Tax Updates

Update on The Presidential Assent to the Tax Reform Bills: A New Dawn for Nigeria's Tax System

September 2025

Background

The President of the Federal Republic of Nigeria has, on the 26th of June 2025, signed the much-anticipated and famous Tax Reform Bills into law. These Tax Reform Acts are aimed at restructuring Nigeria's fiscal and tax administration framework by simplifying the tax system, reducing inefficiencies, and strengthening coordination across all levels of government.

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The distinct tax legislations which have now received Presidential assent are:

A The Nigeria Tax Act, 2025

This Act repeals several existing tax laws and regulations and consolidates Nigeria's tax legislation into a single statute. Upon commencement of the law, the following statutes will be repealed: the Companies Income Tax Act (CITA), Personal Income Tax Act (PITA), Value Added Tax Act (VAT Act), Stamp Duties Act (SDA), Capital Gains Tax Act (CGT Act), Petroleum Profits Tax Act (PPTA), Industrial Development (Income Tax Relief) Act (IDITRA), etc.

The Nigeria Tax Act is intended to unify tax obligations and expectations for both individuals and corporate entities, regardless of tax type or base.

B The Nigeria Tax Administration Act, 2025

This legislation provides a comprehensive framework for tax administration in Nigeria, spanning registration, returns, assessments, enforcement, as well as offences and penalties for non-compliance.

C Nigeria Revenue Service (Establishment) Act, 2025

This Act repeals the FIRS Act of 2007 and establishes the Nigeria Revenue Service (NRS) as the new federal tax authority. The law introduces governance reforms and prescribes the functions and responsibilities of the NRS.

D Joint Revenue Board (Establishment) Act, 2025

This Act establishes the Joint Revenue Board (JRB) to replace the Joint Tax Board. Similarly, the law creates the Office of the Tax Ombud and lays down the functions and responsibilities of these bodies.

Commencement Date of the Acts

While the commencement date of the Nigeria Tax Act and Nigeria Tax Administration Act is set at 1st January 2026, the Nigeria Revenue Service (Establishment) Act and Joint Revenue Board (Establishment) Act became effective on the 26th June 2025.

Highlights of the Tax Reform Acts

A. The Nigeria Tax Act (NTA)

Some of the key changes to the Nigerian tax system via the NTA include:

1 Introduction of a Single Development Levy – Section 59

The NTA has effectively scrapped the earmarked taxes and levies under the outgoing tax laws, which are the Tertiary Education Tax (TET), National Information Technology Development (NITD) Levy, the National Agency for Science and Engineering Infrastructure (NASENI) Levy, and the Police Trust Fund (PTF) Levy.

As a replacement, a single Development Levy of 4% has been introduced to be charged on the assessable profits of companies other than small and non-resident companies. The Development Levy is to be distributed amongst seven (7) agencies in the proportion prescribed in the law as follows:

Agencies	Percentage
Tertiary Education Trust Fund	50%
Nigerian Education Loan	15%
National Information Technology Development Fund	8%
National Agency for Science and Engineering Infrastructure	8%
National Board for Technological Incubation	4%
Defence and Security Infrastructure Fund	10%
National Cybersecurity Fund	5%

This amendment streamlines taxpayers' obligations and allows for a consolidated collection and administration by the NRS.

2 New Definition of Nigerian Companies

The definition of a Nigerian company has been expanded beyond the incorporation test. That is, other than being incorporated in Nigeria, any company whose effective place of management or control is Nigeria will be deemed a Nigerian company upon the commencement of the Nigeria Tax Act. The implication of this is that such companies will be exposed to tax obligations in Nigeria, as though they were incorporated in-country.

3 Bespoke Tax Regime for Lottery and Gaming Businesses – Section 62

For the first time, a dedicated tax regime is provided for businesses engaged in lottery and gaming businesses. While these businesses are subject to tax like any other company under the Act, provisions are now made for peculiar allowable deductions. In computing assessable profits, lottery and gaming companies are allowed to deduct the following:

» Amounts paid out as winnings or prizes from the Prize Fund
» Statutory contributions to the Lottery Trust Fund
» Agency commissions paid to agents
» Levies paid to regulatory and government authorities under relevant laws

This inclusion in the NTA provides clarity and consistency, especially in view of recent judicial pronouncements in respect of the controversial National Lottery Act.

4 Introduction of Controlled Foreign Companies (CFC) Rules – Section 6

Clamping down on base erosion and profit shifting, the NTA has introduced CFC rules into the Nigerian tax system. This rule dictates that where a foreign entity controlled by a Nigerian company does not distribute profits via dividends to its Nigerian parent company, a portion of those undistributed profits may be deemed distributed and added to the Nigerian company's profits, which will be taxed in Nigeria. This is dependent on the tax authority's judgment that the dividend could have been distributed without detriment to the foreign subsidiary.

5 Updated Capital Allowance Regime – First Schedule

The NTA updates the current capital allowance system with the aim of simplifying claims and enhancing compliance. To this end, initial allowances have been abolished and replaced with only annual allowances to be applied on a straight-line basis as follows:

Class	Rate	Eligible Expenditure
Class 1	10%	Buildings, masts, agriculture, heavy transport, intangibles
Class 2	20%	Plants, mining, furniture, equipment, agri. equipment
Class 3	25%	Motor vehicles, software, and other capital items

In addition, a notional 1% of the qualifying capital expenditure (QCE) must be recorded for statistical purposes, but does not affect the deduction of capital allowance on such QCE.

There is, however, a requirement to prove that VAT or import duty, as the case may be, has been properly accounted for in respect of a QCE, as a prerequisite to claiming capital allowance on such an asset.

6 New Thresholds for Small Companies – Section 202

The annual turnover threshold for determining small companies has been increased from ₦25m to ₦50m. An additional determinant has also been introduced to be a maximum fixed assets base of ₦250m. These conditions must apply concurrently; that is, only companies with a maximum of ₦50m annual gross turnover and total fixed assets of not more than ₦250m will qualify as small companies and will be exempt from income tax.

Notwithstanding the new classification based on turnover threshold, businesses that provide professional services are excluded from being qualified as small companies regardless of their annual turnover.

7 Potential Reduction in the Tax Rate for Companies – Section 56

While the companies income tax rate is retained at 30%, the NTA empowers the President to reduce the rate to 25% via an Executive Order, on the recommendation of the National Economic Council. The effective date of such reduction shall be contained in the Executive Order.

8 Effective Tax Rate – Section 57

Where a company's effective tax rate (ETR) is less than 15% in any year of assessment (YOA), such a company is required to pay an additional tax that will increase the ETR to 15% which is the new minimum tax payable by taxable companies in Nigeria. This minimum tax regime is applicable to:

- constituent entities of a Multinational Enterprise (MNE) group with an aggregate group turnover of €750m or its equivalent in other currencies; and
- other Nigerian companies with an annual turnover of at least ₦50bn.

Similarly, where foreign subsidiaries of Nigerian parent companies pay less than the minimum tax, the Nigerian parent is required to pay a top-up tax, which will make the tax paid by the subsidiary equal to the minimum ETR of 15%.

ETR is defined as the rate produced by dividing the tax paid by the profits of the company in any YOA, while 'profits' for the purpose of ETR refer to net profits before tax, less 5% of depreciation and personnel cost for the year. For life insurance companies, net income for the purpose of determining profits will not include premiums and investment income of policyholders.

Entities operating within the free trade zones are excluded from the requirement to pay the top-up tax except in respect of sales made by such entity within the customs territory or where such free zone entity is a member of a qualified MNE.

9 Introduction of Economic Development Tax Credit – Section 177

The Act introduces the Economic Development Tax (EDT) Credit to replace the Pioneer Status Incentive (PSI) available to companies in respect of their pioneer products, which are referred to as 'priority' products under the NTA, to be regulated by the Nigerian Investment Promotion Commission (NIPC)

The EDT Credit is granted at 5% per annum for a 5-year period in respect of each eligible qualifying capital expenditure acquired by a priority company within 5 years from its production date. This Credit may be used to offset the tax payable for any year of assessment during the priority period. However, where the tax computed is less than the effective tax rate of 15%, the additional tax payable will not be offset by the EDT Credit. Any unutilised tax credit, which has not been claimed within the 5-year period, may be claimed within 5 years post-priority period, after which it becomes lost.

The incentive is for a period of five (5) years, which may be extended for another 5-year term, provided that the priority company invests 100% of its profits during the incentive period for the expansion of the same product(s).

To qualify as a priority company, the NTA introduces a minimum investment threshold ranging from ₦250m for Music Production to ₦200bn for Building & Operation of Utility Projects such as refineries, dams, power plants, etc. Another introduction to the EDT regime is the sunset period for qualification as a priority sector. This means that no industry will remain a priority industry in perpetuity. The priority tenure for the current sectors ranges from 10 to 20 years.

10 Taxation of Waived Liabilities – Section 193

In addition to the current treatment of waived or forgiven expenses previously deducted for income tax purposes, the NTA now provides for the treatment of waived capital sums. Upon commencement of the Act, waivers of a capital nature, such as principal loan amounts, will be deemed as chargeable gain and be subject to income tax at the applicable rate.

11 Introduction of 5% Surcharge on Fossil Fuel Products – Section 159

A new surcharge of 5% is set to be imposed on the retail price of chargeable fossil fuel products provided or produced in Nigeria, effective from a date to be determined via Ministerial Order. This surcharge is triggered at the point of supply, sale, or payment, whichever occurs first. The surcharge will be collected monthly by the Nigeria Revenue Service and administered in line with regulations to be issued by the Service. However, renewable energy products, household kerosene, cooking gas, and compressed natural gas (CNG) are excluded from the surcharge.

12 VAT Fiscalisation and E-Invoicing – Section 158

The NTA now mandates businesses to adopt a fiscalisation system for VAT compliance. This entails a real-time record of transactions to be monitored by the NRS to avoid gaps in reporting for VAT purposes. The fiscalisation system may include electronic devices, software solutions, and secure communication networks that taxpayers are required to adopt and implement as prescribed by the tax authority.

13 Updated Input VAT Recoverability – Section 156

The scope of recoverable input VAT has been expanded. Businesses are now able to recover VAT paid on goods, services, and fixed assets, so long as the input VAT was incurred for the purpose of consumption, use, or supply in the course of making taxable supplies. This means that, effective from the commencement of the Act, VAT on services and capital items will no longer be treated as expenses in the income statement, and may be recovered through VAT collected.

14 Expansion of Zero-Rated Supplies – Section 187

The list of zero-rated goods and services has been expanded to include some previously exempted items, such as basic food items, medical and pharmaceutical products, educational materials, tuition fees, exported services, etc., as well as new entrants, including electricity generation and transmission services. The implication of this is that companies are now allowed to recover any VAT costs, even though the final supply is taxed at zero per cent, which was not previously permissible.

15 New Minimum Tax for Non-Resident Companies – Section 17

Non-resident companies with a taxable presence in Nigeria must now pay a minimum tax of 4% of the total income generated from Nigeria, where profits cannot be ascertained and no WHT applies on such income. And in cases where WHT applies, the tax payable by the non-resident company shall not be less than the WHT deducted.

16 Amendment of Interest Deductibility Rules on Related-Party Loans – Third Schedule

The NTA has modified the current restriction in CITA with respect to the deductibility of interest where a Nigerian company obtained a loan from a foreign related party. Although deductibility is still restricted at 30% of EBITDA, the restricted interest has now been limited to only interest payable on the related party loan (local and foreign) and not on the company's entire interest expense.

This means that interest payable on foreign and local loans sourced from independent parties may be deducted by Nigerian companies without any restriction.

17 Introduction of Stamp Duty on Transfer of Mineral Assets – Section 133

Stamp duty is now imposed on the transfer of mineral assets such as gold, crude, copper, etc., or interests in such assets. Thus, any agreement involving the transfer of mineral rights will now attract a stamp duty charged at an ad valorem rate of 2%, payable by the transferee. This now adequately captures instruments executed in the extractive sectors e.g. oil & gas and mining.

18 Updated Stamp Duty Exemption on Loan Capital – Section 137

The NTA has exempted loans obtained for onward disbursement in an on-lending arrangement from stamp duty. Prior to the new law, the borrower is subject to duty on its loan capital, that is, all borrowings except overdraft and a term loan of a maximum of 12 months, regardless of the purpose. The NTA has, however, introduced an exemption in the case of an on-lending and has exempted the first-level borrower where the borrowed funds are transferred to another ultimate borrower. In this case, the ultimate borrower is responsible for the stamp duty on the loan borrowed, while the first-level borrower is exempt.

19 Clear Definition of Conveyance on Sale for Stamp Duty – Section 131

The definition of conveyance of sale has been clearly included in the NTA to mean transfer of rights or interest in real property, that is, land and building, only. This clarity has put to rest the controversies in respect of what constitutes conveyance for the purpose of stamp duties, as same has been interpreted to include other property, plant and equipment, albeit erroneously. With this clarification in the NTB, transfers of non-real property, plant, and equipment will remain exempt as the sale of goods, wares, and merchandise.

20 Capital Gains to be Taxed as Income – Section 33

By the repeal of the CGT Act, the separate tax regime for gains derived from the disposal of chargeable assets has been scrapped. Now, such gains are subject to income tax at the appropriate rates, depending on the person (corporate or individual) making the disposal.

For companies, capital gains are to be taxed at the applicable tax rate, while individuals will be taxed using the new graduated tax table applicable to the range of gains derived from the disposal.

21 Amended Roll-over Relief for Disposal of Shares – Section 34

The roll-over relief available on the disposal of shares has been updated by increasing the chargeable threshold and introducing a maximum tax-free chargeable gain. Under the NTA, where the disposal proceeds is less than ₦150m and the chargeable gain is a maximum of ₦10m in any 12 consecutive months, such gain will not be deemed chargeable for the purpose of income tax. These two conditions must occur concurrently to qualify for the exemption under this provision. That is, tax will apply where the disposal proceed is at least ₦150m even where such gain is than ₦10m, as well as where the gain is more than ₦10m and the disposal proceed is less than ₦150m.

In addition to this threshold-based exemption, other exemptions relating to transfers between approved persons in a Regulated Securities Lending Transaction and reinvestment of proceeds in a Nigerian company are still retained under the NTA.

22 New Tax Rates for Individuals – Fourth Schedule

Introduction of an amended graduated tax table for the taxation of individuals' incomes as follows:

» First ₦800,000 — 0%
» Next ₦2,200,000 — 15%
» Next ₦9,000,000 — 18%
» Next ₦13,000,000 — 21%
» Next ₦25,000,000 — 23%
» Above ₦50,000,000 — 25%

The new tax table exempts the first ₦800,000 for all individuals, while individuals earning minimum wage are entirely exempt from income tax obligations.

23 Elimination of CRA and Introduction of Rent Relief – Section 30

The Consolidated Relief Allowance (CRA) introduced in 2011 via the outgoing PITA has been expunged from the NTA and replaced with a new rent relief. Under the NTA, individuals are entitled to a relief of 20% of their annual rent, subject to a maximum of ₦500,000, whichever is lower.

To claim the relief, individuals must provide details of actual rent paid alongside any other information requested by the tax authority. Unlike the CRA, where the relief is available to all individuals, the rent relief applies only to individuals paying rent, which implies that persons living in their own homes are not able to claim this relief.

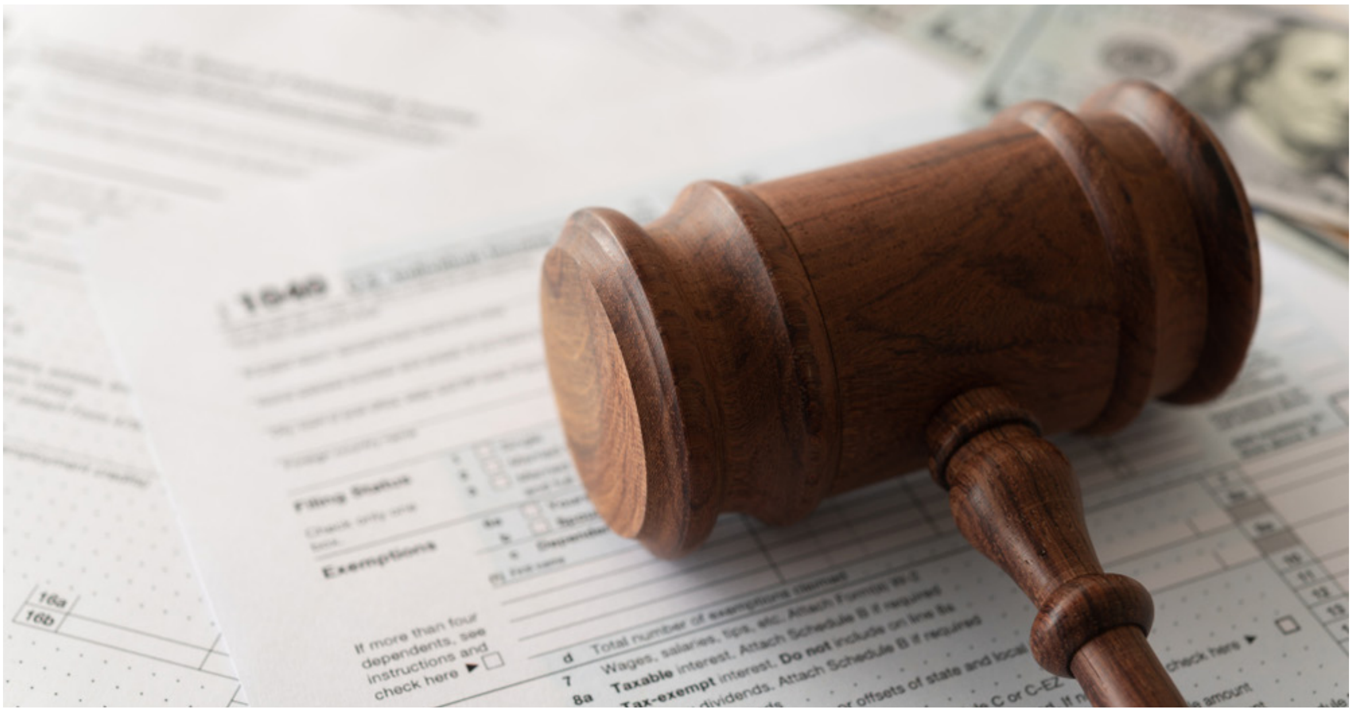
24 New Definitions of Resident and Non-Resident Individuals – Section 202

For the first time in the tax laws, the NTA provides for the definition of 'non-resident individual' and 'resident individual'. A resident individual means an individual who in any year of assessment, fulfils either of these conditions:

A. is domiciled in Nigeria
B. has a permanent place available for his domestic use in Nigeria
C. has a place of habitual abode in Nigeria
D. has substantial economic and immediate family ties in Nigeria
E. sojourns in Nigeria for a period or periods amounting to an aggregate of not less than 183 days in a 12-month period, inclusive of annual leave or temporary period of absence
F. serves as a diplomat or diplomatic agent of Nigeria in another country.

The definitions directly negate each other, as such a non-resident individual is any person who does not meet any of the conditions above.

B. The Nigeria Tax Administration Act ("Tax Admin Act")



Some of the key changes introduced via the Tax Admin Act include:

1 Introduction of Simplified Tax Returns

The law introduces the Simplified Income Tax Return to be filed by low-income earners and persons operating within the informal sector. This initiative aims to bring more taxable persons into the tax net by simplifying compliance requirements.

To drive this initiative, the relevant tax authorities of the states are at liberty to issue guidelines in furtherance of this provision.

2 Framework for the Taxation of Virtual Assets

The Tax Admin Act newly introduces Virtual Assets and Digital Transactions to Nigeria's tax regulatory framework. Individuals and entities involved in the exchange, trading, custody, or issuance of digital assets such as cryptocurrencies, tokens, and digital collectibles are now required to register as Virtual Asset Service Providers (VASPs) for tax purposes.

These VASPs are required to register with the relevant tax authority, file periodic returns, and pay applicable taxes on taxable transactions such as sales, transfers, mining, staking, airdrop, and the use of virtual assets as payment for goods and services.

Where such assets qualify as securities, the Securities and Exchange Commission (SEC) has the regulatory oversight. VASPs are also subject to Know Your Customer (KYC), Anti-

Money Laundering (AML), and regular reporting obligations to the NRS and the Nigerian Financial Intelligence Unit (NFIU). The President is expected to, by Order, designate a Federal Government agency that will have the primary responsibility for regulating all forms of virtual assets.

3 Advance Ruling Framework

A mechanism has been introduced via the Tax Admin Act, allowing taxpayers to apply to the tax authority and request an advance ruling on specific transactions. The tax authority may issue advance ruling to promote transparency, reduce disputes and provide legal certainty for taxpayers in respect of an existing or a proposed transaction.

The tax authority however reserves the right to reject an application for advance ruling in certain cases, such as where it relates to hypothetical cases, the application/interpretation of a foreign country's laws, matters pending before a court or tribunal, cases undergoing audit or investigation etc.

4 Disclosure of Tax Planning

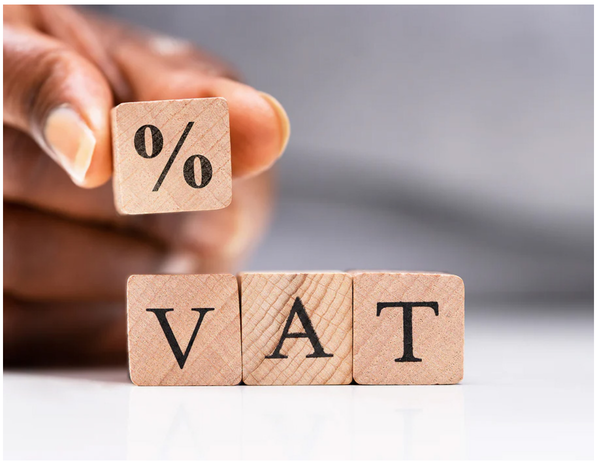
Taxpayers are now required to disclose details of any transaction or arrangement that offers a tax advantage to the tax authority. Tax advantage includes, but is not limited to, a relief from tax, avoidance of tax, deferral of tax payments, etc. The Nigeria Revenue Service is required to prescribe the manner in which the disclosure will be made via Regulations, as failure to do so will result in the imposition of administrative penalties.

5 Revised VAT Sharing Formula

The VAT sharing formula has been revised as 10%, 55% and 35% to the Federal, States and Local Governments, respectively, thus allocating more money to the States. A further distribution of the States and Local Governments' allocation is provided for as 50% equally, while 20% and 30% will be based on population and consumption, respectively.

6 Stringent Enforcement and Penalty Regime

The new Tax Admin Act boosts the enforcement powers of tax authorities and introduces increased penalties and compliance measures. Offences such as failure to register, file returns, deduct or remit tax, or maintain proper records now attract substantial penalties and interest. As part of the broader enforcement powers of the tax authority, they are empowered to counteract prohibited tax avoidance arrangements that lack commercial substance or are designed to secure a tax advantage. The Service may do this by way of adjustment or disregarding such arrangements by raising an assessment, which will attract strict fines.



C. Joint Revenue Board (Establishment) Act ("JRB Act")

Some of the key changes in this law include:

1 Joint Tax Board (JTB) Rebranded as Joint Revenue Board (JRB)

Established under the outgoing PITA, the JTB was established to advise all tiers of government on tax administration and related matters. Now rebranded as the JRB, the body has a broader mandate to integrate and maintain a nationwide taxpayer database, resolve disputes between various tax authorities, promote revenue harmonisation, facilitate data exchange, and initiate fiscal and tax policy reforms, among other responsibilities.

2 New Source of Funding for the Tax Appeal Tribunal (TAT)

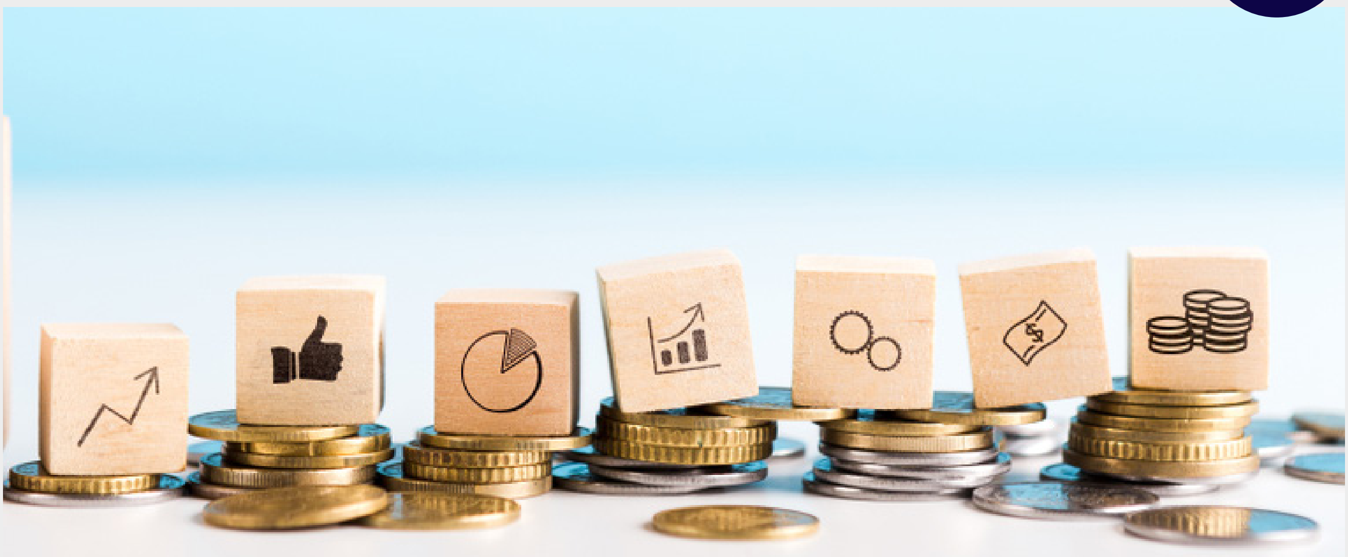
Currently, the TAT is funded by the FIRS as an arm of the agency. The JRB Act has now provided for a new source of funding through appropriation by the National Assembly. This is expected to secure more independence for the TAT as an arbiter of disputes between the tax administrators and the taxpayers.

3 Establishment of the Office of the Tax Ombud

The JRB Act introduces the Tax Ombud, which will serve as an independent body to ensure equitable tax administration. Its primary functions include to review and resolve complaints related to revenue, mediate between taxpayers and tax authorities, make recommendations to the government for implementation, institute legal proceedings on behalf of the taxpayer, issue guidelines for resolution of complaints, and so on.

The Office of the Tax Ombud is, however, not permitted to provide substantive interpretation of tax legislation, determine tax liability, or issue an assessment, amongst other restrictions.

D. Nigeria Revenue Service (Establishment) Act ("NRS Act")



Some changes introduced to the tax regulatory body via this law include:

1

Renaming of FIRS to the Nigeria Revenue Service (NRS)

The current FIRS has been renamed to the Nigeria Revenue Service. The change in the name of the agency reflects a broader outlook and a stronger mandate to be the body responsible for the administration, assessment, collection, and accounting of revenue accruable to the Federation.

In addition to this, the NRS is empowered to assist State and Local governments with tax administration and drive strategic reforms to improve compliance and enforcement, through actions such as exchange of information, joint audits, etc.

2

Improved Corporate Governance Efforts

The NRS Act provides for the appointment of Executive Directors of the Service by the President from each geopolitical zone of the country, to serve for a maximum of eight (8) years. The Directors, who will be full-time members of the NRS' board, each of whom is positioned to be assigned a directorate and be responsible for the day-to-day administration of that directorate within the Service.

The appointment of these Executive Directors is expected to strengthen the agency's corporate governance framework by serving as a check on the administration of the agency.

Our Comments

Undoubtedly, the enactment of the Tax Reform Acts is a right step in the right direction, one that has been long overdue. We commend the President and the Presidential Committee on Tax Reforms for the admirable work in ensuring that the Tax Reform Bills materialise into laws which will hopefully transform the tax landscape of the country.

It is clear that this is a landmark phase in Nigeria's tax system, and all hands must be on deck to ensure that the Acts, via the implementation, achieve their intended purposes. We opine that the new laws are anchored on the themes of simplicity, equity, and revenue generation. The consolidation of multiple tax laws into a unified framework to reduce duplication, the input VAT recoverability on services and assets, and the introduction of a surcharge on fossil fuels, amongst other provisions, are all a testament to these core themes of the tax laws.

In addition to these, the introduction of new dispute prevention and resolution mechanisms, such as the Office of the Tax Ombud and the Advance Ruling framework, aims to foster a better relationship between taxpayers and the tax authority.

Finally, further to the published gazetted laws, we expect that the NRS will issue Guidelines, Regulations, as well as Circulars to provide clarifications on the provisions of the Tax Reform Acts, which will allow for a seamless transition into the new regime.

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