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Tax Transformation In Nigeria: What Businesses Should Know

On 26 June 2025, Nigeria entered a new era of taxation. With the signing of the Nigeria Tax Act (NTA), Nigeria Tax Administration Act (NTAA), Nigeria Revenue Service Establishment Act (NRSEA), and the Joint Revenue Board Establishment Act (JRBEA), the Federal Government has initiated a structural overhaul that redefines tax compliance, administration, and taxpayers' obligations across board.

Unlike previous reforms, these Acts are far-reaching in both scope and substance targeting digital transformation, widening the tax net, creating a more business friendly environment and rebalancing fiscal responsibilities across federal, state, and local authorities.

The Nigeria Tax Act consolidates four major legislative instruments

Nigeria Tax Act 2025

The new Nigeria Tax Act 2025 introduces significant reforms to the country's tax system, aiming to simplify tax administration, enhance compliance, and promote economic growth.

The Act unifies the legal tax framework in Nigeria by creating a single statute for the taxation of all income, transactions and instruments. Once effective, the NTA shall repeal existing tax legislations such as the Companies Income Tax Act, Personal Income Tax Act, Capital Gains Tax, Value Added Tax, Petroleum Profits Tax Act, Stamp Duties Act, Industrial Development (Income Tax Relief) Act, among others.

Nigeria Tax Administration Act 2025

The Nigeria Tax Administration Act as defined in its own Act is "an act to provide for the assessment, collection of, and accounting for revenue accruing to the federation, federal, states and local governments; prescribe the powers and functions of tax authorities, and for related matters".

The Act provides the operational backbone for the new tax regime by focusing on how taxes are to be administered and enforced. It sets out the rules, processes and powers for tax enforcement while also providing the clarity and structure for implementing the Nigeria Tax Act.

Nigeria Revenue Service (Establishment) Act 2025

The Act repeals the Federal Inland Revenue Service (Establishment) Act of 2007, and enacts the Nigeria Revenue Service (Establishment) Act 2025 to establish the Nigeria Revenue Service (NRS) as the central tax authority tasked with the assessment, collection and accounting for tax revenue accruable to the Federal government. In simpler terms, the FIRS has now been replaced with the NRS with expanded mandates.

Joint Revenue Board of Nigeria (Establishment) Act 2025

The newly passed Act establishes the Joint Revenue Board (JRB), replacing the Joint Tax Board as a more autonomous and inclusive body designed to harmonize tax administration across the country. It also creates the Office of the Tax Ombud and a restructured Tax Appeal Tribunal with increased scope to coordinate and settle disputes among tax stakeholders in matters of tax administration as well as promote the rights of tax payers.

Key highlights of the Nigeria Tax Act are as follows

Maintained VAT Rate and Expanded the scope of Input VAT Recovery

- The VAT rate remains unchanged at 7.5%
- VAT paid on all purchases including services and fixed assets will now be recoverable as input tax (within a period of 5 years) only to the extent it was incurred for the purpose of consumption, use or supply in the course of making taxable supplies.
- The NTA 2025 expands the scope of zero-rated goods and services, allowing suppliers to charge VAT at 0% while still

claiming input VAT credits.

- The following are now treated as zero-rated supplies
  - » Basic food items
  - » Medical and pharmaceutical products, including medicinal herbal products
  - » Educational books and materials
  - » Fertilizers and locally produced agricultural chemicals
  - » Locally produced veterinary medicines and animal feeds
  - » Live cattle, goats, sheep, and poultry
  - » Agricultural seeds and seedlings
  - » Electricity generated by generation companies (GENCOs) and supplied to National Grid or Nigeria Bulk Electricity Trading Company (NBET);
  - » Electricity transmitted by Transmission Company of Nigeria (TCN) to Electricity Distribution Companies (DISCOs);
  - » Medical services and medical equipment
  - » Tuition for nursery, primary, secondary, and tertiary education
  - » Exported goods (excluding oil and gas), exported services, and exported incorporeal property
  - » Electric vehicles, and parts or semi-knocked-down units used for their assembly

Rate of Tax for Companies to remain at 30%

- Rate of tax for small companies is now 0%, while all other companies' rate of tax shall be 30%.
- A small company has now been defined as a company that earns a gross turnover of N100,000,000.00 or less per annum with total fixed assets not exceeding N250,000,000.00 and excludes any business providing professional services.
- The rate of tax for large companies can be reduced to 25% effective from a date as may be determined in an Order issued by the President on the advice of the National Economic Council.
- The classification of medium sized companies has been expunged.
- The rate of tax on chargeable gains from disposal of chargeable assets has been increased from 10% to 30% for corporate entities, except for small companies, which will be taxed at 0%.

> *For individuals, such gains will now be subject to tax under the graduated tax rate for individuals rather than a flat rate. It is important to note that chargeable gains will now be included in computing the total profits of a company and the total income of an individual.*

Taxation of Non residents

- The definition of a Nigerian company has been expanded to include any company that:
  - » is formed, registered, or incorporated under any law in Nigeria;
  - » has its central place of management or control in Nigeria; or
  - » has its effective place of management or control in Nigeria.
- The NTA 2025 expands the tax net for non-resident persons by clearly providing that profits from any trade, business, or profession are taxable in Nigeria where:
  - » the non-resident has a Permanent Establishment (PE) or Significant Economic Presence (SEP) in Nigeria;
  - » payments are made by a Nigerian resident or a Nigerian PE for offshore services, except where the payment is:
- to an employee under a contract of employment,
- by an individual for teaching by or to an educational institution, or
- by a foreign PE of a Nigerian entity and the cost is borne by that PE;
  - » insurance premiums are paid to the non-resident for risks situated in Nigeria.
- The NTA 2025 provides that where a non-resident person has a PE in Nigeria, profits attributable to that PE will include not only income earned through the PE, but also income from goods or services of the same or similar kind supplied directly to Nigeria by the non-resident or its connected persons even if not routed through the PE.
- Payments made to non-residents for cross-border services, or insurance premiums related to risks located in Nigeria, are subject to withholding tax, which shall be treated as the final tax on such income. However, where the non-resident has a Permanent Establishment (PE) or Significant Economic Presence (SEP) in Nigeria to which the income is attributable, the income may be subject to further taxation.
- Where a non-resident has a PE or SEP in Nigeria, and the profit attributable to it cannot be reliably determined, the following rules apply:
  - » The tax authority may apply the non-resident's global profit margin to its Nigerian-sourced income to estimate taxable profits.
  - » If the declared profit is lower than this benchmark, the higher amount will be deemed as taxable profit in Nigeria.

Regardless of the profit determination method, where WHT has been deducted at source, it will constitute the minimum tax payable on the income. However, if no WHT applies, the non-resident will be required to pay a minimum tax of 4% on the total Nigerian-sourced income.

Global Minimum Tax Implementation

- The Minimum tax rate of 0.5% of gross turnover would no longer apply to companies with no taxable profit in Nigeria.
- Members of an MNE group and companies with gross turnover of EUR750,000,000 and above or N50,000,000,000 and above will have to pay a minimum tax if their effective tax rate is less than 15%. The Act requires such companies to recompute and pay an additional tax that brings its effective tax rate equal to 15%. This aligns with the OECD BEPS Pillar Two global minimum tax framework.
- The effective tax rate has been defined to mean the rate produced by dividing the aggregate covered tax paid by a company for a year of assessment by the profits of the company. For this purpose, profit is defined as the net profit before tax as reported in the audited financial statements, reduced by 5% of depreciation and personnel costs for the year.

4% Development Levy Replaces Multiple Levies

- A 4% Development Levy on assessable profits of all companies except small companies and non-resident companies replaces the Tertiary Education Tax (TETFUND) and other levies.
- The revenue accruing from the levy will be distributed as follows:
  - » 50% to the Tertiary Education Trust Fund,
  - » 15% to the Nigerian Education Loan,
  - » 8% to the National Information Technology Development Fund,
  - » 8% to the National Agency for Science and Engineering Infrastructure,
  - » 4% to the National Board for Technological Incubation
  - » 10% to the Defense and Security Infrastructure Fund and
  - » 5% to the National Cybersecurity Fund.

Revised Revenue and VAT Sharing Framework

- The Value Added Tax (VAT) revenue formula has been revised to be shared as follows among the Federal, State, and Local Government:
  - » 10% to the Federal Government;
  - » 55% to the State Governments and the Federal Capital Territory; and
  - » 35% to the Local Governments.
- The revenue sharing formula among the State and Local Governments has also been adjusted as follows:
  - » For States: 50% based on equality, 30% based on consumption, 20% based on population.
  - » For Local Governments: 70% based on equality, 30% based on population.
- These formulae are designed to promote equitable revenue distribution and incentivize consumption-based development.

Removal of Reasonability and Necessity Tests on Deductions

- The longstanding subjective “reasonably” and “necessarily” tests for deducting business expenses have been abolished.
- Deductibility will now rely solely on objective compliance with tax laws and actual business use, removing ambiguity and reducing disputes.

Income Tax for Individuals

- The NTA 2025 sets out that an individual’s chargeable income is calculated as their total income, as defined in Section 28 of the Act, less allowable deductions (referred to as eligible deductions). These deductions represent personal reliefs intended to reduce the individual’s tax burden and reflect essential expenses.

Eligible deductions include:

- » Contributions to the National Housing Fund (NHF)
- » Contributions to the National Health Insurance Scheme (NHIS)
- » Contributions under the Pension Reform Act
- » Interest on loans used to develop an owner-occupied residential house
- » Life insurance premiums or annuities paid for the individual or their spouse
- » Rent relief equal to 20% of the annual rent paid, capped at ₦500,000 whichever is lower, and subject to full disclosure of rent and other prescribed details.

- The Act also introduces new tax rates for individuals ranging from 0% to 25% as follows:
  - » First N800,000 at 0%;
  - » Next N2,200,000 at 15%;
  - » Next N9,000,000 at 18%;
  - » Next N13,000,000 at 21%;
  - » Next N25,000,000 at 23%; and
  - » Above N50,000,000 at 25%.
- Individuals earning minimum wage in line with the Minimum Wage Act are exempted from income tax.
- Compensation or damages up to ₦50,000,000 for personal injury, professional injury, loss of office, libel, slander, or enticement are not taxable as chargeable gains. Only amounts exceeding ₦50,000,000 would be treated as a chargeable gain and subject to tax.

Economic Development Incentive

- The NTA repeals the Industrial Development Act and replaces the Pioneer Status Incentive (PSI) with the Economic Development Incentive (EDI). The EDI aims to stimulate capital investments in defined priority sectors, focusing on actual performance rather than blanket tax holidays.
- The EDI introduces key features such as
  - » The implementation of 5% Economic Development Tax Credit (EDTC) on QCE per annum for 5 years (priority period), offsetting CIT payable
  - » Unused EDIC can be carried forward for up to 5 years.
  - » Possibility of a one-time 5-year extension if 100% of profits are reinvested, though clarity is needed on whether the 5% EDTC applies during the extension.

Capital Allowance

- Capital allowance on qualifying capital expenditure is no longer split into initial and annual allowances. Instead, a straight- line allowance is now applicable on assets categorized into either of the three classes: Class 1, 2 & 3 of Table 1 of the First Schedule of the NTA.
- Intangible assets expenditure and software expenditure can now claim capital allowance under rates specified for Class 1 & 3 of Table 1 of the NTA respectively.

Digital Compliance & E-invoicing

- The Acts mandate VAT focalization, requiring taxpayers to adopt e-invoicing systems linked to the NRS for real-time transaction monitoring.

- Profits or gains arising from transactions in digital or virtual assets are now classified as chargeable gains and will be subject to tax under the rules applicable to chargeable assets.
- A National Single Window platform will integrate tax filings and payments, facilitating ease of doing business and reducing tax gaps.

Tax Dispute Resolution Enhancements

- The Office of the Tax Ombud will serve as an independent and impartial arbiter for review and resolution of disputes between taxpayers and tax authorities, improving fairness and reduced protracted litigation.
- The Tax Appeal Tribunal is reconstituted with jurisdiction over all federal and state tax disputes, promising faster and more effective resolution.

New Compliance Obligations for Virtual Asset Service Providers (VASPs)

- Businesses involved in virtual asset exchanges, custody, or management are required file detailed returns on virtual asset transactions, even without formal notification from tax authorities.

Additional Assessments

- The NTA provides that the relevant tax authority may continue a tax audit and raise additional assessments beyond the six-year limitation period, provided that the audit commenced before the expiration of that period. This ensures that ongoing audits can be concluded properly, and any further tax liabilities discovered during the process can still be assessed.
- The NTA also provides that the relevant tax authority is now required to respond to a tax payer's objection notice within 90 days. Where no response is provided within this period, the objection shall be deemed upheld in favour of the taxpayer.

Mandatory Disclosure of Tax Planning Arrangements

- The new framework introduces a proactive disclosure requirement for taxpayers engaging in tax planning arrangements aimed at securing a tax advantage. Any person who enters or intends to enter into a transaction or agreement primarily designed to confer a tax benefit must, without notice or request, disclose relevant details to the appropriate tax authority.

The tax authority is empowered to issue regulations detailing:

- » The type of information to be disclosed, The format and method of submission,
- » The timeline for disclosure, and
- » Applicable penalties for non-disclosure, false disclosure, or late/ incomplete submissions.

> *"Tax advantage" is broadly defined to include the reduction, deferral, or avoidance of tax liabilities or obligations, and applies to any transaction, scheme, or arrangement undertaken to achieve such benefits.*

Filing of Tax Incentives Return

- Taxpayers (both individuals and corporate) are now required to file Annual Tax Incentive Returns including those under the Economic Development Incentive (EDI) regime and other sector-specific reliefs. This filing is in addition to the regular annual tax returns and must cover all income tax and incentives not generally available to all taxpayers.

Stricter Penalties and Offenses

The reform enhances the penalty regime for tax non-compliance with higher fines and clearer offenses.

A. Penalties applicable to companies (excluding those engaged in petroleum operations):

S/N	Offence	Penalty
1	Failure to register for tax	₦50,000 for first month + ₦25,000 for each subsequent month
2	Awarding contract to unregistered person	₦5,000,000
3	Failure to file returns / incomplete or inaccurate returns	₦100,000 for first month + ₦50,000 for each subsequent month
4	Failure to keep books and records	₦10,000 (individual); ₦50,000 (company)
5	Failure to grant access for deployment of technology	₦1,000,000 first day + ₦10,000 each subsequent day
6	Failure to use fiscalisation system	₦200,000 + 100% of tax due + interest at CBN MPR
7	Failure to deduct tax	40% of amount not deducted
8	Failure to make attribution / notify	₦1,000,000
9	Failure to remit tax deducted or self-account	Amount not remitted + 10% per annum penalty + interest at CBN MPR; also imprisonment up to 3 years or fine up to 50% of sum
10	Failure to respond to notices / demands	₦100,000 first day + ₦10,000 each subsequent day
11	Failure to supply info / records	₦200,000 first day + ₦10,000 each subsequent day
12	Failure to comply with info obligations (legal arrangements)	₦1,000,000 first day + ₦10,000 each subsequent day
13	VASP non-compliance	₦10,000,000 first month + ₦1,000,000 each subsequent month or license suspension/revocation
14	Failure to stamp dutiable instruments	10% of unpaid duty + interest at CBN MPR
15	Failure to disclose facts in dutiable instrument	₦100,000 admin penalty or ₦50,000 fine + 3 years jail or both
16	Failure to notify change of address	₦100,000 first month + ₦5,000 each subsequent month
17	Fraud in relation to stamps	₦2,000,000 fine or up to 3 years jail or both
18	Offence by authorised/unauthorised persons (e.g. fraud, embezzlement)	200% of sum or up to 3 years jail or both
19	Inducement of authorised officer	₦500,000 (individual); ₦2,000,000 (body corporate) + up to 3 years jail or both
20	Use of weapon in offence	Up to 5 years jail; injury: up to 10 years jail
21	Impersonation of authorised officer	₦1,000,000 fine or up to 3 years jail or both
22	Aiding and abetting	₦1,000,000 fine or up to 3 years jail or both
23	Obstruction	₦1,000,000 admin penalty + ₦1,000,000 fine or up to 3 years jail or both
24	Unauthorised disclosure of taxpayer info	₦1,000,000 fine or up to 3 years jail or both
25	False claim of tax refund	50% of refund + interest + recovery of refund
26	False/fictitious VAT refund claim	100% of refund + interest + recovery of refund
27	Default in payment of mineral royalties	10% penalty + interest (SOFR + 10% for FX, CBN MPR for Naira)
28	False declaration	₦1,000,000 admin penalty + tax undercharged or ₦1,000,000 fine + up to 3 years jail
29	Counterfeiting documents	₦1,000,000 admin penalty + ₦1,000,000 fine or up to 3 years jail
30	Offence by body corporate (responsible officers)	Same penalty as individual unless no knowledge/consent
31	General contravention without specific penalty	₦1,000,000 admin penalty or up to 3 years jail or both

Conclusion

The Nigerian Tax Reform Acts are more than an administrative update; they are a blueprint for a modernized tax ecosystem. While the scale of the instituted changes may appear daunting, it presents forward-thinking businesses with a timely opportunity to streamline operations, reinforce transparency, and rethink tax governance in a way that adds long-term value.

Delaying tax readiness could expose your organization to compliance risks, revenue leakage, and reputational concerns especially with the rise of fiscal digitalization, mandatory disclosures, and enhanced regulatory scrutiny.

At Stransact Chartered Accountants, we are committed to helping clients transition confidently into the post-reform environment. Whether through impact assessments, compliance restructuring, or executive workshops, we offer the insight and support necessary to align your tax strategy with evolving national and global expectations.

> *To better understand how these reforms impact your specific industry, structure, or compliance obligations, reach out to our experts at info@stransact.com to schedule a tailored tax impact assessment or executive strategy session.*

Disclaimer

This article is based on the version of the Nigeria Tax Act, Nigeria Tax Administration Act, Nigeria Revenue Service Establishment Act, and Joint Revenue Board Establishment Act currently in circulation. As of the time of publication, these Acts have not been officially gazetted.

> *Consequently, interpretations provided herein may be subject to change upon official gazetting or further regulatory guidance. Businesses are advised to seek professional advice tailored to their specific circumstances.*