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PROFESSIONAL INSIGHTS

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NIGERIA TAX ACTS

REPOSITIONING NIGERIA'S TAX ECOSYSTEM FOR THE FUTURE

Introduction

The long-debated Nigeria Tax Reform Bills were signed into laws by the President, Bola Ahmed Tinubu, on Thursday June 26, 2025. The new Acts are the Nigeria Tax Act (NTA), The Nigeria Tax Administration Act (NTAA), The Nigeria Revenue Service Act (NRSA) and the Joint Revenue Board Act (JRBA). The Acts will extensively impact the Nigerian tax practice and administration, enhance revenue generation, promote friendly business environment and ultimately drive economic growth and development. The Acts did not specify the commencement date however; the Presidential and Fiscal Tax Policy members have stated at various fora that the commencement date shall be 1st of January 2026.

KEY CHANGES INTRODUCED BY THE ACTS

The key changes introduced by the Acts are highlighted below:

Exemption of Small Companies from Taxes

NTA 2025 redefines small companies as companies with annual turnover not exceeding ₦100 million and fixed assets not

exceeding ₦250 million except for professional service firms. Small companies are exempted from Companies Income Tax, Capital Gains Tax, development levies, and minimum effective tax rate

adjustments. However, they are still required to register, keep records, and file tax returns in line with the provisions of NTAA.

Returns by Taxable Persons

The NTAA 2025 provides for tax returns filing as follows:

- Employers' annual returns on emoluments paid to employees – retained as on or before 31st January each year.
- Individual annual returns hitherto filed on or before 31st March each year - not specified
- Quarterly returns by Banks and Other Financial Institutions (Insurance, Stock Brokering Firms etc.) on cumulative transactions of ₦25 million or more in a month for individuals and ₦100 million or more in a month for corporate bodies. The Act did not specify the due date of filing the quarterly returns.
- Companies Income tax returns – retained as six (6) months after the year end.
- Returns on Petroleum Royalties - due by the 14th of the following month.
- Monthly returns on

mineral royalties, non-resident shipping and airline companies - due on or before 21st of the following month.

- Petroleum license holders must also file annual returns for royalties paid - not later than five months after the end of the accounting period.
- Monthly VAT returns – retained as on or before 21st of the month following the month of transaction.
- Monthly withholding tax returns – on or before 21st of the month following the month of transaction for companies and 30th of the month following the month of transaction for individuals.

However, small businesses are exempted from charging, collecting, and filing VAT and WHT returns.

Tax Refund

NTAA 2025 clearly introduces the process for tax refunds. For VAT refund, application must be made not later than twelve (12) months after the transaction

giving rise to such refund and no tax audit is required before a refund is made to the taxpayer. However, for other taxes, a claim for a refund must be made within six (6) years after the year(s) of assessment to which the refund relates, but a refund will only be made after the conclusion of an audit by the relevant tax authority.

Economic Development Tax Incentive

NTA introduces the Economic Development Tax Incentive (EDTI) to support priority sectors. It replaces the Pioneer Status Incentive under the Industrial Development (Income Tax Relief) Act. The Act outlines eligibility criteria, the duration of the EDTI, and additional incentives available to businesses after using the EDTI. Generally, the duration of the EDTI is for initial period of 5 years, renewable for an additional five (5) years subject to investing 100% of the profit back into the sector. Each of the sectors has EDTI lifespan, which ranges from ten (10) years to twenty (20) years.

Use of Accredited Tax Agents

NTAA 2025 allows taxpayers to represent themselves or appoint a tax agent accredited by the relevant tax authority for compliance purposes. It also outlines the accreditation requirements for tax agents. This means that the returns and other tax related matters of the taxpayer with the tax authority can only be carried out by the taxpayer itself or its accredited tax agent.

Harmonization, Issuance of Tax Identification (Tax ID) and Registration

NTAA 2025 mandates all taxable persons, including individuals and entities, to register with the relevant tax authority and obtain a Taxpayer Identification Number (Tax ID). This requirement extends to all Ministries, Departments, and Agencies (MDAs) at the Federal, State, and Local levels. The Tax ID must be included in all tax-related correspondences, transactions, and contracts involving any MDA across the three tiers of government to ensure proper tax compliance. Non-resident persons who derive only

passive income from investment will not be required to register for tax in Nigeria.

Introduction of the Office of the Tax Ombud

The Joint Revenue Board (Establishment) Act, 2025, creates the Office of the Tax Ombud as an independent body to handle taxpayer complaints, promote fairness, and report systemic tax issues. The Office also serves as an independent arbiter to review and resolve disputes between taxpayers and tax authority through mediation or conciliation as an alternative to formal legal proceedings.

Introduction of Joint Tax Audit and Exchange of Information

JRBA 2025 establishes a framework for joint tax audits and information sharing among tax authorities in Nigeria. It provides for creation of a unified platform for data exchange and supports collaboration on audits, research, and tackling tax fraud and evasion.

Introduction of a Minimum Effective Tax Rate (METR)

NTA 2025 introduces a 15%

Minimum Effective Tax Rate (METR) to curb profit shifting. The rate applies to a constituent entity of a Multinational Enterprise (MNE) group and any other company with an aggregate turnover of ₦20 billion and above in the relevant year of assessment. This implies that there is no more Minimum Tax burden for companies not falling within the category above. The base for applying METR is the net profits before tax as reported in the audited financial statements less 5% of depreciation and personnel cost for the year.

Disclosure of Tax Planning Arrangements

NTAA requires companies to voluntarily disclose any tax planning arrangement that results in a more favorable tax position, including those that reduce, deter, or avoid tax liabilities, increase refunds, or bypass obligations. This is an anti-avoidance tax provision in addition to the minimum effective tax rate of 15% specified by the NTA.

Effect of Non-Payment of VAT and Import Duty on Expenditure

NTA 2025 prohibits deduction from chargeable profits any expense on which VAT is due but was not charged, or in the case of which the applicable import duty or levy was not paid. imported items, any expense on which the applicable import duty or levy was not paid.

Similarly, claims for capital allowance will also not be permitted on any capital expenditure on which VAT is due but not charged or on imported items on which applicable imported duties were not paid.

Qualifying Expenditure Categorization, Rates and Capital Allowance Claim

NTA 2025 has streamlined classification of qualifying capital expenditure; claim for initial allowance is no longer available. Claims for capital allowance on qualifying capital expenditure is only permitted by way of annual allowance ranging from 10% to 25% for

companies other than those in Petroleum operations while the 1% retention for those in petroleum operations have been removed.

Tax on Nigerian Dividend

NTA broadens the definition of dividends to include bonus shares, debentures, securities, and compensating payments in securities lending. However, dividend received by way of bonus shares shall not be included as part of Chargeable Income and will also not be subject to tax deductible at source (WHT).

Tax on Certain Undistributed Profits

Undistributed profits in a company controlled by five or fewer individuals may be treated as distributed, included as part of taxable income in the hands of the individual shareholders and taxed accordingly.

Also, if a company declares dividend without adequate taxable profits, the entire

dividend will be taxed as profit. However, dividend from previously taxed retained earnings, exempt profits, franked investment Income, and real estate investment companies are exempt from this substitution tax. This is a restatement of Section 19 of repealed CITA.

Expansion of Tax Base of Resident Nigerian Company with Controlling Interest in Foreign Company

NTA 2025 provides that the RTA may treat Undistributed profit of a non-resident company controlled by a Nigerian company as distributed and include it as part of profit of the Nigerian company.

Also, it provides that where the income tax paid by a non-resident company which is a subsidiary of a Nigerian company or a member of a multinational group of a Nigerian company in any year yields less than the METR, the Nigerian parent company shall pay the difference between the tax paid by the non-resident company and the METR.

Taxation of Non-Resident Companies

NTA 2025 provides that the income, profits or gains of a non-resident person accruing in, or derived from Nigeria are chargeable to tax. Also, profits derived from any trade, business, profession or vocation carried on by a non-resident person are taxable in Nigeria where the person has Significant Economic Presence (SEP) or Permanent Establishment (PE) to include digital and remote services.

The Act enforces minimum tax thresholds, profit-based attribution, and monthly compliance, offers alternative profit rules for foreign shipping and Air transport firms, and makes WHT on dividends to non-residents final and non-refundable.

Taxation of Approved Enterprise in Export Processing and Free Trade Zones

NTA 2025 introduces key reforms including conditional tax exemptions for Export Processing and Free Trade Zones. The profit of companies operating within the zone will be exempted from tax except where more than 25% of their goods or services are sold to customs territory in

Nigeria in which case the exemption will be proportionately applied. However, effective from 2028 year of assessment, profit made by companies operating in free trade zone from sales in the custom territory shall be taxed irrespective of the sales to the total sales.

Introduction of Consolidated Development Levy

The newly enacted NTA 2025 introduces a 4% development levy on the assessable profits of all taxable companies, excluding small and non-resident companies. This levy consolidates several existing levies, including the Tertiary Education Tax, NITDA Levy, NASENI Levy, and the Police Trust Fund.

Returns for Surcharge & Virtual Assets Service Providers (VASPs)

NTAA 2025 requires taxable persons to submit chargeable duty returns by the 21st of the following month, except for foreign exchange transactions, which must be reported within seven days. It emphasizes proper record-keeping and transparency.

Additionally, Virtual Asset Service

Providers (VASPs) must file returns, with or without notice, beyond the initial submission requirements. The VASPs are those engaged in the exchange, custody or management of virtual assets such as cryptocurrencies, tokens, digital collectables, amongst others.

Common Penalties under Taxation of Persons

NTAA 2025 significantly increases penalties for non-compliance and introduces new ones. Key updates include a higher penalty for failure to file returns is ₦100,000 in the first month and ₦50,000 for each subsequent month. New penalties include ₦5,000,000 for awarding contracts to unregistered entities, as well as penalties for obstructing technology deployment and attempting to influence tax officers.

Removal of Restriction of Input VAT Recovery from Taxable Supplies

NTA 2025 has now introduced input tax claims on services and fixed assets provided that such supplies are consumed, utilized, or supplied while making taxable supplies.

Expansion of Zero-Rated Goods and Services

NTA 2025 has expanded the zero-rated goods and services by adding the following taxable supplies:

- Basic food items;
- All medical and pharmaceutical products including medicinal herbal products;
- Educational books and materials;
- Fertilizers
- Locally produced agricultural chemicals;
- Medical services
- 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)

Value Added Tax (VAT) Fiscalisation System

The NTA and NTAA introduces a mandatory electronic fiscal system, requiring businesses to implement the tax authority's VAT Fiscalisation and e-invoicing system for compliance and reporting.

Imposition of Tax on Income, Profit and Gains

NTA 2025 provides for taxation of income, profits and gains derived from Nigeria by individuals, companies, and other entities. Chargeable gains hitherto taxed at the rate of 10% under the Capital Gains Tax Act will now be taxed along with other income and profits at the rate of 30% for companies and at the graduated rate for individuals

Chargeable Gains and Applicable Tax Rate

NTA 2025 expands the definition of chargeable assets to include virtual assets. The chargeable gain from the disposal of shares in a Nigerian company is exempted from tax if the aggregate proceeds is less than ₦150 million (previously ₦100 million) and the

chargeable gain does not exceed ₦10 million within any 12-month period. It has also increased the exemption of compensation for loss of office from employment from N10 million to N50 million. Additionally, chargeable gains are now assessed to tax along with other incomes and profits at the rate of 30% for companies and graduated rates for individuals. Other changes include amongst other the exemption of gifts from chargeable gains, adoption of tax written down value in place of cost for the computation of chargeable gains on qualified capital expenditure.

Taxation of Individual Persons, Rate of Tax, and Eligible Deductions

NTA 2025 introduces a progressive personal income tax system with rates ranging from 0% to 25%. The income band has also been adjusted, and the new income and applicable tax rates are as follows:

New Tax Band	New Tax Rate	Cumulative Tax (₦)
First ₦800,000	0%	0
Next ₦2,200,000	15%	330,000
Next ₦9,000,000	18%	1,950,000
Next ₦13,000,000	21%	4,680,000
Next ₦25,000,000	23%	10,430,000
Above ₦50,000,000	25%	

An individual with Chargeable Income of ₦800,000 and below will now be exempted from tax. The CRA is no longer applicable while a rent relief in respect of rent paid to landlord will be granted at the lower of ₦500,000 or 20% of their annual rent if properly declared and documented.

The marginal tax rate on taxable income in excess of ₦50 million is 25%.

Simplification of Stamp Duties Rules

The NTA 2025 now provides a uniform timeframe for stamping instruments. Under the new provision, instruments must be stamped not later than 30 days after their execution by the person liable to pay the appropriate duty.

NTA now has a clearer list of dutiable instruments, exempted instruments, person liable to pay stamp duty and updated stamp duty rate on each dutiable instrument.

Establishment of Nigeria Revenue Service (NRS)

NRSA replaces the FIRS with the NRS and repeals the Federal Inland Revenue Service Establishment Act (FIRSEA) 2007. The NRS is empowered to collect all revenues, taxes and levies accruable to the government of the Federation (Federal, State and Local government). In addition, NRS will collaborate with other international government revenue authorities and international bodies to discharge its mandate.

Renaming of Joint Tax Board (JTB) to the Joint Revenue Board

The Joint Revenue Board Act (JRBA) has now renamed the Joint Tax Board as the Joint Revenue Board. The Board will operate on part-time basis and focus on unifying taxpayer data, resolving tax disputes, advising on fiscal matters, and supporting tax reforms.

Tax Jurisdiction, Relevant Tax Authority and Functions

The Nigeria Tax Administration Act (NTAA) 2025 establishes a unified tax administration framework, aiming to streamline the country's tax system. It designates the Nigeria Revenue Service (NRS) as the sole authority responsible for administering taxes on companies, federal security personnel (excluding civilians), officers of the Nigerian Foreign Service, and non-residents earning income from Nigeria or employed without residency in any Nigerian State.

Also, it authorizes Tax Authorities of States and of the Federal Capital Territory (FCT) to administer, impose, assess and collect taxes on individual residents in their respective territories. These authorities and

functions hitherto existed under the Federal Inland Revenue Establishment Act and PITA.

Deployment of Technology

NTAA 2025 introduces automated tax administration using technology to streamline processes such as assessment, collection, accounting, and data gathering. This system aims to reduce errors, fraud, and inefficiencies while giving taxpayers real-time access to their records and improving overall compliance.

Distribution and Transfer of Tax Revenue for Refund

NTAA 2025 mandates that the relevant tax authority submit a summary schedule of taxes collected and tax refund claims to the Accountant-General of the Federation or State within seven (7) days after the end of each month.

Integration and Maintenance of National TIN Database

JRBA provides for the creation and maintenance of a centralized TIN database for all taxable persons in Nigeria, requiring collaboration among Federal, State, and Local tax authorities.

VAT Revenue Distribution

NTAA 2025 revises the VAT revenue sharing formula, allocating 10% to the Federal Government (down from 15%), 55% (previously 50%) to State Governments and the FCT, and 35% to Local Governments. The States' and LGAs' share is further distributed as 50% equally, 20% by population, and 30% by place of consumption.

CONCLUSION

In conclusion, the NTA, NTAA, NRSA and JRBA form a strategic blueprint to reposition Nigeria's tax ecosystem for the future. While ambitious in scope, their success will ultimately rest on implementation, stakeholder engagement, and consistent policy execution. Meanwhile, taxpayers need to get themselves prepared for the full implementation of these Acts. There is a need for self-assessment, proper planning, capacity building, internal policy formulation, internal stakeholders' engagement, industry-wide collaboration and engagement, expertise advice and supports amongst others.





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