



TAX UPDATE

LAGOS STATE INTERNAL REVENUE SERVICE

**ISSUES PUBLIC NOTICES
ON THE ENFORCEMENT OF
KEY PROVISIONS OF THE
NIGERIA TAX
ADMINISTRATION ACT, 2025**





Introduction

Both the Nigeria Tax Act, 2025 and the Nigeria Tax Administration Act, 2025 (the “**NTAA**”) became effective on 1st January, 2026.

Following the coming into effect of the NTAA, on 21st January, 2026, the Lagos State Internal Revenue Service (“**LIRS**”) issued seven Public Notices to notify taxpayers, employers, financial institutions, and the public of the criteria for the enforcement of several key provisions of the NTAA.

This update summarises key points of each Public Notice and highlights what businesses and individuals in Lagos State should consider doing to manage their tax obligations.

1. **Public Notice on the Assignment of Outstanding Tax Debts for Collection from Third Parties**

In this Public Notice, the LIRS reiterated the provisions of Section 68 of the NTAA, which empowers it to assign the collection of outstanding tax debts of a taxpayer to a duly appointed third party where the taxpayer has failed to settle its tax liability after all statutory enforcement steps have been taken. According to the LIRS, third-party agents may include financial institutions, debt recovery practitioners, licensed collection companies, or other authorised entities.

The assignment of the debt to third parties neither relieves the taxpayer of liability nor limits the LIRS' enforcement powers to take additional actions where necessary. The taxpayer remains liable for the tax debt. Payments made to the appointed agents are considered payments to the LIRS, and the taxpayer remains liable for any balance not recovered by the agent.

Third-party agents appointed by the LIRS are required to notify the affected taxpayers of the assignment in a format to be prescribed by the LIRS, collect the outstanding tax debt and remit it through the LIRS e-Tax platform, maintain accurate records of all collections and engagements, and submit periodic reports to the LIRS.

Agents are required to apply fair and lawful collection practices and adhere to confidentiality requirements. Agents who fail to comply with the terms of the assignment may have their authorisation withdrawn and be held liable for any losses resulting from negligence or misconduct. An agent may object to its appointment.



2. Public Notice on the Power of Substitution

In line with section 60 of the NTAA, the LIRS noted that it has the power to issue a substitution notice directing any person holding money on behalf of, or owing money to, a taxpayer who has failed to pay an established final liability, to remit the funds to settle an outstanding tax liability.

This statutory power allows the LIRS to recover unpaid taxes directly from banks and other financial institutions, employers, tenants, debtors, agents, customers, business partners, or any other person holding funds due to the defaulting taxpayer. Amounts remitted under a substitution notice are treated as payment of the taxpayer's liability. Where there is any remaining balance of the tax debt, it will continue to be the responsibility of the taxpayer.

Persons served with a substitution notice are required to remit the specified funds without delay and provide evidence of compliance through the LIRS e-Tax platform. Banks are required, upon request by the LIRS, to report the taxpayer's available balances and any encumbrances. Where no funds are held or owed, the recipient must notify the LIRS in writing within the period specified in the substitution notice.

Recipients of such substitution notices have the right to object in writing to the notice within thirty days, specifying the grounds for objection. While the taxpayer remains liable for any unpaid balance not recovered under the substitution, failure to comply with the notice may result in the recipient being treated as liable for the specified amount, including the accrual of penalties and interest, and further enforcement action.

3. Public Notice on the Issuance of Administrative Penalties

By this Public Notice, the LIRS reiterates its powers under the NTAA to impose administrative penalties for non-compliance and contraventions of the applicable laws. Such non-compliance and contraventions include failure to register with the LIRS, late or non-filing of tax returns, late payment or non-payment of taxes, failure to deduct or remit taxes withheld or collected, submission of false or misleading returns, obstruction of authorised tax officers, failure to maintain proper records, and non-compliance with information requests issued by the LIRS.

Applicable penalties include monetary fines which amount may depend on several factors, including the: (a) nature and seriousness of the offence; (b) frequency of non-compliance; (c) amount of tax owed; (d) duration of default; and (e) whether the taxpayer voluntarily disclosed the default.



Taxpayers who voluntarily disclose defaults before detection by the LIRS may benefit from reduced penalties, provided that disclosures are complete, truthful, and accompanied by settlement of outstanding taxes and interest.

The LIRS will notify affected taxpayers through formal assessment notices, electronic communication, or other authorised means. Failure to comply with penalty notices may result in further enforcement action, including garnishment of bank accounts, distraint, enforcement of liens, or prosecution.

Nonetheless, taxpayers retain the right to request clarification on imposed penalties, apply for review, object to it within the statutory timelines, request for advance rulings, and explore dispute-resolution processes.

4. Public Notice on Treatment of Artificial Transactions under the NTAA

The LIRS issued this notice to emphasise, pursuant to section 46 of the NTAA, its powers to disregard or adjust any transaction or disposition that is artificial or fictitious, and which has the effect of reducing a taxpayer's tax liability. This would apply where the LIRS is satisfied that a transaction lacks economic substance or is not conducted at arm's length, particularly in dealings between related persons.

Where an artificial transaction is identified, the LIRS may issue a revised assessment to counteract the tax benefit obtained, with the taxpayer remaining liable for any additional tax including, if any, interest and penalties arising therefrom. Taxpayers are, therefore, required to ensure that transactions are commercially driven, properly documented, and reflective of economic reality, and to provide supporting documents upon request.

In addition, the LIRS used the notice to remind taxpayers of the requirement under the Income Tax (Transfer Pricing) Regulations, 2018, for taxpayers to disclose transactions with related parties. As such, the LIRS could exercise its power to demand the submission of transfer pricing documentation for transactions between a company and individual shareholders.

5. Public Notice on the Mandatory Use of Tax Identification Number in all Official and Transactional Documents

Section 8 of the NTAA requires taxpayers to use a tax identification number ("Tax ID") in all official and transactional documents. In furtherance of this, the LIRS confirms through this notice that it will enforce the mandatory use of Tax ID for all tax-related, financial, and government transactions. This requirement applies to all taxable persons, financial institutions, private sector entities, and Ministries, Departments, and Agencies ("MDAs"). The requirement extends to correspondence, filings, contracts, procurement processes, and other transaction documentation.



Consequently, a Tax ID must be stated on any return, notice, correspondence, or document submitted for tax compliance purposes and on documents prepared, produced or submitted in respect of a transaction.

The use of a Tax ID is also a mandatory condition for entering into any contract or participating in any procurement process with a Federal, State, or Local Government MDA.

All requests and application letters submitted to the LIRS or to MDAs are to include the Tax ID of the originating individual or organisation. Documents or correspondence submitted without a valid Tax ID may be treated as invalid and declined for processing.

Financial institutions and MDAs are prohibited from initiating or maintaining transactions or contractual engagements with any person or entity that does not have a valid Tax ID.

6. Public Notice on Taxpayers' Obligation to Notify the LIRS of any Change in Address or Particulars

The LIRS issued this Public Notice pursuant to section 9 of the NTAA which imposes an obligation on taxpayers to notify the LIRS of any change in their registration particulars within thirty days of such change.

This obligation covers changes in address, trading name, email address, registered address, contact details, ownership structure, business location, or material events such as mergers, acquisitions, or liquidations. Failure to notify the LIRS within the prescribed timeframe attracts administrative penalties.

In addition, taxpayers remain responsible for the consequences of inaccurate or outdated records, such as misdirected notices or delayed compliance processes, and must submit updated particulars through the LIRS e-Tax Portal, accompanied by relevant supporting documentation.

7. Public Notice on the Obligation to Declare Tax Planning Arrangements

In line with section 30 of the NTAA, the LIRS sets out in this notice its guidelines on taxpayers' disclosure of tax planning arrangements. Such disclosable arrangements include actions, transactions, structures, or a series of steps designed, marketed, or implemented to obtain a tax advantage or reduce a tax liability in respect of any tax administered by the LIRS.

According to the LIRS, taxpayers are to disclose arrangements that: (a) are artificial or contrived for the primary purpose of obtaining a tax benefit; (b) exploit loopholes or technical defects in tax laws to reduce liability; (c) shift income, profits, assets, or liabilities to jurisdictions or persons in a manner inconsistent with economic substance; (d) involve non-arm's-length dealings between



related parties: (e) convert taxable income into non-taxable income; or (f) defer or accelerate income or gains primarily to obtain a tax advantage.

The Public Notice, however, contains certain safe-harbour arrangements that do not require disclosure. Such non-disclosable arrangements include: (a) routine commercial transactions with genuine economic substance; (b) tax planning expressly provided for under law (for example, statutory exemptions, tax credits); (c) transactions fully compliant with arm's-length standards where documentation exists; and (d) internal reorganisations with no tax-avoidance motive and no change in beneficial ownership.

Disclosures must be made within thirty days of: (a) the date the arrangement is implemented; (b) the date the taxpayer becomes aware of the arrangement; or (c) the date any transactional document or instrument is executed, whichever occurs first. The obligation to disclose applies to taxpayers, employers, advisers, promoters, and intermediaries. The disclosures are to be filed through the LIRS e-tax Portal, or a formal written submission addressed to the Executive Chairman of the LIRS.

Conclusion

The Public Notices mark a shift from legislative enactment to taking active steps that will result in the enforcement of the NTAA by the LIRS. They provide insight into how the LIRS intends to exercise its statutory powers under the new laws.

The desire of the LIRS to enforce the NTAA underscores the importance of proactive compliance and accurate record-keeping. Taxpayers in Lagos State should review their existing processes, contracts, and structures to ensure alignment with the NTAA and the LIRS's enforcement approach to mitigate the risk of penalties.

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