



# **Series on the Tax Reform Acts 2025:**

**What is New and What  
You Should Know**

**Part  
1**

## 1. Introduction

If you read our [publication](#) of 1st July 2025, we mentioned that the tax reform bills had become law following receipt of presidential assent on 26th June, 2025. We indicated in that publication that we were expecting the final versions of the Tax Reform Acts to be gazetted and made available to the public and that once we receive the gazetted versions of the laws, you can expect from us a general review on the implications of the Tax Reform Acts for businesses, individuals, partnerships, foreign entities, non-profits and the economy at large.

While there are gazetted versions of the Tax Reform Acts circulating in the public, we understand that the gazetted versions have not been officially released by the Federal Government of Nigeria and that the release will be done by the government through its official websites and social media handles soon.

We understand there may be some differences between the gazetted versions in circulation and the official ones. For instance, the commencement dates may differ.

## 2. The Tax Reform Acts and Their Commencement Dates

As you may already know, the Tax Reform Acts are the:

- (a) Nigeria Revenue Service (Establishment) Act, No. 4, 2025, with a commencement date of 26th June, 2025 (the “NRSEA”);
- (b) Nigeria Tax Administration Act, No. 5, 2025, with a commencement date of 26th June, 2025 (the “NTAA”);
- (c) Joint Revenue Board of Nigeria (Establishment) Act, No.6, 2025, with a commencement date of 26th June, 2025 (the “JRBEA”); and
- (d) Nigeria Tax Act, No. 7, 2025, with a commencement date of 1st January, 2026 (the “NTA”).

Except for the NTA, the first three laws are already effective (based on the versions of the Tax Reform Acts in circulation) and operational, but the full implementation of those laws is expected to commence on 1st January 2026, along with the commencement of the NTA. However, based on our engagement with the relevant authorities, we understand that the commencement date in the gazetted versions to be published officially will be

1st January 2026. We expect various relevant persons empowered under the Tax Reform Act to issue guidelines, regulations, circulars, directives, etc., on the implementation of the various provisions of the laws.

## 3. Key Provisions

We will now summarise below the key provisions of the Tax Reform Acts as follows:

### 3.1 The NTA – Imposition of Taxes and Related Matters

The NTA consolidates and modernises Nigeria's tax framework by repealing over 12 tax laws, amending the fiscal provisions of 17 others, and streamlining provisions into a single legislation to enhance simplicity, transparency, and efficiency. The NTA has now codified the taxation of all businesses, individuals, partnerships, foreign entities, etc. into a single legislation. Some of the key provisions include:

#### Expanded definitions:

The NTA expanded existing definitions and introduced new ones, which have implications for tax assessment, deductions etc. Some of these are:

- **Company:** This is now expressly defined to mean a company or corporation, including a limited liability partnership, established by or under any law in effect in Nigeria or elsewhere. This effectively means that Limited Liability Partnerships (“LLPS”) are formally recognised as companies for the purposes of taxation in Nigeria.
- **Interest:** Now includes penal interest, share of profit in non-interest finance arrangements, discounts, returns on discounted instruments, fees, premium, finance cost element in finance leases, foreign exchange differences on securities, and payments related to derivatives used in hedging securities, or any other payment of a similar nature.
- **Dividend:** For liquidating companies, the definition does not expressly exclude distributions of a capital nature as was previously the case, presupposing that such distributions could be taxed as dividends.
- **Royalty:** Not previously defined, but now defined as payments of any kind received or receivable, paid or payable for the use or right to use/exploit any property.



### Taxation of Nigerian Companies:

Companies are liable to income tax on their taxable profits based on various methods of assessment. In this regard, the following principles will now apply to the taxation of companies:

- **Controlled Foreign Corporation (“CFC”) Rules:** This concept taxes the undistributed profits of foreign subsidiaries of Nigerian companies deemed distributable, to counter profit-shifting. You can read our earlier publication on this [here](#).
- **Minimum Effective Tax Rate (“ETR”):** To align with OECD BEPS Pillar 2 and prevent profit-shifting to low-tax jurisdictions, a minimum ETR at the rate of 15% applies to (i) any Nigerian parent company of a foreign subsidiary with a turnover  $\geq$  ₦20 billion where the foreign subsidiary's tax liability in Nigeria is less than an ETR of 15%; or (ii) a constituent entity of a multinational enterprise (“MNE”). The Nigerian parent company will pay the shortfall to attain the ETR at the rate of 15%.
- **Income Tax Rate and Includes Capital Gains:** The NTA retains the companies income tax (“CIT”) rate at 30% and increased the rate for the taxation of capital gains from 10% to 30%.
- **Proceeds from the sale of shares:** The sale of shares in Nigerian companies is exempted from tax if proceeds are  $<$  ₦150 million, gains  $<$  ₦10 million in 12 months, or proceeds are reinvested in Nigerian shares within the same year. If none of these apply, the gains will be liable to tax at the rate of 30%. Small companies with a turnover of  $\leq$  ₦50 million and fixed assets of  $\leq$  ₦250 million are exempt from tax.
- **Taxes Indirect Transfers of Shares:** Shareholders in foreign companies that hold shares in Nigerian companies and dispose of their shares in such foreign companies could be liable to tax in Nigeria at a rate of 30% of the gains derived from the sale of those shares, subject to certain conditions discussed in our earlier publication [here](#).
- **Imposition of a Development Levy:** The NTA consolidates various taxes and levies like the Tertiary Education Tax, the National Information Technology Development Agency Levy, National Agency for Science and Engineering Infrastructure Levy, etc into a 4% levy on assessable profits of taxable Nigerian companies, other than small companies and non-resident companies.





- **Taxation of Free Zone entities:** Their profits are exempt from tax if all sales are from the export of their goods and services or inputs for export production, and  $\leq 25\%$  of sales are to Nigeria's customs territory annually. Any sales above 25% to Nigeria's customs territory will be taxed proportionately. From 1st January, 2028, however, income from all sales to the customs territory will be taxable.
- **Exemption of Foreign Income from Tax:** All dividends, rent, interest or royalties earned by Nigerian residents offshore and brought into Nigeria through approved channels will remain exempt from tax in Nigeria.

#### Non-Resident Persons (NRPs):

- The domestic source rules now mirror language in various double taxation treaties effective in Nigeria. Hence, the concept of permanent establishment ("PE") has been imported into the NTA. Sales outlets, offices, mines, construction, assembly and installation sites, etc, now qualify for PE under the domestic source rules.
- Only expenses related to profits from a Nigerian PE are deductible; royalties and similar payments are non-deductible.
- If profits are unascertainable, the National Revenue Service ("NRS") is empowered to apply a profit margin to Nigerian income, with a minimum tax of 4% of total income or withheld tax, whichever is higher.

#### Taxation of Individuals and Partnerships

- **Changes to the Tax Rates:** Individuals and individual partners in general or limited partnerships are still taxed progressively, but the rates have changed. The new personal income tax ("PIT") rates are: (a) First ₦800,000 at 0%; (b) Next ₦2,200,000 at 15%; (c) Next ₦9,000,000 at 18%; (d) Next ₦13,000,000 at

21%; (e) Next ₦25,000,000 at 23%; and (f) Above ₦50,000,000 at 25%. This means that the marginal PIT rate is now 25%.

- **The Rent Relief:** The Consolidated Relief Allowance ("CRA") of 20% of gross income and the higher of 1% of gross income or ₦200,000 has been scrapped and replaced with a rent relief. The rent relief is the lower of ₦500,000 or 20% of the annual rent paid. This is only deductible where there is proof of actual rent paid. Homeowners who are occupying their own homes are ineligible. This increases the effective tax burden for individuals.
- **Fees and Commissions Earned Abroad Now Taxable:** Fees and commissions earned by Nigerian residents from outside Nigeria, which used to be exempt from income tax if received through government-approved channels, are now taxable in Nigeria, regardless of where or how they are received.
- **LLPs:** They are now clearly taxable as companies because the definition of company includes a limited liability partnership, established by or under any law in force in Nigeria or elsewhere. We will publish a separate publication on partnerships generally.

#### Tax Deductibility Principles:

- Expenses must be "wholly and exclusively" incurred for income production to be allowable for tax purposes. The NTA has removed "reasonably" and "necessarily" from the assessment criteria to reduce disputes. This has narrowed the scope of allowable deductions.
- Foreign currency expenses are deductible only at the official exchange rate, potentially penalising businesses that may be sourcing forex at higher rates from the unofficial parallel market.





- Expenses incurred for which Value Added Tax (“VAT”), where applicable, was not charged or paid are non-deductible, holding companies accountable for suppliers’ non-compliance with VAT obligations.

#### VAT Provisions:

- The NTA has broadened recoverable input VAT to include services and fixed assets used for taxable supplies.
- Mandates electronic fiscal systems (e.g., e-invoicing) for VAT compliance, raising concerns about cybersecurity, costs, and SME burdens.
- Zero-rated supply producers must now pay VAT upfront and seek refunds, creating cash flow issues. Some previously exempted supplies are now zero-rated, meaning suppliers may be eligible for VAT refunds.
- Includes provisions empowering the NRS to appoint a person to issue an invoice on behalf of another supplier, potentially impacting digital platforms and intermediaries.

#### Changes to Tax Incentives:

- **Exemptions on Interest Expunged:** The tax exemption on interest on foreign loans and loans by banks to persons engaged in primary agricultural production, agricultural trade or business, etc, has been expunged.

- **Agricultural Businesses:** There is now a five-year income tax exemption for businesses engaged in crop production, livestock, aquaculture, etc.
- **Research and Development (“R&D”) Cost:** This is now deductible at 5% of turnover (previously 10% of profits). Companies engaged in the commercialisation of R&D used to enjoy a 20% investment tax credit on their qualifying expenditure for that purpose, but not anymore.
- **Economic Development Incentive (EDI):** This has replaced the Pioneer Status Incentive (PSI) with a 100% tax credit on the tax payable on income from priority sectors. EDI includes sector-specific thresholds, sunset clauses, and separate record-keeping.

### 3.2 The NTAA: Assessment, Collection and Administration of Taxes

The NTAA establishes a uniform procedure for tax assessment, collection, and enforcement across federal, state, and local governments.

It defines the jurisdiction of tax authorities (NRS, State Internal Revenue Services (“SIRS”), and the FCT-IRS) to administer specific taxes, including income tax, stamp duties, and tax incentives. It also makes provision for registration with the tax authorities.

#### Some Key Provisions

The NTAA makes significant changes on the processes for administering the various taxes including penalties and enforcement procedures. Some of its key provisions are:



## Registration Requirements

- **Registration of Persons:** Each taxpayer is required to register with the relevant tax authority and obtain a Tax Identification Number ("TIN").
- **Exemption for Registration as a Non-Resident Person:** Non-resident persons earning active income in Nigeria are generally required to register with the NRS and obtain a TIN. Non-resident persons with passive income may, however, be exempt from registration for a TIN but must provide prescribed information to the NRS.
- TIN is a prerequisite for government contracts and financial services transactions by taxpayers.

## Filing Returns

The NTAA now includes specific provisions requiring various entities to file returns with prescribed details. For instance:

- **Virtual Assets Service Providers ("VASPs"):** These are required to file monthly returns with transaction and customer details.
- **Financial institutions:** These are required to file quarterly returns for transactions of certain thresholds. For individuals, the threshold is ₦25 million or more, while for corporate entities, the threshold is ₦100 million or more.

- **Disclosing Tax Planning Documents:** The NTAA requires taxpayers to disclose tax planning strategies, agreements or documents to the NRS without notice. This tends to ignore attorney-client privileges of such tax planning documents, where they are prepared by lawyers. A taxpayer could waive that privilege and disclose the required information.

## Tax Audits and Investigations

The NTAA retains the 6-year limitation period but amends the bases for extending reviews or investigations beyond 6 years. Under the old regime, the tax authority could investigate a company beyond the 6-year period if the tax authority suspected fraud, wilful default or neglect on the taxpayer's part. Under the NTAA, the 6-year limitation period can only be exceeded where there is a deliberate misstatement by a taxable person in connection with any tax imposed under the NTA or any other tax law. This should be a huge relief to taxpayers as they may no longer be subjected to endless audit exercises, which usually cause disruptions to operations and loss of manpower and resources.



## Advance Tax Rulings

The NTAA now recognises that a relevant tax authority can issue tax rulings. Such an advance ruling will be for the purpose of clarity, consistency and certainty regarding the interpretation and application of any tax law. The ruling should not constitute an amendment or replacement of the law. The tax authority is required to issue the advance ruling upon application by a taxable person within 21 days of the receipt of the application or give reasons in writing for inability to issue such a ruling. An applicant may be given an opportunity to make a representation to the tax authority. An applicant may withdraw the application before a ruling is issued, and a tax authority may reject the application on various grounds. Although the NTAA appears silent on the bindingness of such tax rulings, the NTAA provides that the effect of the ruling is limited to the applicant and the transaction in relation to which the ruling is given and that the ruling, which is rendered on a set of facts before the relevant tax authority, cannot be of general application. The relevant tax authority may withdraw or modify an advance ruling at any time and retrospectively if the ruling was fraudulently obtained. The effect of all these provisions is, in our view, that an advance ruling is binding on the tax authority that issued it unless it is revoked or modified.

## Settlement of Disputes

The NTAA includes provisions that allow the relevant tax authority to amicably settle tax disputes with taxpayers at any stage of the dispute and enter into binding settlement agreements with them. No mention is, however, made about the court's involvement. In practice, however, such settlement agreements are usually filed in court and adopted by the court as a consent judgment in cases already pending in court. The settlement of tax disputes shall not be considered where (a) the action by the taxable person concerned leading to the 'dispute' constitutes intentional tax evasion or fraud inimical to the government's revenue; or (b) it is in the public interest to have judicial clarification of the issue and the case will significantly promote taxpayer compliance with the relevant tax law.



## Definition of Commencement of Business

The term “commencement of business” has been incorporated into the NTAA and applies more broadly to businesses. It includes the earlier of when a person begins to market or first advertises its products or services for sale, executes its first trading contract after complying with incorporation or regulatory processes, issues or receives its first invoice, etc.

## Data Privacy and Confidentiality

Taxpayers' information shall be confidential. This is without prejudice to the provisions of any other law concerning data privacy, data protection and unlawful disclosure of taxpayer information. A person in an official duty or employed for the administration of the tax laws, and who has access to taxpayer information, shall regard and deal with such information as secret and confidential. In addition, a person who is in possession of or in control of any document, information or tax return of any taxable person shall not communicate, expose or reveal such document, information or tax return to any third-party without authorisation or in accordance with extant laws.

## Increased Penalties

The penalties are now significantly higher, ranging from ₦1,000,000 to ₦15,000,000, with certain administrative penalties resulting in over 40% interest on tax owed or not deducted. The prevailing Secured Overnight Financing Rate (SOFR) (or any successor rate) now applies to foreign currency tax liabilities, plus a margin of 10% (or such other spread to be determined by the Minister of Finance) from the date when the tax becomes payable until it is paid.

## Tax Refunds

Eligible tax refunds are to be made within 90 days of the decision by the relevant tax authority to pay the refund. For VAT refunds, the application must be made within 12 months of the transaction giving rise to the refund being concluded; otherwise, it lapses. The NRS has 30 days from receipt of the application for refund to refund the VAT or set it off against existing liabilities.

## Revised VAT Sharing Formula

VAT revenue distribution among the federal, state and local governments is 10% to the Federal Government, 55% to the States/FCT, and 35% to the Local Governments, based on equality (50%), population (20%), and consumption (30%). For the purpose of the sharing formula, consumption is determined by the place of consumption, irrespective of where the return is filed.

## What To Expect

We will release the second Part of these key innovations, which addresses key provisions of the NRSEA and the JRBEA. We will from time to time publish sectoral analyses to share our high-level thoughts on the application and implications of the Tax Reform Acts.

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