the non-remittance, delay, or outright diversion of funds collected on behalf of tax authorities. Before the introduction of modern payment platforms like Project FACT and Pay Direct, manual systems enabled banks and MDAs to delay or misappropriate tax payments.<sup>28</sup> In some cases, banks failed to remit funds, misclassified tax types, or colluded with government agencies to use collected taxes for other purposes.

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<sup>24</sup> (1996) 8 NWLR (Pt. 466) 256

<sup>25</sup> Tunde Ogunsakin, *A Review of Effective Tax Regime in Nigeria* (1st edn, Xlibris Publishing 2017)41

<sup>26</sup> Ibid pg 42

<sup>27</sup> Ibid pg 51

<sup>28</sup> Ibid pg 56

This resulted in billions of naira trapped in distressed banks and a severe loss of public revenue.<sup>29</sup>

### **Fragmented and Cumbersome Legislative Process and Changing Tax Policies**

The previous tax regime in Nigeria was marked by a fragmented and uncoordinated system of tax administration and legislation, which created confusion for both taxpayers and tax authorities. Rather than a streamlined legal framework, there existed multiple tax laws governing similar or overlapping subject matters. The legislative process for enacting or amending tax laws in Nigeria was also slow and overly bureaucratic. In the previous regime, tax reform proposals must pass through multiple layers and parastatals of vetting, such as the FIRS, the Ministry of Finance, the Executive Council, the Ministry of Justice, and the National Assembly, before becoming law. In addition, the previous regime faced frequent changes in tax policy without proper stakeholder engagement.<sup>30</sup>

### **Lack of Accuracy and Integrity in the Collection of Data**

Accurate data is the foundation of an efficient tax system. In the previous tax regime, Nigeria struggled with conflicting and unreliable data on tax collection. Discrepancies between figures from the FIRS, the Ministry of Finance, and state revenue boards undermine transparency and public trust. Poor data warehousing, inadequate digital infrastructure, and manual reporting systems all contribute to this problem. While the FIRS has adopted quarterly reporting and data reconciliation measures, similar efforts are yet to be institutionalised at subnational levels, where inaccuracies persist and hinder effective policy-making.<sup>31</sup>

## **3.0. THE 2025 TAX REFORM ACTS AND THEIR KEY PROVISIONS**

### **3.1. THE NIGERIA TAX ACT 2025**

The Nigeria Tax Act (NTA) is divided into 9 (nine) chapters and 203 (two hundred and three) sections. The sole objective of the NTA is to provide a unified fiscal legislation governing taxation in Nigeria. Some novel introduction of the Act<sup>32</sup> includes:

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<sup>29</sup> Ibid

<sup>30</sup> Ibid pg 61

<sup>31</sup> Ibid 57

<sup>32</sup> Nigeria Tax Act 2025

## **Creation of a Harmonised Tax Framework**

The NTA was enacted to serve as the sole fiscal legislation governing taxation in Nigeria.<sup>33</sup> The NTA repealed the Capital Gains Tax Act, Casino Act, Companies Income Tax Act, Deep Offshore And Inland Basin Production Sharing Contracts Act, Industrial Development (Income Tax Relief) Act, Income Tax (Authorised Communications) Act, Personal Income Tax Act, Stamp Duties Act, Value Added Tax Act and The Venture Capital (Incentives) Act To Amend The Nigeria Export Processing Zones Act, The Oil And Gas Free Trade Zone Act, The National Information Technology Development Agency Act, Petroleum Industry Act, Tertiary Education Trust Fund (Establishment, Etc.) Act, The National Agency for Science and Engineering Infrastructure Act, The Customs, Excise Tariffs, Etc. (Consolidation) Act, The National Lottery Act, The Nigerian Minerals and Mining Act, The Nigeria Start-Up Act, The Export (Incentives and Miscellaneous Provisions) Act, The Cybercrime (Prohibition, Prevention, Etc.) Act.<sup>34</sup>

The NTA also revoked the Value Added Tax Act (Modification) Order 2021, and amended the Companies Income Tax (Significant Economic Presence) Order, 2020, and the Petroleum (Drilling and Production) Regulations 1969.

## **Introduction of Development Levy**

The NTA introduced a development levy. The development levy is a consolidation of the Tertiary Education Tax, the Information Technology Levy, the National Agency for Science and Engineering Infrastructure (NASeni) levy, and the Police Trust Fund levy. The Development Levy is set at 4% of the assessable profit, and it is to be imposed on the assessable profits of all companies in Nigeria. Small companies and non-residents are exempt from payment of the development levy.<sup>35</sup> The development levy is to be distributed among different government agencies and, by extension, different sectors of the economy. The revenue generated from the levy shall be distributed among several key institutions and initiatives as follows: 50% is allocated to the Tertiary Education Trust Fund; 15% to the Nigerian Education Loan; 8% each to the National Information Technology Development Fund and the National Agency for Science and Engineering Infrastructure; 4% to the National Board for

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<sup>33</sup> Section 1, Nigeria Tax Act 2025

<sup>34</sup> Commencement of the Nigeria Tax Act 2025

<sup>35</sup> Section 59, Nigeria Tax Act 2025

Technological Incubation; 10% to the Defence and Security Infrastructure Fund; and 5% to the National Cybersecurity Fund.<sup>36</sup>

### **Redefined Thresholds and New Tax Rates for Companies:**

The revenue threshold for small companies has been increased to a minimum threshold of ₦50,000,000.00 (Fifty Million Naira) and a maximum threshold of ₦250,000,000.00 (Two Hundred and Fifty Million Naira)<sup>37</sup>, a significant increase from the ₦25,000,000.00 (Twenty-five Million Naira) maximum threshold that was provided under the repealed Finance Act 2023. What this implies is that for a company to qualify as a small company for tax exemption under the 2025 Act, its revenue threshold must not be more than ₦ 250,000,000.00 (Two Hundred and Fifty Million Naira).

### **Broadened Definition of Taxable Income:**

By Section 4 of the NTA, “taxable income” has been defined to include earnings from lottery and gaming operations, distributions made in the course of the liquidation of a company, debt-related income, including returns on discounted instruments<sup>38</sup>Income from debt and foreign exchange differences relating to such debts, non-traditional income streams such as discounts, rebates, prizes, winnings, honoraria, grants, awards, laurels, as well as profits or gains from the disposal or lending of security and digital assets.<sup>39</sup> This is a broader definition when compared to the definition of taxable income under previous legislation. The effect of which is that the above-mentioned earnings and incomes are now taxable.

### **Introduction of Presumptive Tax:**

The NTA provides that where a person’s income cannot be determined or if they do not keep proper financial records that allow for accurate tax assessment, the Minister of Finance (the Minister), on the advice of the Joint Revenue Board and according to the rules set out in the regulations under a presumptive tax regime will set the tax amounts based on estimates.<sup>40</sup> This was not contained/ provided for under the previous legislation.

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<sup>36</sup> Section 59 (3) of the Nigerian Tax Act 2025

<sup>37</sup> S202, Nigeria Tax Act 2025

<sup>38</sup> Section 4 (g) of the Nigeria Tax Act 2024

<sup>39</sup> Section 4 (i) of the Nigeria Tax Act 2024

<sup>40</sup> Section 29 of the Nigeria Tax Act 2025.

### **Taxation of Resident Companies:**

Under the NTA, where a foreign company is controlled by a Nigerian company, and such foreign company fails to distribute its profit, the Nigerian Company may be taxed as if those profits were distributed, provided such deemed distribution does not negatively affect the foreign subsidiary's business.<sup>41</sup> This effectively eliminates the opportunity to indefinitely deprive Nigeria of tax by retaining profit abroad.

### **Economic Development Tax Incentives to Replace Pioneer Status:**

The NTA imposes an Economic Development Tax Incentive for businesses willing to invest in the priority sectors has been introduced to replace the Pioneer Status incentive.<sup>42</sup> The priority sectors as provided in the Tenth Schedule to the Act include sectors concerned with aquaculture, manufacture of starch and starch products; tea products; refined petroleum products; electric motors; generators; transformers; batteries and accumulators; wiring and electrical wiring equipment; domestic appliances; electric components; renewable energy equipment; mining and processing of coal.<sup>43</sup>

For a company to be able to enjoy economic development incentives, the capital expenditure to be incurred by the company must meet the minimum threshold set out for the sector it seeks to invest.<sup>44</sup> Further, an application must be directed to the Executive Secretary of the Nigeria Investment Promotion Council.

### **Personal Income Tax Rates and Applicable Waiver:**

By the combined reading of Section 30 of the NTA,<sup>45</sup> and the Fourth Schedule to the Act,<sup>46</sup> the taxable income shall be taxed at the following rates:

- a) First ₦ 800,000.00 (eight hundred thousand Naira) at 0%
- b) Next ₦2,200,000 (two million, two hundred thousand Naira) at 15%;
- c) Next ₦9,000,000 (nine million Naira) at 18%;

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<sup>41</sup> Section 6 (1) of the Nigeria Tax Act 2025.

<sup>42</sup> Sections 166-188 of the Act, and the Tenth Schedule to Nigeria Tax Act

<sup>43</sup> Ibid

<sup>44</sup> Tenth Schedule to the Nigeria Tax Act 2025.

<sup>45</sup> Nigeria Tax Act 2025.

<sup>46</sup> ibid

- d) Next ~~₦~~13,000,000 (thirteen million Naira) at 21%;
- e) Next ~~₦~~25,000,000 (twenty-five million Naira) at 23%; and
- f) Above ~~₦~~50,000,000 (fifty million Naira) at 25%

These new personal income tax rates reflect the intention of the President to adopt a truly progressive tax system.

### **Value Added Tax Reforms**

The NTA maintains a Value Added Tax (VAT) rate of 7.5%.<sup>47</sup> The Act introduced a mandatory VAT invoice that will reflect the supplier's tax ID, an invoice number, and the name and address of the supplier, supplier's incorporation or business registration number as applicable, VAT charged and the VAT rate, name of the client or purchaser.

### **3.2. THE NIGERIA REVENUE SERVICE (ESTABLISHMENT) ACT**

The Nigeria Revenue Service (Establishment) Act (NRSA) changed the FIRS to become the Nigeria Revenue Service. The Nigeria Revenue Service is now the sole body responsible for tax administration in Nigeria. The NRSA has 4 (four) parts and 43 (forty-three) chapters. The objective of the NRSA is to provide a legal, institutional, and regulatory framework for the administration of taxes and revenues accruable to the government of the federation.<sup>48</sup>

#### **Duties of the Nigeria Revenue Service:**

Section 4 of the NRSA saddles the Nigerian Revenue Service (the Service) with the following duties;<sup>49</sup>

- a) Tax assessment and collection.
- b) Investigation and Compliance.
- c) Information and Data Management.
- d) Provision of Taxpayer's Identification Number to Taxable Persons.
- e) Deployment of Appropriate Technology or Digital Platforms to automate the tax administration process.

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<sup>47</sup> Section 148 of the Nigeria Tax Act 2025.

<sup>48</sup> Section 1 Nigeria Revenue Service (Establishment) Act, 2025.

<sup>49</sup> Nigeria Revenue Service (Establishment) Act, 2025.

## **The Governing Board**

The NRSA provides for a governing board and saddles it with the overall supervision of the Nigeria Revenue Service.<sup>50</sup> The Board shall consist of at least ten members. Membership of the board shall consist of;

- a) The executive chairman who shall be the chairman of the board.
- b) A representative of the minister responsible for finance, not below the rank of a director.
- c) A representative of the minister responsible for national planning, not below the rank of a director.
- d) A representative of the Attorney-General of the Federation, not below the rank of a director.
- e) A representative of the minister responsible for petroleum and gas resources, not below the rank of a director.
- f) The Governor of the CBN or a representative not below the rank of a Deputy Governor.
- g) The Chairman of the revenue mobilisation, allocation and fiscal commission or a representative who shall be a Commissioner representing one of the states of the federation.
- h) The Comptroller-General of the Nigeria Custom Service or a representative not below the rank of a deputy Comptroller-General
- i) Registrar-General of the Corporate Affairs Commission or a representative not below the rank of a director.
- j) Executive directors appointed by the president under this Act.<sup>51</sup>

### **Time Limit for Instituting of Actions Against the Revenue Service:**

Actions against the service must commence within 3 (three) months after the act complained of, and in the case of a continuing damage or injury, within six months after the ceasing of such damage or injury.<sup>52</sup>

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<sup>50</sup> Section 6 Nigeria Revenue Service (Establishment) Act, 2025

<sup>52</sup> Section 35 Nigeria Revenue Service (Establishment) Act, 2025

### **Pre-Action Notice:**

A Suit may be commenced against the Service, the Executive Chairman, a member of the Board or any employee or officer of the Service after the expiration of one month after a written notice of intention to commence the suit have been served on the Service by the plaintiff or his agent. The pre-action notice shall clearly state the following:

- a) Cause of action,
- b) Particulars of claim,
- c) Name and place of abode of the intending plaintiff,
- d) Relief sought.<sup>53</sup>

### **3.3. THE NIGERIA TAX ADMINISTRATION ACT**

The Nigerian Tax Administration Act (the “NTAA”) outlines a uniform procedure for the consistent and efficient administration of the NTA to facilitate tax compliance by taxpayers and optimise tax revenue. Some key highlights include:

#### **Taxpayer Identification Number (TIN) Registration**

The NTAA requires every taxable individual to register with the relevant authority and obtain a tax identification number for compliance with tax obligations.<sup>54</sup> The Act further requires every ministry, department or agency of the Federal or a State government, and every Local Government to register for tax and obtain a Tax ID.<sup>55</sup> This requirement also applies to non-resident persons who either supply taxable goods or services within Nigeria or earn income from the country, excluding passive investment income.<sup>56</sup> Additionally, persons engaged in banking, insurance, stock-broking, or other financial services in Nigeria are to ensure that every taxable person provides a Tax ID.<sup>57</sup>

#### **New Value Added Tax (VAT) Revenue Sharing Formula**

The NTAA modifies the formula for distributing VAT revenue among the tiers of government. Under the revised structure, the Federal Government receives

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<sup>53</sup> Ibid

<sup>54</sup> Section 4 of the Nigerian Tax Administration Act 2025

<sup>55</sup> Section 5 of the Nigerian Tax Administration Act 2025

<sup>56</sup> Section 6 of the Nigerian Tax Administration Act 2025

<sup>57</sup> Section 8 (1) of the Nigerian Tax Administration Act 2025

10%.<sup>58</sup> The States share 55%,<sup>59</sup> and the Local Governments receive 35%.<sup>60</sup> Furthermore, the portion allocated to states and local governments is redistributed based on three principles: Equality (50%),<sup>61</sup> Population (20%),<sup>62</sup> and Place of Consumption (30%).<sup>63</sup>

### **Digitalisation of Tax Compliance through the Electronic Fiscal System (EFS)**

A key provision of the NTAA is the introduction of the Electronic Fiscal System (EFS). Once deployed by the Service, taxable entities must utilise the EFS to record and report all taxable transactions.<sup>64</sup> Taxable persons are responsible for maintaining accurate records of all transactions passing through the EFS.<sup>65</sup> The Service is to issue a regulation to give effect to the EFS.<sup>66</sup>

### **Tax Obligations of Virtual Asset Service Providers (VASPs)**

Under the NTAA, taxable persons engaged in the exchange, custody, or management of virtual assets as Virtual Asset Service Providers (VASPs) are now expressly required to submit monthly tax returns to the relevant authorities.<sup>67</sup> These returns must include comprehensive details about the transactions conducted, including the description of the virtual asset service, the date of the transaction, the type and value of the virtual asset, the name, address, telephone number, email address and Tax ID of the customer, including the national identification number of the customer if he is an individual; the name, address, telephone number and email address of any counterparty involved in the transaction; and such other particulars as may be prescribed by the relevant tax authority.<sup>68</sup> Non-compliance will be liable to an administrative penalty of ₦10,000,000 (ten million Naira) for the first month, plus ₦1,000,000 (one million Naira) for each additional month of default and suspension or revocation of operating license by the Securities and Exchange Commission.<sup>69</sup>

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<sup>58</sup> Section 81 (1)(a) of the Nigerian Tax Administration Act 2025

<sup>59</sup> Section 81 (1)(b) of the Nigerian Tax Administration Act 2025

<sup>60</sup> Section 81 (1)(c) of the Nigerian Tax Administration Act 2025

<sup>61</sup> Section 81 (2)(a) of the Nigerian Tax Administration Act 2025

<sup>62</sup> Section 81 (2)(b) of the Nigerian Tax Administration Act 2025

<sup>63</sup> Section 81 (2)(c) of the Nigerian Tax Administration Act 2025

<sup>64</sup> Section 23 (1) of the Nigerian Tax Administration Act 2025

<sup>65</sup> Section 23 (2) of the Nigerian Tax Administration Act 2025

<sup>66</sup> Section 23 (4) of the Nigerian Tax Administration Act 2025

<sup>67</sup> Section 25 (1) of the Nigerian Tax Administration Act 2025

<sup>68</sup> Section 25 (2) of the Nigerian Tax Administration Act 2025

<sup>69</sup> Section 109 of the Nigerian Tax Administration Act 2025

## **Mandatory Monthly Tax Returns**

The NTAA imposes timelines for submitting various tax returns. For petroleum operators, monthly royalty self-assessment returns must be submitted no later than the 14<sup>th</sup> day of the succeeding month.<sup>70</sup> Also, businesses involved in mining<sup>71</sup>, as well as non-resident shipping and airline companies, are expected to file by the 21<sup>st</sup> of next month.<sup>72</sup> Additionally, petroleum companies are obligated to submit their annual royalty returns within five months of the end of the relevant accounting period.<sup>73</sup>

## **Large Transaction Reporting by Financial Institutions**

To promote tax transparency, the NTAA requires banks, insurance companies, stock broking firms, and other financial institutions to submit quarterly returns to the relevant tax authority. The quarterly returns shall specify the names and addresses of new customers registered in the quarter. Additionally, for existing customers, the financial institutions are required to render quarterly returns on all individual transactions where the cumulative transactions in a month amount to ₦25,000,000 (twenty-five million Naira) or more or for a body corporate, all transactions where the cumulative transactions in a month amount to ₦100,000,000 (one hundred million Naira) or more.<sup>74</sup>

## **Prohibited Tax Avoidance Arrangements**

The NTAA prohibits the relevant tax authority from engaging in prohibited tax avoidance arrangement by way of adjustments, disregarding, or re-characterising the arrangement through an assessment, the modification of an assessment, amendment or disallowance of a Lists of taxable persons assessed Liability of manager or principal officer Artificial transactions Prohibited tax avoidance arrangement claim or otherwise, in part or whole. Except where the taxable person proves, to the satisfaction of the relevant tax authority, that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the NTAA, or any other tax law.<sup>75</sup>

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<sup>70</sup> Section 18 (2) of the Nigerian Tax Administration Act 2025

<sup>71</sup> Section 20 of the Nigerian Tax Administration Act 2025

<sup>72</sup> Section 21 (2) of the Nigerian Tax Administration Act 2025

<sup>73</sup> Section 19 of the Nigerian Tax Administration Act 2025

<sup>74</sup> Section 29 of the Nigerian Tax Administration Act 2025

<sup>75</sup> Section 47(1) of the Nigerian Tax Administration Act 2025

## **Enforcement Powers and Distrain Procedures**

Where an assessment has become final and conclusive and a demand notice has been served on a taxable individual or entity, and such tax is not paid within the time specified by the demand notice, the NTAA gives the relevant tax authority the power to distrain that person or corporate body by their goods, chattels, bonds or other securities; or distrain any land, premises, place or any asset in respect of which that person or corporate body is the owner, and recover the amount of tax due by sale of anything so distrained.<sup>76</sup> A warrant of distrain is issued to the relevant tax authority.<sup>77</sup> To levy a distrain, an officer armed with a warrant of distrain may break open any building or place during the day. Members of the Police Force are required to aid and assist in the execution of any warrant of distrain and in levying the distrain when called upon to do so by the relevant tax authority.<sup>78</sup>

Assets detrained by the service shall be kept for 14 days at the cost of the defaulting party. Where such tax and charges incidental to the distrain are not paid within 14 days, the properties or assets shall be sold without an order of the High Court.<sup>79</sup> Assets detrained by the other relevant tax authorities shall be kept for 14 days at the cost of the defaulting party. Where such tax and charges incidental to the distrain are not paid within 14 days, the properties or assets shall be sold only with an order of the High Court.<sup>80</sup> This does not apply to the sale of immovable property. It must be sold with the order of court.<sup>81</sup>

The proceeds of the sale shall first be applied towards paying the cost of expenses incidental to the sale of the asset so distrained, then the amount due in respect of the tax shall be paid.<sup>82</sup> The balance of the proceeds of sales, if any, shall be refunded to such person or entity so distrained within 90 (ninety) days without or without demand.<sup>83</sup>

## **Power to Exempt or Remit Taxes**

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<sup>76</sup> Section 61(1) of the Nigerian Tax Administration Act 2025

<sup>77</sup> Section 61(2) of the Nigerian Tax Administration Act 2025

<sup>78</sup> Section 61(2) of the Nigerian Tax Administration Act 2025

<sup>79</sup> Section 61(4) of the Nigerian Tax Administration Act 2025

<sup>80</sup> Section 61(5) of the Nigerian Tax Administration Act 2025

<sup>81</sup> Section 61(8) of the Nigerian Tax Administration Act 2025

<sup>82</sup> Section 61(6) of the Nigerian Tax Administration Act 2025

<sup>83</sup> Section 61(7) of the Nigerian Tax Administration Act 2025

Subject to the approval of the National Assembly, the President shall exempt a company from paying income tax, provided that the order is published in the official gazette.<sup>84</sup> The president may, on the recommendation of the Minister of Finance, acting on the advice of the Service, remit wholly or in part the tax payable by any person if satisfied that it will be just and equitable to do so.<sup>85</sup> Likewise, a Governor may, on the recommendation of the Commissioner of Finance, acting on the advice of the relevant tax authority, remit wholly or in part the tax payable by any person if satisfied that it will be just and equitable to do so.<sup>86</sup>

### **Self-Assessment and Administrative Assessment of Tax**

Where the taxable person fails to declare the true and correct amount of income or tax payable in its self-assessed tax returns, the taxable person is liable to pay any outstanding tax from the due date of the returns.<sup>87</sup> subject to penalty and interest.<sup>88</sup> Where any taxable person liable to tax has not been assessed or has been assessed at an amount less than that which ought to have been charged, the relevant tax authority may, within six years of an assessment, assess the taxable person at such amount or additional amount as ought to have been charged.<sup>89</sup> The six-year limitation period does apply where the tax audit commenced before the expiration of the six-year limit.<sup>90</sup>

### **3.4. JOINT REVENUE BOARD NIGERIA (ESTABLISHMENT) ACT, 2025**

The Joint Revenue Board Nigeria (Establishment) Act, 2025 (the JRB Act) is the fourth of the tax reform bills assented to by the President. The key provisions of the JRB Act include:

#### **Establishment and Composition of the Joint Revenue Board**

The JRB Act establishes the Joint Revenue Board (the Board) as a corporate entity with the ability to sue and be sued in its corporate name. The Board serves as a central coordinating institution for harmonising and streamlining revenue administration across Nigeria.<sup>91</sup> The Board comprises the Executive Chairman of

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<sup>84</sup> Section 78 (1) (a) of the Nigerian Tax Administration Act 2025

<sup>85</sup> Section 77 (1) of the Nigerian Tax Administration Act 2025

<sup>86</sup> Section 77 (2) of the Nigerian Tax Administration Act 2025

<sup>87</sup> Section 34 (5) of the Nigerian Tax Administration Act 2025

<sup>88</sup> Section 34 (6) of the Nigerian Tax Administration Act 2025

<sup>89</sup>Section 36(1) of the Nigerian Tax Administration Act 2025

<sup>90</sup> Section 36(2) of the Nigerian Tax Administration Act

<sup>91</sup> Section 3 of the Joint Revenue Board Nigeria (Establishment) Act, 2025

the Nigeria Revenue Service (as Chairman), Chairman of each State Internal Revenue Service and the Federal Capital Territory Internal Revenue Service, and key representatives (*ex-officio*) from other relevant agencies, including Customs, Immigration, FRSC, and the Ministry of Finance.<sup>92</sup> The Board may co-opt any person, body or agency on a need basis, provided that the number of persons co-opted shall not exceed two persons.<sup>93</sup>

### **Core Functions of the Board**

The Board is empowered to perform various functions, including maintaining a centralised database of Taxpayer Identification Numbers (TINs), resolving inter-agency tax disputes, advising the government on double taxation and tax harmonisation matters in the country, publishing periodic reports on tax revenue and expenditure, and providing guidance on fiscal reforms. The Board also receives, collates, analyses and publishes periodic tax revenue collected by all tax authorities and carries out other functions that may be assigned to it by an Act of the National Assembly.<sup>94</sup>

### **Tax Exemptions for the Board**

The Board is exempt from paying income taxes. However, this exemption does not extend to its statutory obligations to deduct and remit taxes such as PAYE, VAT, and WHT on applicable transactions involving employees or contractors.<sup>95</sup>

### **Establishment and Jurisdiction of the Tax Appeal Tribunal (TAT)**

The JRB Act establishes a Tax Appeal Tribunal (the Tribunal) as a quasi-judicial body empowered to resolve any tax disputes arising from the Nigeria Tax Act or any other tax laws made by the National Assembly.<sup>96</sup> The Tribunal shall consist of 5 (five) members, who are appointed by the Minister of Finance. The members are otherwise referred to as the Tax Commissioner.<sup>97</sup> There shall be a chairman who is to preside over the sittings at the tribunal. The Chairman shall be a legal practitioner qualified to practise with not less than ten (10) years

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<sup>92</sup> Section 4 (1) of the Joint Revenue Board Nigeria (Establishment) Act, 2025

<sup>93</sup> Section 4 (2) of the Joint Revenue Board Nigeria (Establishment) Act, 2025

<sup>94</sup> Section 5 of the Joint Revenue Board Nigeria (Establishment) Act,

<sup>95</sup> Section 21 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>96</sup> Section 23 (1) of the Joint Revenue Board Nigeria (Establishment) Act,

<sup>97</sup> Section 24 (1) of the Joint Revenue Board Nigeria (Establishment) Act

cognate experience in tax legislation and tax matters.<sup>98</sup> The quorum at any sitting of the Tribunal shall be three members.<sup>99</sup>

The requirement for a tax appeal commissioner is that the person has experience in either law, accounting, or business administration, he or she is a retired public officer with at least ten years' experience in tax administration, or is a member of the organised private sector.<sup>100</sup> Tax Appeal Commissioner shall hold office for a term of three years, and may be renewed for a further term of three years and no more.<sup>101</sup>

A person shall cease to be a Tax Appeal Commissioner, where the person, attains the age of 70 (seventy) years; resigns by giving three months' notice, addressed to the Minister or until a person duly appointed as his successor assumes his office, whichever is earlier; becomes incapable of carrying on the functions of the office arising from an infirmity of mind or body; is convicted of a felony or any offence involving dishonesty or fraud; is removed from office by the Minister on grounds of public interest or in the interest of the Tribunal; has been found guilty of gross misconduct in relation to the duties of the office; or is disqualified from professional qualification by a professional body by virtue of which the person qualified for the appointment.<sup>102</sup> The Tribunal shall have the power to adjudicate on tax disputes and controversies arising from the Nigeria Tax Act, 2025 and the Nigeria Tax Administration Act, 2025 or any other tax law made by the National Assembly or the House of Assembly of a State.<sup>103</sup>

### **Funding of the Tax Appeal Tribunal**

The Tax Appeal Tribunal shall be funded through allocations from the National Assembly.<sup>104</sup>

### **Preparation of Budgetary Estimates**

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<sup>98</sup> Section 24 (2) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>99</sup> Section 24 (4) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>100</sup> Section 25 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>101</sup> Section 26 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>102</sup> Section 27 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>103</sup> Section 29 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>104</sup> Section 30 of the Joint Revenue Board Nigeria (Establishment) Act

The Executive Secretary of the Board must prepare and present annual budget estimates of expected income and expenditure by 30<sup>th</sup> September each year. <sup>105</sup>

## **PRE-ACTION NOTICE AND LITIGATION**

The provisions of the Public Officer Act shall apply in any suit instituted against a member of the Board, the Executive Secretary, an officer or employee of the Board or the Board itself. <sup>106</sup> Any lawsuit instituted against the Board, its Executive Secretary, members, or employees for actions done under the authority of the Act must comply with specific time limitations. Where a cause of action arises from any act, neglect, or omission, the suit must be brought within six months of the occurrence. If the issue involves a continuing injury or damage, the suit must be instituted within six months after the damage or injury ceases. <sup>107</sup> Before filing a suit against the Board, Executive Secretary, a member of the Board, or an employee of the Board, an intending plaintiff must serve such person or entity with at least one month's written notice of intention to sue. <sup>108</sup> The notice must clearly state the cause of action, details of the claim, name and address of the plaintiff, and the specific relief sought. <sup>109</sup>

For the purposes of service, any notice, summons, or legal document may be delivered physically to the Executive Secretary at the Board's head office or sent via registered post, courier, or an approved email address. <sup>110</sup> To prevent disruption of the Board's operations through hasty enforcement actions, the Act prohibits the issuance of execution or attachment processes against the Board unless a three-month notice of such intent has been served. <sup>111</sup> Furthermore, if a final judgment is delivered against the Board and no appeal is filed, the amount awarded is to be paid from the Board's Fund, subject to any directions from the court. <sup>112</sup>

Finally, the Act offers an indemnity provision for the protection of the Executive Secretary, Board members, officers, and employees. Where any of these individuals are sued in their official capacity for acts carried out in the discharge

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<sup>105</sup> Section 16 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>106</sup> Section 54 (1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>107</sup> Section 54 (2) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>108</sup> Section 54 (3) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>109</sup> Section 54 (4) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>110</sup> Section 55 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>111</sup> Section 56(1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>112</sup> Section 56 (2) of the Joint Revenue Board Nigeria (Establishment) Act

of their duties, they are to be indemnified from the Board's assets. This provision ensures that staff and officials are not personally liable for decisions made in good faith while acting on behalf of the Board.<sup>113</sup>

### **Establishment and Funding of the Office of the Tax Ombud**

There is an establishment of the office of the Tax Ombud, having all the incidents of a corporate entity.<sup>114</sup>The office shall have its head office in the Federal Capital Territory and at least a branch office in each of the six geo-political zones.<sup>115</sup> (First)The Personal Income Tax Act is amended by deleting section 86 (the deleted section).<sup>116</sup>

The Tax Ombuds is appointed by the President of Nigeria, acting on the recommendation of the Minister of Finance. To be eligible for appointment, the individual must be a citizen of Nigeria and possess relevant qualifications with at least ten years of professional experience in areas such as taxation, law, accounting, auditing, administration, or dispute resolution. The Tax Ombud is to serve for a term of four years, which may be renewed once for an additional four-year term, bringing the maximum allowable tenure to eight years.<sup>117</sup> In addition to being the head of the Office, the Tax Ombud also functions as the Chief Executive and Accounting Officer.<sup>118</sup>

A person holding the position of Tax Ombud may cease to hold office under several circumstances. These include voluntary resignation through written notice to the President or incapacitation due to mental or physical infirmity that impairs the performance of official duties. Other disqualifying situations include bankruptcy, conviction for a felony or any offence involving dishonesty or fraud, and removal by the President on grounds of public interest. Additionally, if the Ombud is found guilty of gross misconduct, contravenes the Code of Conduct Bureau and Tribunal Act, or is disqualified by the professional body through which they obtained their qualification, they are required to vacate the office.<sup>119</sup>

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<sup>113</sup> Section 57 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>114</sup> Section 36 (1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>115</sup> Section 36 (3) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>116</sup> Section 58(1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>117</sup> Section 37 (1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>118</sup> Section 37 (2) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>119</sup> Section 38 of the Joint Revenue Board Nigeria (Establishment) Act

To effectively carry out its functions, the Office of the Tax Ombud is authorised to appoint officers and other support staff as it deems necessary.<sup>120</sup>

The Act confers wide-ranging powers on the Office of the Tax Ombud, enabling it to function as an independent and impartial body for handling complaints and disputes arising from the actions of tax authorities. The Office may receive and investigate complaints from taxpayers regarding any action, omission, or decision of tax officials, agencies, or authorities in relation to taxes, levies, customs duties, regulatory fees, and charges. It is authorised to use mediation and conciliation to resolve such disputes through informal, cost-effective, and fair procedures. In the course of carrying out its duties, the Tax Ombud has the power to enter and inspect premises where tax-related duties are carried out, summon individuals for questioning, gather information or evidence, and conduct investigations into alleged misconduct or irregularities. The Office may also issue recommendations to revenue authorities or government agencies based on its findings and may initiate legal proceedings on behalf of taxpayers where appropriate. Beyond dispute resolution, the Office plays a proactive role in taxpayer education and public engagement. It is mandated to provide information on taxpayer rights and obligations, explain the functions of tax authorities, and raise awareness of the Office's role. Additionally, the Office may monitor and analyse systemic issues arising from fiscal policies and assess their impact on the tax system. If it identifies arbitrary fiscal policies by any government body, it is empowered to report such findings to the National Assembly. The Tax Ombud may also issue binding directives or guidelines for the resolution of complaints or implementation of its recommendations and can delegate its functions to subordinate officers when necessary.<sup>121</sup> The services provided by the Office of the Tax Ombud are offered free of charge.<sup>122</sup>

To ensure the highest standards of professional conduct, officers of the Tax Ombud are required to act with good faith, competence, and diligence. They must maintain independence and impartiality and are expressly prohibited from participating in any matter where there is a personal or financial conflict of interest. Any officer who finds themselves in such a position is obliged to disclose the conflict and step aside from the matter. Furthermore, officers are

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<sup>120</sup> Section 39(1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>121</sup> Section 41 (1) of the Joint Revenue Board Nigeria (Establishment) Act

<sup>122</sup> Section 41 (2) of the Joint Revenue Board Nigeria (Establishment) Act

barred from making personal profit from their official duties or accepting gifts, favours, or inducements in the course of their work. They are also restricted from publishing any findings, studies, or insights on matters under active consideration by the Office, to preserve confidentiality and avoid prejudicing outcomes.<sup>123</sup>

While the Tax Ombud holds considerable authority, its powers are not without limitation. The Office cannot interpret substantive provisions of tax laws beyond administrative or procedural issues. It is also barred from intervening in matters that are already pending before a court or tribunal at the time a complaint is received. Additionally, the Ombud has no jurisdiction to determine a taxpayer's liability or issue tax assessments, nor can it entertain complaints lodged by tax officials concerning personal grievances against their tax authority.<sup>124</sup>

The Office of the Tax Ombud shall be funded through appropriation by the National Assembly.<sup>125</sup> The Tax Ombud shall cause to be prepared, not later than 30 September in each year, an estimate of income and expenditure for the succeeding year for appropriation by the National Assembly.<sup>126</sup>

#### **4.0. SIGNIFICANCE/IMPORTANCE/EFFECT OF THE NEW TAX REGIME**

The 2025 Tax Reform Acts introduce significant legal, economic, and social implications, which reshape Nigeria's fiscal landscape.

##### **4.1. Economic Implications**

The Tax Reform Acts represent more than a legal overhaul; they seem to project a strategic reset of Nigeria's economic direction.

One of the economic significances is the expected growth in tax revenue. Projections indicate that the annual revenue of the country could rise by as much as 8% (eight per cent). This increase is driven by the expansion of the tax base and the introduction of new measures to capture income from previously under-taxed sectors. An instance is the imposition of tax on digital services, non-resident providers, and virtual assets under NTA<sup>127</sup>. The new Development

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<sup>123</sup> Section 42 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>124</sup> Section 43 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>125</sup> Section 44 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>126</sup> Section 46 of the Joint Revenue Board Nigeria (Establishment) Act

<sup>127</sup> Sections 17 and 33–36 of the Nigerian Tax Act 2025

Levy,<sup>128</sup> applied to the assessable profits of medium and large companies, also offers a more focused and efficient model for generating funds to support national priorities. Together, these changes provide the government with more robust and predictable revenue streams, reducing the pressure on existing taxpayers and creating room for much-needed investment in infrastructure, education, and innovation.

The Reform Acts also encourage investment in the Nigerian Economy. By replacing fragmented, overlapping tax laws with a single, coherent statute, the NTA brings much-needed clarity to Nigeria's tax landscape. Investors now benefit from a more transparent and predictable framework. This shift is expected to strengthen investors' confidence, both for new and existing investors. Incentives like Economic Development Tax Credits, R&D deductions, and sector-specific reliefs<sup>129</sup> reward long-term, strategic investment in areas that align with Nigeria's growth agenda. By making tax policy a tool for development, the regime improves the overall business climate and positions Nigeria more competitively within the region.

More strategically, the new regime introduces the Economic Development Tax Incentive framework,<sup>130</sup> which offers generous tax credits for companies operating in designated priority sectors. These sectors include aquaculture, renewable energy, pharmaceuticals, electric vehicle production, agro-processing, and digital services. Depending on the level of investment and the nature of the business, qualifying companies may enjoy tax credits for up to five years or more. In certain capital-intensive industries, such as oil refining and electric battery manufacturing, greenfield investments are eligible for up to 20 years of tax holidays, provided they meet the qualifying thresholds.

The NTA also introduces reforms to the personal income tax regime, replacing the Consolidated Relief Allowance system. Individuals earning ₦800,000 (eight hundred thousand Naira) or less annually are exempt from personal income tax, while those in higher income brackets are taxed at graduated rates up to 25%. This reform has an indirect but important economic impact. It increases the disposable income of low-income earners, boosts household consumption, and

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<sup>128</sup> Sections 59 of the Nigerian Tax Act 2025

<sup>129</sup> Sections 163 to 189 of the Nigerian Tax Act 2025

<sup>130</sup> Sections 166 to 177 of the Nigerian Tax Act 2025

improves overall demand within the economy. For businesses, increased consumer spending translates to growth in sales and, potentially, higher profits. Importantly, these Reform Acts support greater fiscal sustainability. For years, Nigeria's public finances have leaned heavily on oil revenues and borrowing to fund its budget. The new regime is a clear step toward changing that narrative. With broader coverage, better enforcement, and more efficient collection, the government is better equipped to fund its operations from within. This reduces reliance on external borrowing, narrows the fiscal deficit, and strengthens the country's overall economic resilience.

In summary, the economic implications of the new tax regime are both practical and far-reaching. It is a system designed to grow with the economy, generating more, attracting better talent, and spending smarter. By focusing on transparency, efficiency, and national development, the Reform Acts 2025 lay the groundwork for a more stable, inclusive, and forward-looking fiscal future.

#### **4.2. Social Impact**

The Tax Reform Acts are also a deliberate instrument for shaping a more inclusive and equitable society. The reforms provided by these Acts reflect a broader policy vision that links tax policy to human development, social mobility, and shared prosperity.

One of the most immediate social benefits of the new regime is its potential to strengthen public services. By introducing the Development Levy, the Reform Acts intend to create a stable stream of funding specifically targeted at institutions that serve the public good. The revenue generated supports key sectors such as education, healthcare, science, and technology, with agencies like NELFUND, TETFund, NASENI, and NITDA now positioned to expand access to tertiary education, fund digital literacy programmes, and drive research and innovation. This improved fiscal capacity enables the government to invest more confidently in poverty alleviation, human capital development, and national competitiveness.

The Nigerian Tax Act promotes Social equity, which is embedded in provisions that allow deductions for pensions, housing loans, health insurance, and disability-related expenses. The regime supports vulnerable populations through income exemptions and zero-rated VAT on essential supplies. These measures, together with enhanced exemptions and incentives, aim to alleviate

the burden on low-income earners and stimulate equitable participation in the tax system.

#### **4.3. Ease of Doing Business and Investment Climate**

The new tax regime substantially improves the ease of doing business through both legal and administrative reforms. By unifying tax laws under the Nigeria Tax Act and streamlining enforcement through the Nigeria Tax Administration Act, the regime eliminates complexity and improves compliance certainty. The establishment of the Nigeria Revenue Service (NRS), which replaces the Federal Inland Revenue Service, is designed to centralise tax administration and reduce duplication of functions, thereby facilitating a more efficient interaction between taxpayers and authorities.

For investors, the regime offers greater transparency through clearly codified tax incentives, including for R&D, infrastructure, greenfield investments, and priority sectors like agriculture, manufacturing, and fintech.<sup>131</sup> The Act also introduces investment-friendly provisions, such as clearer rules on capital allowances, deductions, and loss carryforward, which are critical for long-term business planning. Foreign investors benefit from provisions on tax treaties, double taxation relief<sup>132</sup> and taxation of foreign permanent establishments, all of which align Nigeria's tax practices with global standards and encourage foreign direct investment.

#### **4.4. Alignment with Global Tax Trends and International Obligations**

Recently, Nigeria has been on a path to aligning itself with international tax standards, and following the latest trends that may have positive impacts on the country's economy. Under this head, there will be an analysis of such alignment.

##### **Progressive Taxation**

The goal of the progressive tax system is not to make the rich pay more than the poor. Rather, it aims to receive money from both classes. However, with a consciousness not to send the already poor into the deepest ring of penury. In Nigeria, the progressive tax system was introduced with the enactment of the NTA. The NTA specifically provided for progressive taxation in section 148. It is no surprise that the Nigerian administration introduced progressive taxation, as

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<sup>131</sup> Ibid

<sup>132</sup> Ibid

one of the popular sentences made by the President is “let the poor breathe, don’t suffocate them”

### **Tax Treaty with ECOWAS**

In another move towards aligning itself with other countries, Nigeria recently entered into a tax treaty with the Economic Community of West African States (ECOWAS). One of the key principles of the treaty is the avoidance of double taxation. Double taxation in this context means taxation of the same income in different countries. This further aligns with the goal of the African Continental Free Trade Agreement. The Treaty allows residents of an ECOWAS country to claim a credit for taxes paid in another member country, which they are naturally required to pay in their home country.

#### **4.5. Enhanced Compliance Framework**

The Reform Acts introduce a significantly enhanced compliance framework, which is designed to reduce friction, improve efficiency, and promote voluntary compliance. The process of registering and filing taxes is now digitised. The reforms also introduce simplified rules for MSMEs, including presumptive taxation and streamlined filing requirements, easing the compliance burden on small businesses. Additionally, the codification of procedures and obligations across the Acts, particularly in the NTA and NRSA, provides clarity and minimises disputes.

#### **5.0. Challenges of the 2025 Tax Regime in Nigeria**

Despite its strengths, the new tax regime faces several challenges. Digital exclusion remains a concern, particularly for rural and informal taxpayers lacking infrastructure or literacy. While simplified systems exist, compliance remains burdensome for small businesses unfamiliar with formal taxation.

Also, the regime’s strong enforcement powers, like account freezes and asset seizures, could be misapplied, creating fear or hardship, especially among vulnerable taxpayers.

Additionally, multiple taxes at the state and local levels may persist despite the JRB’s harmonisation efforts. Low public awareness and limited education on new rights and obligations risk undermining compliance. Institutional transitions such as replacing FIRS with the NRS may lead to capacity gaps and service delays,

and there's an ongoing risk of corruption or abuse by officials if oversight mechanisms are not properly enforced.<sup>133</sup>

Lastly, in times of economic strain, expanded obligations may overburden households and businesses, reducing compliance unless balanced with relief measures.

## **6.0. Conclusion**

The Tax Reform Acts 2025 introduce a fundamental transformation in Nigeria's fiscal system. They replaced a fragmented and outdated tax regime with a unified, modernised one. Aside from statutory innovation, the reforms hold profound implications not just for legal practice but for the overall business environment as well.

The question the begs for answer as legal practitioners is what are the benefits that our clients will gain from the reforms?

To the majority of clients whether individuals, businesspersons, or corporations such reforms present opportunities that, if properly leveraged, will lead to immense benefits. Under the new regime, clients will operate under a more stable and structured tax environment, which means greater certainty in obligations and rights. This is particularly helpful for clients who need to manage tax risk, reduce exposure, and avoid sanctions arising from non-compliance. The streamlined provisions facilitate simple forward planning, precise determination of tax exposure, and adoption of compliant business structures.

For informal sector individuals, the push for formalisation presents not only tax obedience but also accessibility to financial and social incentives such as eligibility for loans, business grants, and state programs. With the guidance of an attorney, the clients can be led into formal operations with little disruption and be able to take full advantage of incentives under the new system. Corporate and high-net-worth clients will benefit from increased transparency and simplification of deduction provisions, exemptions, and reporting. Through our services, they can explore tax-efficient structures, invest more judiciously, and respond strategically to regulatory changes.

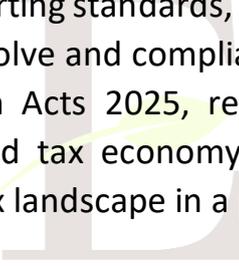
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<sup>133</sup> Dr Malcolm Fabiyi, 'The Seven Problems With The Tax Reform Bills And Some Suggested Resolutions' (*Sahara Reporters*, 16 January 2025) <https://saharareporters.com/2025/01/16/seven-problems-tax-reform-bills-and-some-suggested-resolutions-dr-malcolm-fabiyi> accessed 31 July 2025.

Additionally, digitalisation<sup>134</sup> of tax processes means that clients can now more readily comply with their requirements, but new compliance challenges also emerge. In this context, legal professionals play an important role in advising clients on proper documentation, answering questions, handling audits, and addressing disputes via the Tax Appeal Tribunal or other administrative channels.

Incentives provided under sector-specific regulations especially for clients in agriculture, manufacturing, ICT, renewable energy, and education<sup>135</sup> provide opportunities for valid tax relief and fiscal incentives. With our assistance, clients can structure their activities to qualify for and retain these benefits.

The Reform Acts may not be without challenges. There may be difficulties adjusting to new processes, reporting standards, and enforcement mechanisms, particularly as digital systems evolve and compliance thresholds rise. Overall, it is our opinion that the Reform Acts 2025, represents a significant step in Nigeria's fiscal development and tax economy. Once operational, have the potential to reshape Nigeria's tax landscape in a positive and lasting way.

  
ESHER & MAKARIOS  
Legal Practitioners

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<sup>134</sup> Ibid

<sup>135</sup> Ibid