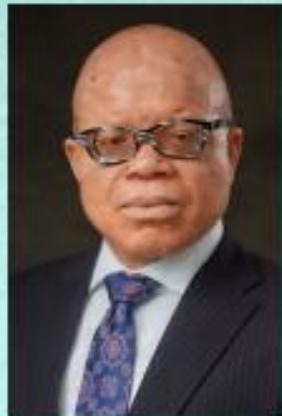




NAVIGATING TAX CERTAINTY IN NIGERIA: UNDERSTANDING ADVANCE TAX RULINGS UNDER THE NIGERIA TAX ADMINISTRATION ACT 2025



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Introduction

In Nigeria's evolving tax landscape, uncertainty about the application of tax laws to specific transactions poses significant risks for businesses and investors, particularly in complex or high-value transactions. Under the previous tax regime, while a tax authority could issue a 'ruling' by way of circulars or a taxpayer could approach a tax authority to obtain a ruling, such rulings (and the power to issue same) were not backed by law. Consequently, while a tax authority could issue a ruling and a taxpayer was entitled to rely on such a ruling by way of legitimate expectation, Nigerian courts have held that rulings by a tax authority were merely opinions.

The court took that position on the ground that a tax authority did not have any statutory basis and authority to issue such a ruling. To address these challenges, provide a means for taxpayers to get a form of certainty and promote voluntary compliance, the Nigeria Tax Administration Act, 2025 ("NTAA") has now introduced a formal framework for "advance rulings" relevant tax authorities (comprising the Nigeria Revenue Service, the Internal Revenue Service of a State, or the Federal Capital Territory in Nigeria) ("RTAs"). This represents a significant step in strengthening certainty, predictability and administrative transparency in Nigeria's tax system.

In this regard, sections 73 to 76 of the NTAA set out the legal framework for advance rulings, including their purpose, application process, scope and legal effect, and the circumstances in which they may cease to apply or be withdrawn. This article examines the key features of advance rulings, the procedural requirements for taxpayers, and the practical benefits and implications associated with advance rulings.

Statutory Framework for Advance Rulings regarding Tax Matters under the NTAA

One of the significant developments introduced into the Nigeria's tax landscape by the NTAA is a formal statutory regime for advance tax rulings. Unlike in the past, where tax rulings were largely administrative and guided by circulars or internal practice, the NTAA now provides a robust legal framework for taxpayers to obtain advance rulings from RTAs.

On what constitutes an advance ruling, Section 147 of the NTAA defines an "Advance Ruling" as any ruling issued by the tax authority in respect of any disputed or controversial tax matter to the taxpayers in accordance with the provisions of relevant tax laws enacted by the National Assembly, or any written opinion or decision issued to a taxpayer by the RTA on a transaction, proposed transaction or any tax matter with a view to providing direction or clarification in accordance with the provisions of the NTAA.



Section 73(1) of the NTAA states that advance rulings may be issued “*for the purpose of clarity, consistency and certainty*” regarding the interpretation and application of tax laws. The section, however, emphasised that advance rulings do not constitute an amendment or replacement of the laws.

This underscores the interpretative (rather than legislative) nature of advance rulings by the RTAs and aligns with the constitutional allocation of law-making powers and implementation of laws to the lawmakers and the executive, respectively.

Form and Content of Advance Rulings

The NTAA empowers a tax authority to make an advance ruling on any provision of a tax law, administration, precedence and policies and, on the application of a taxpayer, issue an advance ruling within twenty-one (21) days of receipt of the application or provide written reasons (to the taxpayer) where it is unable to do so.¹

The 21-day timeline is notable, as it reflects an intention to promote responsiveness and efficiency in tax administration on the part of tax authorities. While the NTAA does not prescribe consequences for non-compliance with this timeline, the requirement itself creates a benchmark against which administrative performance may be assessed.

The NTAA provides that an advance ruling must be issued in the prescribed form and signed by an authorised officer of the RTA. An advance ruling may, among other things, provide:

- (a) whether the ruling is generally applicable or limited to the taxpayer;
- (b) the details of the taxpayer;
- (c) the statutory provisions or legal issues addressed;
- (d) any assumptions or conditions imposed; and
- (e) the period of validity of the ruling.

Application Process and Disclosure Obligations

Applications for advance rulings may be made by a single party or jointly by multiple parties to a tax-related issue or transaction.² Section 73(5) of the NTAA imposes certain disclosure obligation on the applicant(s). Such disclosure obligations include:

¹ Section 73(2) of the NTAA.

² Section 73(4) of the NTAA



- (a) the name, Tax ID, postal address, and contact information (email address and telephone number) of the taxpayer;
- (b) a detailed description of the tax issue or transaction and its financial implications;
- (c) details of any ongoing audit, previous correspondence, or decisions by the RTA;
- (d) the statutory provisions or legal basis being relied upon;
- (e) reasons justifying why the ruling should be granted; and
- (f) a statement on whether the issue or transaction is before any court or tribunal.

These requirements reflect a policy choice to condition advance rulings on full and frank disclosure by the applicant(s). The accuracy and completeness of information provided in an application is critical, as deficiencies that may be subsequently discovered by the RTA will render the ruling void. The RTA also request additional information³ and must, where necessary, provide the applicant with a reasonable opportunity to make representations or provide clarifications.⁴ An applicant retains the right to withdraw the application at any time before the ruling is issued.⁵

Grounds for Rejection

An application for advance rulings will only be valid where it relates to a real tax matter affecting a taxpayer or a transaction regarding the interpretation and application of the tax laws. In this regard, Section 74 of the NTAA allows a tax authority to reject an application for advance ruling where the ruling sought requires the tax authority rendering an opinion, conclusion or determination on:

- (a) the interpretation or application of a foreign law;
- (b) an issue already before a court or tribunal of competent jurisdiction;
- (c) the interpretation of the Constitution of the Federal Republic of Nigeria;
- (d) an issue that is academic, hypothetical, frivolous, or vexatious; and
- (e) would interfere substantially with an ongoing audit or investigation.

This is to ensure that the RTA stays within its administrative role and does not overstep its boundary in the administration, interpretation and application of tax laws.

³ Section 73(6) of the NTAA

⁴ Section 73(7) of the NTAA

⁵ Section 73(8) of the NTAA



Effect, Scope, and Limitations of a Tax Ruling

The scope of an advance ruling under the NTAA is limited to any tax laws enacted by the National Assembly. To be effective, an advance ruling must be within certain prescribed parameters. Section 75 clearly defines the scope and limitations of an advance ruling as follows:

- (a) the ruling is limited to the applicant and the transaction to which it relates;⁶ and
- (b) it is rendered on a set of specific facts and cannot be of general application.⁷

In addition, an advance ruling will become void where (i) there is a material difference between the transaction actually carried out and what was described in the ruling; (ii) there is fraud, misrepresentation, non-disclosure of facts; or (iii) there is a failure to satisfy conditions imposed by the tax authority.⁸

To ensure consistency if there is a change in law, the ruling ceases to be effective if the underlying law is materially amended or if a court changes the legal interpretation on which the ruling was based.⁹ In such cases, the ruling ceases to be effective from the date the legislative change takes effect or from the date of the judgment, unless the judicial decision itself is subsequently overturned. This would help to ensure that there is alignment between advance rulings and the evolving state of the tax laws.

Withdrawal or Modification of Advance Rulings

Section 76 introduces an important safeguard for a tax authority that has issued an advance ruling by allowing it to withdraw or modify an advance ruling at any time, including retrospectively, where the ruling was fraudulently obtained. In such a case, the tax authority shall specify the effective date of the withdrawal or modification.

The allowance for retrospective withdrawal where fraud is discovered is significant and underscores the importance of good faith and full disclosure in the advance ruling process. It should be noted that the NTAA only allows retrospective revocation of a ruling when fraud is discovered, suggesting an intention to protect legitimate expectation by a taxpayer relying on a ruling that the RTA remains bound by its ruling.

⁶ Section 75(1) of the NTAA

⁷ Section 75(2) of the NTAA

⁸ Section 75(3) of the NTAA

⁹ Section 75(4) of the NTAA



Practical Implications for Taxpayers

The formalisation of advance rulings signals Nigeria's transition toward a modern, collaborative, and predictable tax administration system. The introduction of the framework is a positive development for taxpayers in planning their tax position and structuring transactions. For taxpayers, therefore, this framework offers:

- 1. Clarity in transaction structuring:**

From a mergers and acquisition, structuring and financing transaction and corporate restructuring perspective, advance rulings provide clear guidance on how to obtain rulings from tax authorities on how tax laws would apply to specific transactions. This allows parties to structure deals with greater confidence, certainty, anticipate potential tax liabilities, and avoid unintended tax consequences.

- 2. Enhanced financial and strategic planning:**

By obtaining an advance ruling on the expected tax treatment in respect of a transaction, taxpayers can more accurately project post-tax returns, budget for obligations, and make informed investment decisions. This certainty supports both short-term operational planning and long-term strategic initiatives towards achieving set investment objectives.

- 3. Reduction of disputes and Audit risk:**

A valid advance ruling would help a taxpayer to prevent disputes with tax authorities and provides a primary defence during any future tax audit, provided the facts (based on which the ruling was obtained) remain unchanged and accurately disclosed at the time of the ruling.



Conclusion

In conclusion, the NTAAs formalisation of advance rulings provides taxpayers with a statutory mechanism to obtain clarity and certainty on complex or potentially ambiguous tax matters. By clearly outlining the application process, timelines, content requirements, and limitations of rulings, the NTAAs reduces the risk of disputes and strengthens voluntary compliance and disclosure by taxpayers.

For businesses and investors (local and foreign) operating in Nigeria, seeking an advance ruling from the tax authorities can serve as a strategic tool for informed decision-making, effective risk management, informed structuring of transactions and confidence in the application of Nigerian tax laws.

In tax planning and structuring of transactions, taxpayers may rely on the provisions of the NTAAs to apply to a RTA (particularly the Nigeria Revenue Service) to seek an advance ruling on a transaction, proposed transaction or any tax matter with a view for the RTA to provide direction or clarification in accordance with the provisions of the NTAAs.

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