

# Newsletter

May 2026

Welcome to our latest Edition!

This month, we move from reflection to action, exploring two powerful themes that demand attention from every business and financial professional operating in Nigeria today.

Whether you are rethinking how your organisation manages costs or navigating the sweeping changes brought by the Nigeria Tax Act 2025, this edition is your guide.

Inside this edition:

- » **From Cost Reduction to Cost Transformation: Building a Lean, Resilient Cost Base:** Building a lean, resilient cost base that drives lasting competitive advantage
- » **A New Dawn For Taxation Of Trusts, Estates And Settlements, Under The Nigeria Tax Act, 2025:** What the Nigeria Tax Act 2025 means for the taxation of trusts, estates, and settlements

Enjoy your read!



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## From Cost Reduction to Cost Transformation: Building a Lean, Resilient Cost Base

Almost every leadership team talks about cost, but far fewer treat it as a true source of competitive advantage. In a world of persistent inflation, FX volatility, supply disruption and rising compliance demands, reacting with another round of cuts is no longer enough. The organisations that will endure are those that deliberately design their cost base to be lean, resilient and strategically aligned, not just temporarily lighter.<sup>1</sup>

Traditional cost cutting focuses on quick, visible savings such as travel bans, hiring freezes and project deferrals aimed at protecting margins for the next couple of quarters. Cost transformation, by contrast, is about reshaping how the organisation works: what it does, how it does it, who does it and where flexibility is built in.<sup>3</sup> The goal is to create a cost structure that can absorb shocks, fund reinvestment and support long term growth, instead of forcing emergency measures each time conditions tighten.<sup>5</sup>

<sup>1</sup> ISG, "Rethinking Cost Optimization in 2025."

<sup>2</sup> LinkedIn / executive insight pieces on cost transformation and value creation.

<sup>3</sup> Consultport, "How to Drive a Successful Cost Transformation Program," 2025.

<sup>4</sup> Deloitte, "Cost Transformation: How Human Capital Can Realize Its Promise," 2025.

<sup>5</sup> Kaizen Institute, "Building Resilience Through Strategic Cost Reduction in 2025."

## Why repeated cost cutting does not stick

Many organisations live through the same reality every 12 to 24 months. A macro shock hits, leadership demands across the board percentage cuts, functions trim discretionary spend and delay investments, numbers improve briefly, then costs reappear in new places.<sup>3</sup>

### Certain patterns show up across industries:

1. Workload does not disappear; it moves to fewer people, contractors or manual workarounds, often raising operational and people risk.<sup>4</sup>
2. Savings are booked, but structural complexity such as fragmented processes, overlapping systems and duplicated roles remains untouched.<sup>5</sup>

3. High potential capabilities like data, technology and innovation are cut proportionally with everything else, undermining future competitiveness.<sup>7</sup>

4. As conditions stabilise, old projects quietly restart and the cost base drifts back toward its original shape.<sup>3</sup>

Analysis by consulting firms and professional bodies consistently show that sustainable cost programmes are those that change the underlying operating model: simplifying, automating, consolidating and realigning spend with strategy, rather than relying on incremental belt tightening alone. ☒ Put differently, they treat cost as a design problem, not just a budgeting problem.



<sup>6</sup> Maskell, "Cost Reduction in Lean Organizations."

<sup>7</sup> CIO Magazine, "The CIO's Guide to Strategic Cost Transformation," 2025.

<sup>8</sup> Strategy& / PwC, "IT Cost Management and Transformation," 2021.

<sup>9</sup> ICMAI / CGMA materials on strategic cost management.

## From cutting cost to designing cost

Recent publications on cost transformation converges on a few key principles. Cost must be linked to strategy, enabled by technology and process change and supported by new capabilities and culture.<sup>10</sup> Leading practices in cost transformation emphasise the importance of building flexible, variable cost structures and deep visibility into spend, rather than relying on one-off reductions.

Sustainable cost transformation also combines operational efficiency, organisational simplification, and technology shifts, with people and culture at the centre.<sup>10</sup>

Drawing on these ideas, it is useful to think of cost transformation as an ongoing discipline with three objectives:



Make the cost base structurally lean by eliminating waste, duplication and low value work.<sup>6</sup>



Build resilience by diversifying key dependencies, increasing variability where volatility is high and embedding risk and compliance into design.<sup>8</sup>



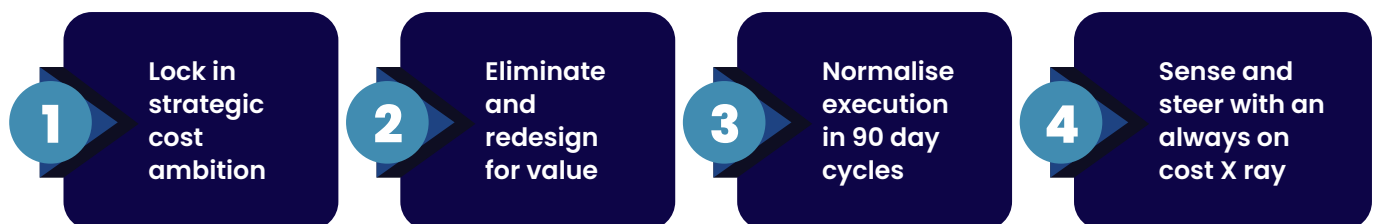
Free up capacity, both financial and human, to reinvest in digital, innovation and growth.<sup>9</sup>

To move from theory to practice, leaders need a roadmap that is simple enough to communicate and robust enough to guide real decisions.

## The LENS™ Cost Transformation Framework

Drawing on our work with clients and our own research, we have developed a proprietary approach to help organisations move from episodic cost cutting to true cost transformation. We call this the **LENS™ Cost Transformation Framework**. It brings together four connected stages that leaders can use to systematically design and manage a lean, resilient cost base.

The LENS™ framework is unique to our firm and is built around four stages:



<sup>10</sup> Deloitte, "A Sustainable Cost Transformation Approach in Consumer Products," 2025.

Each stage is designed to reinforce the others. If you skip one, for example redesigning processes without changing how you monitor cost, gains tend to erode over time.<sup>11</sup>

## 1. Lock in strategic cost ambition



Most cost efforts start with a savings number. Effective cost transformation starts with a strategic ambition for the cost structure and clear guardrails.<sup>8</sup>

This stage answers questions such as:

- What cost to revenue profile do we need in each business line or segment to remain competitive in our markets?
- Which capabilities are truly differentiating and must be protected or even over invested in, versus those that can be standardised or outsourced?
- Where can we shift from fixed to more variable cost models (for example, cloud, software as a service and managed services) to increase resilience and flexibility?

Surveys on strategic cost management emphasise that aligning cost structures with strategic intent is central to gaining advantage, not just surviving downturns.

Without that link, cost programmes risk cutting into the very muscles needed for growth.

In practice, this stage should end with a small number of explicit design choices: target margins by business, desired mix of fixed versus variable cost, non negotiable risk and service thresholds and areas where spend will be deliberately increased.<sup>11</sup>

## 2. Eliminate and redesign for value



Once ambition is locked in, the next task is to reshape the way work gets done so the cost base naturally supports it. This stage combines strategic cost management, lean thinking, and process and organisation redesign.

<sup>11</sup> Deloitte, "Future of Advice – Cost Transformation" series.

<sup>12</sup> ISG, "Rethinking Cost Optimization in 2025."

It involves three main moves.

### **i Eliminate non value adding activities**

Lean and Kaizen approaches focus on removing waste such as defects, waiting, over processing and non utilised talent as a primary source of structural cost reduction. <sup>14</sup> Studies and case examples show that applying these methods can yield 20 to 30 percent reductions in operational cost while improving quality and lead times. <sup>6</sup> At a cost base level, that means:

- Retiring legacy reports, approvals and routines that no longer serve a clear purpose. <sup>6</sup>
- Simplifying product and service portfolios to reduce complexity driven cost. <sup>5</sup>
- Stopping or exiting activities, customers or channels that consistently destroy value when fully costed. <sup>8</sup>

### **ii Redesign processes and structure**

Leading practices in cost transformation emphasise operational efficiencies and organisational simplification as key pillars of sustainable value creation.<sup>10</sup> That includes:

- Standardising and digitising core processes wherever possible. <sup>8</sup>
- Consolidating fragmented functions into shared or common services where scale and specialisation create advantage. <sup>13</sup>
- Right sizing spans of control and management layers to reduce overhead while maintaining effective supervision. <sup>11</sup>

### **iii Deploy technology where it truly shifts the cost curve**

Automation, analytics and digital platforms can convert manual, fixed cost into more scalable, variable cost structures. <sup>13</sup> The key is to treat technology as an enabler of process redesign, not an overlay on broken workflows. <sup>11</sup>

The aim of this stage is not merely to do the same with less, but to do less of the wrong things and more of the right things in better ways, so that the default shape of cost tilts naturally towards value. <sup>5</sup>

<sup>13</sup> Accenture, "Transform, Not Just Reduce, Your Costs," 2024.

<sup>14</sup> Six Sigma / Lean sources on cost reduction in manufacturing and services.

### 3. Normalise execution in 90 day cycles



Large cost transformations that run for years without visible milestones frequently stall or lose credibility. Research and practitioner guidance emphasise structuring work into shorter cycles that balance immediate impact with long term capability building.<sup>8</sup>

In the LENS™ framework, this becomes an execution engine built around 90 day cycles:

- Each quarter, the organisation focuses on a limited slate of cost initiatives tied to the strategic cost ambition.<sup>3</sup>
- Every initiative has a named owner, quantified targets for savings, quality and risk and clear deliverables.<sup>8</sup>
- Monthly reviews track progress, unblock issues and adjust scope where necessary, maintaining momentum without overloading teams.<sup>3</sup>

This cadence supports cultural change by making cost discipline part of the normal run of business, not a one time event.<sup>10</sup>

Over time, these cycles build internal capability. Teams learn how to identify structural waste, test new operating models and measure financial impact, reducing reliance on external support.<sup>2</sup>

### 4. Sense and steer with an always on cost X ray



The final stage is about visibility and governance: building an always on view of the cost base that helps leaders sense emerging patterns and steer before issues become crises.<sup>13</sup>

Thought leadership on IT and enterprise cost transformation calls for richer analytics and dashboards that link cost, performance and risk, rather than static budget reports.<sup>9</sup> An effective cost X ray typically:

- ✓ Integrates data on spend by function, product, customer and channel with margin and return metrics.<sup>8</sup>
- ✓ Highlights structural versus variable cost components and their sensitivity to volume and external shocks.<sup>15</sup>
- ✓ Flags concentration and resilience risks, for example over reliance on a single vendor, technology or location.<sup>8</sup>
- ✓ Tracks the run rate effect of transformation initiatives so leaders can see whether savings are sustained or eroding.<sup>16</sup>

Embedding this X ray into regular executive and board agendas helps prevent cost relapse and anchors decisions in facts it also supports better capital allocation, as leaders can see where reinvestment of savings into digital, innovation or growth is genuinely changing the trajectory of the business.<sup>13</sup>



<sup>15</sup> Various enterprise risk management and resilience reports on cost and risk.

<sup>16</sup> BCG, "Cost Transformations in Turbulent Times," 2023, and "Quadrupling Your Odds in a Cost Transformation," 2025.

## The human side: risk, resilience and incentives

Several leading organisations emphasise that cost transformation is as much about people as it is about spreadsheets.<sup>11</sup> Culture, communication, and human capital choices are often highlighted as central to unlocking potential benefits.<sup>10</sup>

Three human centric levers matter.



**Risk aware design:** Cost decisions must explicitly consider operational, regulatory and reputational risk, not only immediate savings. Over concentrating suppliers or removing too many controls can create fragile systems that are expensive to fix later.<sup>15</sup>

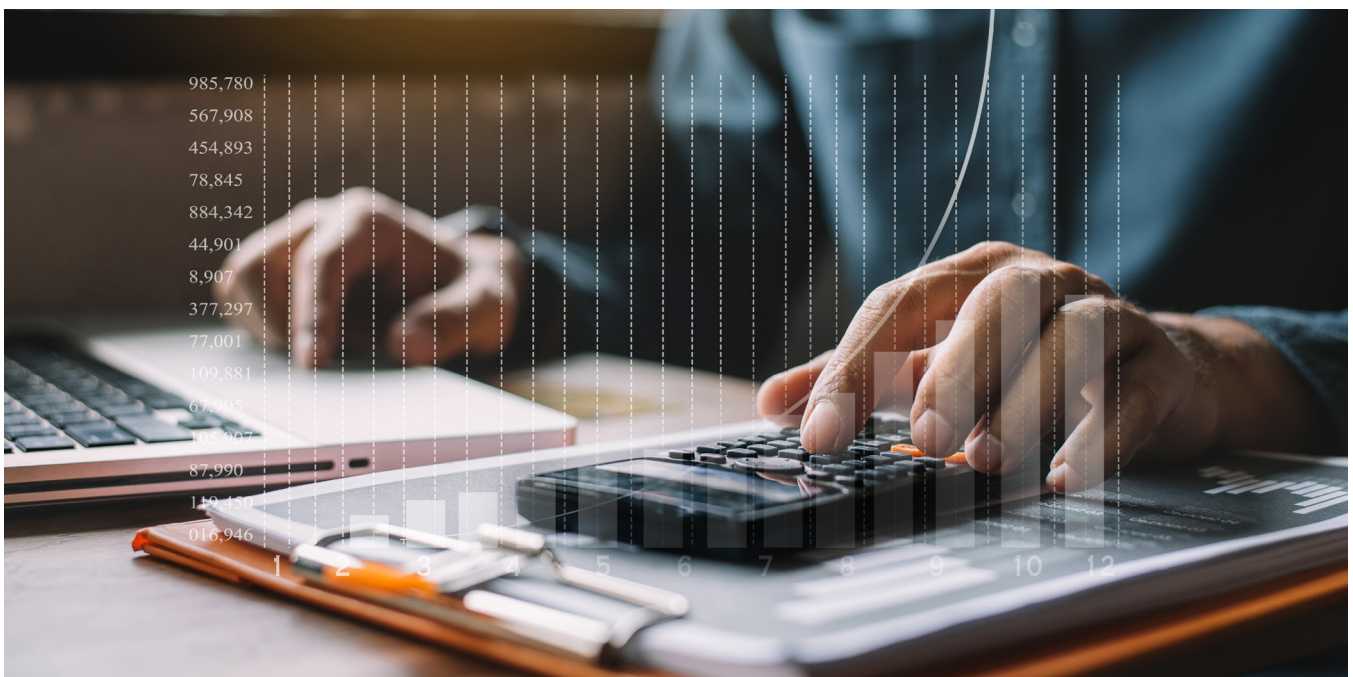


**Capability building:** Teams need skills in data driven decision making, lean problem solving and change leadership to sustain cost discipline.<sup>9</sup>



**Aligned incentives:** Incentive schemes should reward structural cost improvements and reinvestment into strategic priorities, not just short term margin outcomes.<sup>13</sup>

When these levers are neglected, cost programmes often trigger resistance, fear and gaming of metrics, undermining both performance and culture.<sup>11</sup> When they are thoughtfully addressed, cost transformation can actually increase engagement by clarifying priorities and removing needless frustration from daily operational activities.<sup>4</sup>



## Conclusion: Performance as a Strategic Lever

Different sectors and geographies will move at different speeds, but most organisations can begin applying the LENS™ framework with a focused, pragmatic approach:

- 01** > Start by articulating a clear cost ambition and a small set of non negotiable guardrails. <sup>8</sup>
- 02** > Conduct a targeted diagnostic to identify structural waste and misaligned spend, using a combination of financial data, process mapping and frontline insight. <sup>9</sup>
- 03** > Launch one or two 90 day cycles in priority areas to prove the approach, refine the methods and demonstrate that gains can be both meaningful and sustainable. <sup>3</sup>
- 04** > Build a simple cost X ray that integrates a handful of critical cost and performance indicators and review it regularly at the top table. <sup>13</sup>

Cost will remain under pressure in the years ahead. The question is whether your organisation continues to rely on episodic cost cutting, or whether it builds the discipline and capability to design a lean, resilient cost base that can support the strategy you actually want to execute. <sup>12</sup>



**For an independent review, (re)design, and or implementation of a robust performance management system with measurable enterprise-wide outcomes, send an email to**

**[mc@krestonpedabo.com](mailto:mc@krestonpedabo.com)**

## References

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## A New Dawn For Taxation Of Trusts, Estates And Settlements, Under The Nigeria Tax Act, 2025

### Introduction

The Nigeria Tax Act 2025 (NTA) introduces a clearer and more comprehensive framework for the taxation of estates, trusts, and settlements. This plays an important role in estate planning, wealth preservation, and intergenerational asset transfer. It fundamentally addresses complex tax questions regarding income attribution, liability, compliance obligations, and the treatment of beneficiaries—particularly minors.

This article examines the tax implications of estates, trusts, and settlements under the NTA 2025, highlighting who is taxed, how income is assessed, the special attribution rules applicable to settlors and beneficiaries, and the practical compliance consequences for trustees, executors, and beneficiaries.

## Primary Legal Framework

The principal statutory basis for the taxation of estates, trusts, and settlements is **section 16 of the Nigeria Tax Act 2025**, which provides that the income of an individual, trustee, or executor arising from a trust, settlement, or the estate of a deceased person shall be determined in accordance with the Fifth Schedule to the Act.

This provision establishes estates and trusts as taxable arrangements, while prescribing detailed rules on income computation, attribution, and assessment. This consolidates the fragmented legal framework in the old tax laws.

## Trusts and Estates as Taxable Entities

Generally, a trust or estate is treated as a separate taxable entity, with the income accruing to the entity assessed on an annual basis, for a tax period running for twelve (12) months ending on 31 December.

The scope of taxation depends primarily on residency status:



Resident trusts or estates are taxable on their worldwide income



Non resident trusts or estates are taxable only on income derived from Nigerian sources and Income received in or brought into Nigeria.

(Para. 2, 5th Schedule NTA)

## Computation of Income and Allowable Deductions

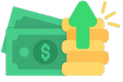
In determining the taxable income of a trust or estate, the NTA permits certain specific deductions, which include:

1. Authorised expenses incurred by trustees or executors in connection with the administration of the trust or estate;
2. Annuities of fixed annual amounts paid out of the income of the settlement or estate; and;

3. Tax exempt income and income on which the tax deducted at source is the final tax.

After deductions, the distributable income is identified and taxed based on whether it is paid out to beneficiaries or retained within the trust or estate.

## Tax Treatment of Distributed and Undistributed Income



### Income Distributed to Beneficiaries

All income distributed to beneficiaries of a settlement or estate is taxed in the hands of the beneficiaries as part of their personal income. Beneficiaries are therefore required to declare such income and comply with their respective tax obligations. (Paragraph 4, 5th Schedule NTA)



### Undistributed Income

Any income remaining after distributions is apportioned as income of the trustee or executor and assessed accordingly in their hands for tax purposes.

Importantly, under the NTA, trust income is taxable whether or not it is distributed in the relevant year of assessment.

## Attribution of Trust Income to the Settlor

While trusts are generally treated as separate taxable persons, the NTA has introduced robust anti avoidance attribution rules, under which trust income may be treated as the income of the settlor in certain circumstances.

Trust income will be attributed to the settlor for tax purposes where:

- » The settlor retains control or a general power of appointment over trust income or capital;

- » The settlor can use trust income or assets, or borrow from the trust; or
- » The trust is revocable.

In these situations, the trust structure does not shift the tax burden. Instead, all relevant income is treated as the personal income of the settlor and taxed accordingly.



## Income Distributed to Minors

### General Rule

Income distributed to a beneficiary who is a minor during the lifetime of the settlor is, as a general rule, treated as income of the settlor and not of the minor.

### Exception: National Minimum Wage Threshold

A key exception applies where the income distributed to the minor does not exceed the National Minimum Wage (or its equivalent) in a year of assessment. In such cases, the income may be treated normally and would be tax exempt (Para. 5, 5th Schedule NTA).

### Special Provisions for Infant and Unmarried Children

The Nigeria Tax Act 2025 introduces explicit provisions governing income paid to or for the benefit of a settlor's infant and unmarried children (Paragraphs 5, 6 & 7, 5th Schedule NTA).

### Attribution to settlor

Where income from a trust or settlement is paid to or for the benefit of a settlor's infant and unmarried child during the settlor's lifetime, that income is deemed to be the income of the settlor for tax purposes in that year. Consequently, the settlor is required to include such income in their tax return.

Any tax paid by the settlor in this regard is recoverable from the trustee or from any person to whom the income is payable.

### Undistributed and Earmarked Income

Where income is earmarked for infant unmarried children but not required to be distributed immediately, the Act treats such income as deemed distributed in equal shares among the beneficiaries for tax purposes.

## Taxation of Estates of Deceased Persons



### Income Earned During Administration

Income earned by an estate during the period of administration is taxable, and the executors or administrators are responsible for filing tax returns and paying any tax due.



### Income Distributed to Beneficiaries

Once estate income is distributed, it is treated as the personal income of the beneficiaries and taxed accordingly under the applicable personal income tax rules.

## Capital Distributions

Where property or financial assets are distributed – these are generally not treated as taxable income. However, any subsequent disposal of inherited assets may trigger capital gains tax, as is now integrated into the income tax framework under the NTA.

### Key Tax Categories Affecting Trusts and Estates

Several tax heads are relevant to trusts and estates:

- 1 **Income Tax** – Applicable to income earned from rents, dividends, business activities, and other sources.
- 2 **Capital Gains** – Gains from asset disposals by trusts or estates are taxable under the integrated income tax regime, at the applicable personal income tax rate
- 3 **Withholding Taxes** – Certain passive income (such as interest, dividends, and royalties) may be subject to withholding tax deduction, generally at 10%. Further tax is not payable, where the tax deducted on an income is the final tax.
- 4 **Stamp Duties** – Trust deeds and asset transfer instruments are subject to stamp duties, often at the point of execution or asset transfer into Trust.

## Compliance Obligations

Trustees and executors have significant compliance responsibilities under the Act. These include:

- » Registration with the tax authorities and obtaining a Tax Identification Number (TIN);
- » Maintaining accurate financial records;
- » Filing annual tax returns; and
- » Continuing compliance until all trust or estate assets are fully distributed.

Beneficiaries are likewise required to declare and pay tax on income received from trusts or estates.



## Our comments

While the NTA 2025 significantly strengthens the tax framework governing trusts, estates, and settlements, through attribution rules and expanded compliance obligations, there seems to be no clear provisions addressing situations where a trust or settlement distributes tax-exempt incomes (or franked investment incomes) to beneficiaries. Key consideration is how the distributed income will be treated for personal income tax purpose in the hand of the beneficiaries, to ensure sustenance of the original tax status of such income as tax-exempt. This may require the trustee retaining a memorandum of the source of incomes distributed to beneficiaries, for each assessment year, in order to ensure the appropriate tax treatment is accorded the distributed income and thereby preventing double taxation or undue tax liabilities.

## Final thoughts

In conclusion, the NTA seeks to balance legitimate estate planning efforts with the prevention of tax avoidance. Therefore, careful tax planning and ongoing compliance have become more critical for settlors, trustees, executors, and beneficiaries. Professional advice is increasingly necessary to navigate the intersection of wealth management and tax regulation under Nigeria's evolving tax regime.

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